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## **KOOLEARN TECHNOLOGY HOLDING LIMITED**

**新東方在綫科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1797)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Koolearn Technology Holding Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of our Company and our subsidiaries (collectively, our “**Group**”) for the six months ended 30 November 2022 (the “**Reporting Period**”). These interim results have been reviewed by our Board’s audit committee (the “**Audit Committee**”).

In this announcement: (a) “we”, “us”, and “our” refer to our Company, and where the context otherwise requires, our Group; and (b) unless the context otherwise suggests or it is otherwise stated, our condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is our Group’s primary functional currency, and presented figures are approximations that are rounded to the nearest whole number or one decimal place, as appropriate.

## KEY FINANCIAL HIGHLIGHTS

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

(1) Adjusted profit/(loss) (“Adjusted Profit/(Loss)”) for the period represents profit/(loss) for the period less gain on fair value through profit or loss (“FVTPL”) — non-current plus share-based compensation expenses for the period. IFRS refers to the International Financial Reporting Standards (“IFRS”).

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

## BUSINESS OVERVIEW AND OUTLOOK

### *Our business*

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

Since 2021, we have expanded our businesses in livestreaming e-commerce and established Dong Fang Zhen Xuan (東方甄選), which has become a well-known platform for selling top-quality and cost effective agricultural and other products. The platform not only offers an alternate outlet for farmers and local companies to sell their high-quality agricultural and other products to a broader customer base, but also provides a platform which offers a large range of quality products with transparency in pricing to consumers. Leveraging our deep understanding of customers’ needs, we help people select high quality agricultural and other products through our tight supply chain management and diversified cooperation with different third parties. We also create value for consumers by providing a number of private label products under the Dong Fang Zhen Xuan brand, which are designed to be healthy, top-quality and cost-effective, including fresh foods, juice, coffee, tea, bedding, etc. Through direct cooperation with producers and local enterprises, we aspire to promote high-quality products that originally lack sales channels and improve the operation efficiency of the industrial chain, so as to accelerate rural revitalisation and provide more valuable contributions in the long term.

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

Meanwhile, we are also a leading online provider of extracurricular education services in China (“China” or the “PRC”) 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 key operating metrics in livestreaming e-commerce business for the periods indicated are summarised below:

	<b>For the six months ended 30 November 2022</b>
<b>Key operating data</b>	
Gross merchandise volume (“GMV”) (RMB) (billion) <sup>(1)</sup>	<b>4.8</b>
Number of followers on Douyin (million)	<b>35.2</b>
Number of paid orders on Douyin (million)	<b>70.2</b>

*Note:*

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

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

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

*Note:*

(1) The Company has ceased its pre-school and K-12 businesses during the financial year ended 31 May 2022 (“FY2022”) (see the Company’s announcements published on 25 October 2021 and 21 January 2022, collectively, the “**Business Update Announcements**”).

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

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

- (1) The Company has ceased its pre-school and K-12 businesses during FY2022 (see the Business Update Announcements).
- (2) There were tuition fee refunding due to the “Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education” published in July 2021 by the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council of the PRC and the related implementation rules, regulations and measures promulgated by competent authorities.

## Business developments

### *Our financial performance*

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

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

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

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

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

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

### ***Private label products and livestreaming e-commerce***

Since FY2022, we established, Dong Fang Zhen Xuan, an e-commerce platform for selling high-quality products (mainly focusing on agricultural products, daily necessities and books) through the use of livestreaming marketing, leveraging New Oriental Group’s brand recognition, long operating history, the technology of our live-broadcast classrooms and existing pool of talent. We began piloting livestreaming e-commerce events on different social media platforms such as Douyin and Tencent mall, etc.



Dong Fang Zhen Xuan has become a well-known product and technology company that provides agricultural products under our private label, “Dong Fang Zhen Xuan”, as its core product, and the platform formed part of a tight supply chain management and after sale services system which strictly abides by a series of relevant laws and regulations. We set extremely stringent access standards to screen high-quality suppliers, so that each product has better craftsmanship and simpler ingredient lists. Leveraging the deep understanding of customers’ needs and feedback from customers, we continue to expand our product selection and SKUs through the fast development of private labels. Through innovative content, diversified livestreaming activities and with our extensive knowledge and cultural sharing, we provide a unique and pleasant shopping experience to our customers.

As our aspiration and insistence on creating values in the relevant industry have attracted and retained a large group of talents, co-operators as well as followers and members, GMV for the six months ended 30 November 2022 reached RMB4.8 billion. While the GMV from Douyin represented a large majority of our GMV, the total number of paid orders from our third-party products and our private label products on Douyin for the six months ended 30 November 2022 were 70.2 million.

### ***College education***

In our college education segment, we have continued to provide courses for college test preparation and overseas test preparation. Our courses are primarily used by college students and working professionals preparing for standardised tests or seeking to improve their English language proficiency. During the Reporting Period, we adopted multi-channel marketing strategy and organised different events online and offline to attract a more diverse consumer base. Our average spending per enrolment in formal courses of domestic college test preparation business is stabilized at RMB1,025 for the Reporting Period, compared to RMB1,023 for the six months ended 30 November 2021. While in the process of optimizing our course portfolio and offering a whole process solution to student customers, we continued to upgrade our marketing strategy for overseas test preparation, and focusing on exploring oversea market and active cooperation with upstream and downstream institutions. As those initiatives started to bear fruit and there was positive effect from recovering market demand and strengthening branding, our student enrolment numbers in the college education segment increased significantly by 14.5%, recording 315 thousand in the Reporting Period, compared to 275 thousand for the six months ended 30 November 2021.

### ***Institutional customers***

We provide services to institutional customers, which mainly consist of colleges and universities, public libraries, telecom operators and online streaming video providers. During the Reporting Period, apart from the “Craftsmen in the New Era Institution” (新時代工匠學院) project, we are also investing in the research and development in new energy and smart building projects and all-media operator projects. We have increased our investment in content relating to cultural quality education, and in particular, content relating to technology and graphics which is more popular in public libraries. We have also established a strategic cooperation arrangement with China Digital Library (中國數字圖書館) to establish smart reading spaces and smart classrooms in primary and secondary schools and public libraries by leveraging the virtual reality technology and with the aim to improve and enhance the overall development of children.



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

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

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

### **Private label products and livestreaming e-commerce business**

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

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

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

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

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

## **College education**

Whilst our educational offerings remains primarily focusing on courses for postgraduate entrance exams, we will also continue to focus on (i) the development of tailor-made courses targeting occupational students (which accounted for about 50% of the candidates taking postgraduate entrance exams); (ii) the development of tailor-made courses targeting students who are retaking the exam. During the examination season in 2022, the total number of student enrolments increased substantially, which demonstrates a huge potential for our product; (iii) expanding our product offering to include high-end English learning products, given that the overall performance of English learning products during the Reporting Period has increased mainly due to the popularity of new concepts and oral courses. In addition, we have created a professional account on Douyin, the GMV of which is expected to be a new source of growth; and (iv) the building of the overall online traffic pool through advancement from multiple dimensions. In December 2022, our account development and operation was on track and the multi-account matrix of Xiaohongshu (小紅書) was built and operational. In addition, we will launch activities to attract new users, mainly through the omni-channel official website courses, new media and promotion activities, and social fission marketing activities.

## **Overseas test-preparation**

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

## **Institutional cooperation**

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue**

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

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

### ***Private label products and livestreaming e-commerce business***

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

### ***College education***

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

### ***Institutional customers***

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

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

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

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

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

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

### ***Private label products and livestreaming e-commerce business***

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

### ***College education***

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

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

### ***Institutional customers***

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

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

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

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

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

### **Selling and marketing expenses**

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

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

### **Research and development expenses**

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

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

### **Administrative expenses**

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

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

### **Share of result of associates**

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

### **Income tax expenses**

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



## Net profit for the period

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

## Non-IFRS measures

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

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

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

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



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

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

## **OTHER INFORMATION ABOUT OUR FINANCIAL PERFORMANCE**

### **Liquidity and capital resources**

During the Reporting Period, we met our cash requirements primarily from cash and cash equivalents and proceeds from Share Subscription (as defined below). We had cash and cash equivalents of RMB793.7 million as at 30 November 2022 compared to RMB547.4 million as at 31 May 2022 and RMB626.6 million as at 30 November 2021. We had term deposits of RMB743.5 million as at 30 November 2022 compared to RMB682.6 million as at 31 May 2022 and RMB658.7 million as at 30 November 2021. We also had financial assets (current) at FVTPL was RMB716.1 million as at 30 November 2022, compared to RMB359.0 million as at 31 May 2022 and RMB298.3 million as at 30 November 2021. Cash and cash equivalents were represented by bank balances and cash; and bank balances and cash comprised of cash and short-term deposits with an original maturity of three months or less. Financial assets (current) at FVTPL comprised of wealth management products.

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

## Capital expenditure

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

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

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

## Off-balance sheet commitments and arrangements

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

## Future plans for material investments and capital assets

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

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

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

## Significant Investments Held

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

## Employees and remuneration policy

As at 30 November 2022, we had 1,260 full-time employees and 410 part-time employees (30 November 2021: 1,224 full-time employees and 679 part-time employees). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programmes, discretionary bonuses, share awards and share options may be awarded to employees according to assessment of individual performance.

The total remuneration expenses, including share based compensation expense incurred by the Group for the six months ended 30 November 2022 was RMB233.4 million, representing a period on period decrease of 68%.

### **Foreign exchange risk**

Foreign exchange risk arises when commercial transactions or recognised assets and liabilities are denominated in a currency that is not the functional currency of our operating entities. We operate in the PRC with most of the transactions settled in RMB. During the Reporting Period, we had assets and liabilities denominated in United States dollars and Hong Kong dollars (“**HK\$**”). We continuously monitor changes in currency exchange rates and will take necessary measures to mitigate exchange rate impact.

### **Indebtedness**

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

### **Pledge of assets**

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

### **Contingent liabilities**

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

## **EVENTS AFTER THE REPORTING PERIOD**

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

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

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

During the Reporting Period, the Company has adopted and complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules before the amendments to the Corporate Governance Code (the "New CG Code") came into effect on 1 January 2022. The requirements under the New CG Code applies to corporate governance reports for financial years commencing on or after 1 January 2022. Accordingly, for this Reporting Period, which began on 1 June 2022, our Company began being governed under the New CG Code.

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

We have adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regulating our Directors' dealings in our Company's securities. To the best of our Directors' knowledge and belief, all our Directors confirm that they have complied with the required standards set out in the Model Code during the Reporting Period.

## **AUDIT COMMITTEE**

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

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

## **OTHER BOARD COMMITTEES**

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

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

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

## MATERIAL LITIGATION

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

## INTERIM DIVIDEND

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

## NET PROCEEDS FROM THE SHARE SUBSCRIPTION

The Share Subscription was completed on 24 December 2020 and raised approximately HK\$1.783 billion in net proceeds. Subsequent to the Share Subscription, our Group had used the net proceeds from the Share Subscription in the manner and according to the intended uses set out in the circular of the Company dated 14 October 2020. On 21 January 2022, the Board has resolved to change the use of the remaining net proceeds as at the same date and the Group had used the net proceeds in accordance with the intended use as set out in the announcement of the Company dated 21 January 2022. We will gradually utilise the net proceeds, in accordance with the table set out below, within three years from 21 January 2022.

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

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

### Notes:

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022**

	<i>Notes</i>	<b>Six months ended 30 November</b>	
		<b>2022</b> <i>RMB'000</i> <i>(unaudited)</i>	2021 <i>RMB'000</i> <i>(unaudited)</i> <i>(restated)</i>
<b>Continuing operations</b>			
Revenue		<b>2,080,073</b>	301,361
Cost of revenue		<b>(1,097,600)</b>	(121,356)
<b>Gross profit</b>		<b>982,473</b>	180,005
Other income, gains and losses	4	<b>121,261</b>	17,775
Impairment losses (recognised)/reversed under expected credit loss model, net		<b>(112)</b>	83
Selling and marketing expenses		<b>(227,816)</b>	(115,813)
Research and development expenses		<b>(48,253)</b>	(30,901)
Administrative expenses		<b>(62,259)</b>	(158,655)
Share of results of associates		<b>(9,077)</b>	2,336
Finance costs		<b>(923)</b>	(1,665)
<b>Profit/(Loss) before tax</b>		<b>755,294</b>	(106,835)
Income tax expense	5	<b>(170,001)</b>	(1,854)
Profit/(Loss) for the period	7	<b>585,293</b>	(108,689)
Profit/(Loss) and total comprehensive income/(expense) for the period from continuing operations		<b>585,293</b>	(108,689)
<b>Discontinued operations</b>			
Loss and total comprehensive expense for the period from discontinued operations	6	–	(435,308)
<b>Profit/(Loss) and total comprehensive income/(expense) for the period</b>		<b>585,293</b>	(543,997)
<b>Profit/(Loss) for the period attributable to owners of the Company</b>			
– from continuing operations		<b>585,293</b>	(108,689)
– from discontinued operations		–	(435,308)
<b>Total comprehensive income/(expense) for the period attributable to:</b>		<b>585,293</b>	(543,997)
Owners of the Company		<b>585,293</b>	(543,997)

		<b>Six months ended</b>	
		<b>30 November</b>	
	<i>Note</i>	<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b><i>(unaudited)</i></b>	<b><i>(unaudited)</i></b>
			<b><i>(restated)</i></b>
<b>Earnings/(Loss) per share</b>			
From continuing and discontinued operations			
– Basic (RMB)	<i>8</i>	<b>0.58</b>	(0.54)
– Diluted (RMB)	<i>8</i>	<b>0.55</b>	(0.54)
From continuing operations			
– Basic (RMB)	<i>8</i>	<b>0.58</b>	(0.11)
– Diluted (RMB)	<i>8</i>	<b>0.55</b>	(0.11)
		<b><u>0.58</u></b>	<b><u>(0.11)</u></b>



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 NOVEMBER 2022**

	<i>Notes</i>	<b>30 November 2022 RMB'000 (unaudited)</b>	31 May 2022 RMB'000 (audited)
<b>Non-current Assets</b>			
Property and equipment		31,182	34,409
Right-of-use assets		40,237	48,107
Interests in associates		169,074	178,151
Financial assets at fair value through profit or loss	<i>10</i>	106,965	99,429
Deposits for acquisition of property and equipment		103	72
Refundable rental deposits		8,701	7,744
Deferred tax assets		3,161	–
		<u>359,423</u>	<u>367,912</u>
<b>Current Assets</b>			
Inventories		291,591	4,633
Trade and other receivables	<i>11</i>	206,763	37,568
Prepayments		60,508	60,198
Financial assets at fair value through profit or loss		716,066	359,049
Term deposits		743,467	682,588
Bank balances and cash		793,713	547,445
		<u>2,812,108</u>	<u>1,691,481</u>
<b>Current Liabilities</b>			
Lease liabilities		30,112	27,529
Contract liabilities	<i>12</i>	226,607	163,240
Refund liabilities		17,121	13,926
Trade payables	<i>13</i>	363,125	23,598
Accrued expenses and other payables		173,737	163,236
Income tax payables		52,311	1,798
		<u>863,013</u>	<u>393,327</u>
<b>Net Current Assets</b>		<u>1,949,095</u>	<u>1,298,154</u>
<b>Total Assets less Current Liabilities</b>		<u>2,308,518</u>	<u>1,666,066</u>

	<b>30 November 2022 RMB'000 (unaudited)</b>	31 May 2022 RMB'000 (audited)
<b>Capital and Reserves</b>		
Share capital	130	129
Reserves	<u>2,291,065</u>	<u>1,640,879</u>
<b>Total Equity</b>	<b><u>2,291,195</u></b>	<b><u>1,641,008</u></b>
<b>Non-current Liabilities</b>		
Deferred tax liabilities	4,571	3,818
Lease liabilities	<u>12,752</u>	<u>21,240</u>
	<u>17,323</u>	<u>25,058</u>
<b>Net Assets</b>	<b><u>2,291,195</u></b>	<b><u>1,641,008</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

## 1. GENERAL INFORMATION

Koolearn Technology Holding Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 7 February 2018 under the Companies law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. New Oriental Education & Technology Group Inc. (“**New Oriental Group**”) is the ultimate controlling shareholder of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “**Group**”) are providing online education services to pre-school children, primary and middle school students (such businesses were discontinued during the year ended 31 May 2022 (Note 6)), college students and other occupational people in the People’s Republic of China (the “**PRC**”). The Group provides education and related services to institutional customers such as public libraries and universities in the PRC. The Group also operates private label products and livestreaming e-commerce (the “**Livestreaming E-Commerce**”) business for sales of private label products to individual customers and commission services.

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

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

On 24 July 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the PRC jointly issued the “Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (compulsory education includes primary school education of 6 years and middle school education of 3 years, together as the “**Compulsory Stage Education**”)” (the “**Opinion**”). The Opinion has a material adverse impact on the Group’s after-school tutoring services relating to academic subjects in the PRC’s Compulsory Stage Education, which is part of the Group’s K12 education business. In order to fully comply with the Opinion, the Group ceased its K12 and pre-school businesses during the year ended 31 May 2022, which were presented as discontinued operations in the Group’s annual financial statements for the year ended 31 May 2022. Accordingly, the comparative figures of the interim financial statements has also been re-presented.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

### **Application of amendments to IFRSs**

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

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

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

### **Accounting policies which became relevant to the Group**

#### ***Revenue – membership program***

The Group operates a membership program through which customers can earn membership points from qualified purchases. The membership points can be used to redeem coupons that can be applied against amounts owed to the Group in future purchases.

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

### 3. 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 goods or services provided.

Operating segments regarding the online education service targeted to the Compulsory Stage Education and the high school education (“**K12 Education**”) and online education service targeted to pre-school children (“**Pre-school Education**”) were discontinued during the year ended 31 May 2022. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 6.

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

1. College Education – online education service targeted to college and above students and adults.
2. Institutional Customers – online education service provided to institutional customers.
3. Private Label Products and Livestreaming E-Commerce – online live commerce with privacy label products sold to individual customers and commission services.

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

**For the six months ended 30 November 2022 (unaudited)**

#### *Continuing operations*

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

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

***Continuing operations***

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

Segment gross profit is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Segment gross profit is gross profit earned by each segment and other income, gains and losses, impairment losses (recognised)/reversed under expected credit loss model, net, selling and marketing expenses, research and development expenses, administrative expenses, share of results of associates and finance costs are excluded from segment result.

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

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

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

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

	Six months ended 30 November	
	2022 <i>RMB'000</i> <i>(unaudited)</i>	2021 <i>RMB'000</i> <i>(unaudited)</i> <i>(restated)</i>
<b>Continuing operations</b>		
Net foreign exchange gain	96,617	3,313
Interest income from bank balances	2,350	1,568
Interest income from term deposits	5,348	4,702
Interest income from rental deposits	181	141
Gain on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)	13,007	8,142
Loss on disposal of property and equipment	(793)	–
Additional value added tax (“VAT”) input deduction <sup>(i)</sup>	469	678
Gain on early termination of lease contracts	935	–
Others	3,147	(589)
	<u>121,261</u>	<u>17,775</u>

*Note:*

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

#### 5. INCOME TAX EXPENSE

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



## 6. DISCONTINUED OPERATIONS

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

The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the K12 and pre-school businesses as discontinued operations. The results for the six months ended 30 November 2021 from the discontinued K12 and pre-school operations are set out below.

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

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

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

Six months ended  
30 November 2021  
*RMB'000*  
*(unaudited)*

### Cash flows used in discontinued operations

Net cash outflows from operating activities	(673,444)
Net cash inflows from investing activities	4,903
Net cash outflows from financing activities	(23,661)
	<hr/>
Net cash outflows	<u>(692,202)</u>

## 7. PROFIT/(LOSS) FOR THE PERIOD

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

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

## 8. EARNINGS/(LOSS) PER SHARE

### For continuing operations

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

	Six months ended 30 November	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(restated)</i>
<b>Earnings/(Loss):</b>		
Earnings/(Loss) for the period attributable to owners of the Company	585,293	(543,997)
Less:		
Loss for the period from discontinued operations attributable to owners of the Company	–	(435,308)
Earnings/(Loss) for the purpose of calculating basic and diluted earnings/(loss) per share from continuing operations	<u>585,293</u>	<u>(108,689)</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,003,695,178	1,000,690,478
Effect of dilutive potential ordinary shares:		
Share options	<u>59,297,507</u>	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>1,062,992,685</u>	<u>1,000,690,478</u>

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

### **From continuing and discontinued operations**

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

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

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

### **From discontinued operations**

During the six months ended 30 November 2021, both basic and diluted loss per share for the discontinued operations was RMB0.43 per share based on the loss for the period from the discontinued operations of approximately RMB 435,308,000 and the denominators detailed above for both basic and diluted loss per share.

## **9. DIVIDENDS**

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

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

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

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

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

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

## 11. TRADE AND OTHER RECEIVABLES

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

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:

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

## 12. CONTRACT LIABILITIES

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

## 13. TRADE PAYABLES

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

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

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

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company website at [www.koolearn.hk](http://www.koolearn.hk). Our Group's interim report for the six months ended 30 November 2022 will be published on the same websites of the Stock Exchange and our Company and will be dispatched to our shareholders in due course.

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

Hong Kong, 17 January 2023

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