



KOOLEARN TECHNOLOGY HOLDING LIMITED

新東方在綫科技控股有限公司

FY2021 INTERIM RESULTS ANNOUNCEMENT

**Diversifying Course Offerings Improved Differentiated Advantages
Student Enrolments in K-12 Education Segment Surged by 143.4% Period-on-Period**

22 Jan 2021, Hong Kong **Koolearn Technology Holding Limited** (“**Koolearn**” or the “**Company**”, together with its subsidiaries, the “**Group**”, stock code: **1797.HK**) today announced the unaudited consolidated results for the six months ended 30 November 2020 (“**Reporting Period**”).

Key Financial Highlights:

- Total Revenue increased by 19.2% to RMB676.8 million in the Reporting Period from RMB567.6 million over the previous fiscal period. Among them, total net revenue from K-12 education segment surged by 162.9% period-on-period.
 - Revenue from the college education segment decreased by 19.1% to RMB292.4 million, mainly due to the adjustment and upgrading of principle product lines in college education segment since the last fiscal year, as well as prolonged effects from the cancellation of certain domestic or overseas exams and imposition of travel restrictions since the COVID-19 outbreak.
 - Revenue from the K-12 education segment increased by 162.9% to RMB336.9 million, mainly driven by the accelerated expansion in Koolearn K-12 courses and DFUB courses.
 - Revenue from the pre-school education segment decreased by 79.3% to RMB4.4 million, primarily due to the optimisation and upgrade of Donut English-learning application and the termination of live English courses for Donut online classroom in the 2020 fiscal year.
- Gross profit decreased to RMB153.1 million in the Reporting Period from RMB317.1 million over the previous fiscal period; gross profit margin decreased to 22.6% in the Reporting Period from 55.9% over the previous fiscal period, primarily due to the Company’s robust development in the K-12 segment.
- Loss for the period increased to RMB674.4 million in the Reporting Period from RMB87.5 million over the previous fiscal period.

Key Operation Highlights:

- Total student enrolments increased by 62.5% period-on-period to 2.14 million in the Reporting Period.
- Student enrolments in the K-12 education segment increased by 143.4% to 1.84 million in the Reporting Period. Among them, student enrolments for Koolearn K-12 courses recorded period-on-period growth of 134.4%, and student enrolments for DFUB courses grew period-on-period by 170.3%.
- As of 30 November 2020, DFUB had entered into 271 cities across 26 provinces in China, 99 of which are new cities.
- For college education segment, the average spending per enrolment in formal courses increased to RMB1,282 in the Reporting Period from RMB1,128 over the previous fiscal period, as the Company further improved the product structure and concentrated on higher-priced and more intensive college test preparation and overseas test preparation businesses.

Mr. Minhong Yu, Chairman of Koolearn Technology Holding Limited, said: “We expect fiscal year 2021 to be a year of both challenges and achievements. Despite the continued impact of COVID-19 on the global economy, as well as on some business lines in our Company, we made impressive progress

benefiting from our long-term growth strategies, as well as the effective measures we have taken to respond to the pandemic. Looking forward, despite the growing competition in the industry, we remain confident in the online education industry and the Company's rapid growth. We will continue to advance our development strategy to achieve our goal of making quality education accessible and affordable to more students across China."

Mr. Dongxu Sun, Chief Executive Officer of Koolearn Technology Holding Limited, said: "During the Reporting Period, we implemented differentiated course strategy and continued to invest in talents, products and services, technology platforms and operations, which helped us achieve strong operating results. Our total student enrolments made significant growth, especially our K-12 education segment has grown rapidly. Our Koolearn K-12 large classes have become another long-term growth driver, while our unique DFUB small classes continued to expand its penetration in lower tier cities in China. We will continue to pursue a "customer-focused" strategy and constantly upgrade and improve the design and functionalities of our course offerings to meet the needs of our users. In the meanwhile, through both online and offline channels, we are committed to implementing a differentiated marketing strategy that optimises operational efficiency and improves brand stickiness and awareness, therefore further consolidating our leading position in the online education industry."

Financial Overview of Each Business Segment:

- **College education:** During the Reporting Period, revenue from the college education segment decreased by 19.1% to RMB292.4 million, student enrolments decreased to 299 thousand from 526 thousand over the previous fiscal period. The decrease was mainly due to the adjustment and upgrading of principle product lines in college education segment since the last fiscal year, as well as prolonged effects from the cancellation of certain domestic or overseas exams and imposition of travel restrictions since the COVID-19 outbreak. However, the product structure adjustment has yielded results, the average spending per enrolment in formal courses increased to RMB1,282 over the Reporting Period from RMB1,128 in the previous fiscal period. And the gross profit margin increased to 69.1% from 68.5% over the previous fiscal period.
- **K-12 education:** During the Reporting Period, revenue from the K-12 education segment increased by 162.9% to RMB336.9 million, mainly driven by the accelerated expansion in Koolearn K-12 courses and DFUB courses. Student enrolments in the K-12 education segment increased by 143.4% to 1.84 million. Among them, student enrolments for Koolearn K-12 courses and DFUB courses recorded period-on-period growth of 134.4% and 170.3%, respectively.
- **Pre-school education:** During the Reporting Period, revenue from the pre-school education segment decreased by 79.3% to RMB4.4 million, primarily due to the optimisation and upgrade of Donut English-learning application and the termination of live English courses for Donut online classroom in the 2020 fiscal year.

Other Key Financial News:

- The adjusted loss in the Reporting Period is RMB661.4 million, while the adjusted loss is RMB56.3 million in the first half of FY2020.
- The LBITDA in the Reporting Period recorded a loss of RMB507.6 million, while the LBITDA in the first half of FY2020 recorded a loss of RMB108.8 million.
- The balance of cash and cash equivalents and term deposits in the Reporting Period is RMB1.9 billion and RMB330.4 million.

Strategic Update and Future Development:

Looking ahead, The Company will continue to pursue a "customer-focused" strategy and prioritise customer needs to offer innovative solutions, develop products and services that are specifically catered to our target audience.

For the college education segment, despite the cancellation and postponement of exams due to the COVID-19 pandemic, the Company has responded quickly to the potential challenges by introducing a series of new initiatives to stabilise business and improve efficiency. Besides continuously optimizing existing products and services, the Company will further strengthen cooperation with New Oriental Group, our parent company, in respect of branding, education resources and multi-channel marketing services. We believe this will allow the Company to upgrade customer acquisition channels and further

expand student base in order to offer more differentiated services and alternative solutions to clients. At the same time, the Company will expand overseas promotional efforts in order to increase overseas user base.

For Koolearn K-12 courses, the Company continued to increase the amount of resources directed towards improving our teaching, tutoring, research and development and teacher training capabilities. Leveraging on close relationship with New Oriental Group, our parent company, the Company has incorporated New Oriental's 27 years of know-how, successful seven-step teaching methods and continuous progress in our online teaching methodologies. The Company aim to capitalize on strength in teaching English as a subject and launch a new version of AI+ online courses with both Chinese and foreign teachers teaching together to create an immersive and bilingual learning experience for students. The Company will utilize developed scientific and technological innovation within courses, services and managerial systems to constantly improve each student's learning efficacy and outcomes. Through both online and offline channels, the Company are committed to implementing a differentiated marketing strategy that optimises operational efficiency and improves brand stickiness and awareness, helping both existing and prospective customers form an emotional connection with the Company's brand, and in turn, allow Koolearn to differentiate itself from competitors.

For DFUB small classes, the Company plans to further capitalise on first-mover advantage and continue to accelerate expansion into greater geographic areas. The Company will continue to invest extensively in employees, and also implement a more stringent and comprehensive internal staff performance evaluation system, in order to ensure the constant supply of excellent teachers and attract more full-time talents. In addition, the Company's adoption of differentiated marketing strategies and commitment to improving teaching quality, technology infrastructure, product offerings, and operational efficiency will help ensure Koolearn's long-term sustainability and success.

About KOOLEARN TECHNOLOGY HOLDING LIMITED

KOOLEARN TECHNOLOGY HOLDING LIMITED is a leading online provider of extracurricular education services in China with a comprehensive portfolio of well-recognized brands known for high-quality courses and content, with core expertise in online after-school tutoring and test preparation. According to the Frost & Sullivan Report, the Company is the largest comprehensive online after-school tutoring and test preparation service provider in China in 2017 in terms of revenue. The Group was founded with New Oriental since 2005. New Oriental has more than 27 years of experiences as the pioneer of China's private education industry. The Group provides courses and products through different online platforms and mobile applications in multiple formats across three core segments, namely college education, K-12 education and pre-school education segments. The Group strives to become a lifelong learning partner, empowering students to achieve their full potential. The Group has established a portfolio of well-known online education brands which known for quality courses and content. Koolearn, the Group's flagship brand, is the largest online education brand in the college test preparation market in China, with a market share of 8.2% in 2017 in terms of revenue according to Frost & Sullivan. Moreover, the innovative courses under DFUB and Donut brands continue to gain recognition among K-12 and pre-school students and their parents, respectively.

For more information about the Company, please visit www.koolearn.hk

For inquiry, please contact:

Investor / Analyst:

Ms. Helen Song

Tel: +8610 6260 9000

Email: songjie@koolearn.com

Media:

Ms. Ivy Lu

Tel: +852 3150 6788

Email: ivy.lu@pordahas.com

Non-IFRS measures

To supplement the financial information that is prepared and presented 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 the potential impact of items that our management do not consider to be indicative of our operating performance. We also believe that 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 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 (credit), share-based compensation expenses, finance costs, impairment losses under expected credit loss model, net of reversal, depreciation of property and equipment and depreciation of right-of-use assets less other income, gains and losses for the period.

Appendix:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 NOVEMBER 2020**

	Six months ended 30 November	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	676,755	567,641
Cost of revenue	<u>(523,621)</u>	<u>(250,535)</u>
Gross profit	153,134	317,106
Other income, gains and losses	63,958	88,754
Impairment losses under expected credit loss model, net of reversal	(3,145)	(209)
Selling and marketing expenses	(515,316)	(291,553)
Research and development expenses	(234,100)	(128,883)
Administrative expenses	(128,095)	(78,797)
Share of results of associates	3,535	3,274
Finance costs	(7,373)	(4,555)
Loss before tax	(667,402)	(94,863)
Income tax (expense) credit	(7,024)	7,347
Loss for the period	(674,426)	(87,516)
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>—</u>	<u>124</u>
Total comprehensive expense for the period	(674,426)	(87,392)
Loss for the period attributable to:		
Owners of the Company	(674,426)	(71,282)
Non-controlling interests	<u>—</u>	<u>(16,234)</u>
	(674,426)	(87,516)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(674,426)	(71,158)
Non-controlling interests	<u>—</u>	<u>(16,234)</u>
	(674,426)	(87,392)
Loss per share		
- Basic and diluted (RMB)	(0.72)	(0.08)

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**
AS AT 30 NOVEMBER 2020

	30/11/2020 <i>RMB'000</i> (unaudited)	31/05/2020 <i>RMB'000</i> (audited)
Non-current Assets		
Property and equipment	152,857	81,676
Right-of-use assets	329,354	331,122
Interests in associates	85,993	82,458
Financial assets at fair value through profit or loss	317,420	183,328
Deposits for acquisition of property and equipment	4,810	13,852
Refundable rental deposits	16,605	15,396
	<u>907,039</u>	<u>707,832</u>
Current Assets		
Trade and other receivables	40,942	41,993
Prepayments	48,272	70,838
Financial assets at fair value through profit or loss	764,064	277,800
Term deposits	330,438	1,470,530
Bank balances and cash	1,852,839	480,251
	<u>3,036,555</u>	<u>2,341,412</u>
Current Liabilities		
Lease liabilities	93,915	77,263
Contract liabilities	492,141	420,103
Refund liabilities	65,857	36,491
Trade payables	23,905	34,067
Accrued expenses and other payables	1,660,663	343,752
	<u>2,336,481</u>	<u>911,676</u>
Net Current Assets	<u>700,074</u>	<u>1,429,736</u>
Total Assets less Current Liabilities	<u>1,607,113</u>	<u>2,137,568</u>
Capital and Reserves		
Share capital	121	120
Reserves	1,342,274	1,863,580
Total Equity	<u>1,342,395</u>	<u>1,863,700</u>
Non-current Liabilities		
Deferred tax liabilities	32,751	25,648
Lease liabilities	231,967	248,220
	<u>264,718</u>	<u>273,868</u>
	<u>1,342,395</u>	<u>1,863,700</u>

**LOSS FOR THE PERIOD TO ADJUSTED LOSS AND
LBITDA**

	Six months ended 30 November 2020 RMB'000 (unaudited)	Six months ended 30 November 2019 RMB'000 (unaudited)
Reconciliation of our loss for the period to Adjusted Loss:		
Loss for the period	(674,426)	(87,516)
Less:		
Gain on fair value changes of financial assets at FVTPL — Non-current assets	134,092	14
Add:		
Share-based compensation expenses	147,105	31,280
Adjusted Loss for the period	(661,413)	(56,250)
 Reconciliation of loss for the period to LBITDA		
Loss for the period	(674,426)	(87,516)
Add:		
Income tax expenses(credit)	7,024	(7,347)
Share-based compensation expenses	147,105	31,280
Finance costs	7,373	4,555
Impairment losses under expected credit loss model, net of reversal	3,145	209
Depreciation of property and equipment	17,793	6,200
Depreciation of right-of-use assets	48,335	32,544
Less:		
Other income, gain and losses	63,958	88,754
LBITDA	(507,609)	(108,829)