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KOOLEARN TECHNOLOGY HOLDING LIMITED

新東方在線科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1797)

CONTINUING CONNECTED TRANSACTION REVISION OF ANNUAL CAPS FOR PAYMENT SERVICES TRANSACTION UNDER THE TENCENT FRAMEWORK AGREEMENT

Reference is made to the continuing connected transactions between the Group and Tencent under the Tencent Framework Agreement dated 13 March 2019, details of which were disclosed in the “Connected transactions” section of the Prospectus.

For the reasons set out in this announcement, the Directors have determined that the Original Annual Caps for the Payment Services Transaction will not be sufficient, and have considered and approved, by way of unanimous written resolutions passed on 23 May 2019 (after trading hours), the Revised Annual Caps of RMB1.9 million, RMB5.2 million and RMB7.9 million, for FY 2019, 2020 and 2021, respectively.

Given that the highest applicable percentage ratio calculated with reference to the Revised Annual Caps (using the highest annual cap) is more than 0.1% but less than 5%, the Payment Services Transaction is subject to the reporting, announcement and annual review requirements but is exempted from the circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

TENCENT FRAMEWORK AGREEMENT

Reference is made to the continuing connected transactions between the Group and Tencent under the Tencent Framework Agreement dated 13 March 2019, details of which were disclosed in the “Connected transactions” section of the Prospectus.

The principal terms of the Tencent Framework Agreement are as follows:

- (a) the Group and Tencent has entered, and will continue to enter, into certain strategic collaborations, including the provision by Tencent to the Group of payment services (“**Payment Services Transaction**”).

- (b) the term of the Tencent Framework Agreement is three years from the Listing Date to the date immediately before the third anniversary of the Listing Date (being from 28 March 2019 to 27 March 2022, both days inclusive).

PAYMENT SERVICES TRANSACTION

The Payment Services Transaction under the Tencent Framework Agreement allows the Group's users to make payments to the Group online through payment channels provided by Tencent ("**Tencent Payment Channels**"), such as through Weixin Pay (微信支付), a commonly used online payment channel in China.

The service fees for the Payment Services Transaction are agreed between the parties based on, among others, market comparable rates offered by other service providers offering similar or comparable services, compared with the service fee rates proposed by Tencent, and with consideration to the convenience of having different services integrated and offered under the "Tencent" ecosystem.

The service fees for the Payment Services Transaction are calculated according to a fixed commission percentage of the amount of proceeds settled through the Tencent Payment Channels.

During FY 2016, 2017, 2018 and the six-months ended 30 November 2018, the Group incurred approximately RMB111,000, RMB301,000, RMB663,000 and RMB733,000, respectively, in respect of the Payment Services Transaction.

REVISION OF ANNUAL CAPS

The Original Annual Caps for the Payment Services Transaction for FY 2019, 2020 and 2021 were RMB1.2 million, RMB1.9 million and RMB2.9 million, respectively.

Since the date of the Prospectus, there has been an unexpected surge in the number and value of payments to the Group settled by users through the Tencent Payment Channels. On the assumption that this trend of more users opting to settle through Tencent Payment Channels over alternative channels is likely to continue for the remainder of FY 2019 and the remaining term of the Tencent Framework Agreement, the Directors have determined that the Original Annual Caps for the Payment Services Transaction are insufficient.

The Directors have therefore considered and approved, by way of unanimous written resolutions passed on 23 May 2019 (after trading hours), the Revised Annual Caps of RMB1.9 million (approximately HK\$2.2 million)⁽¹⁾, RMB5.2 million (approximately HK\$5.9 million)⁽¹⁾ and RMB7.9 million (approximately HK\$9.0 million)⁽¹⁾ for FY 2019, 2020 and 2021, respectively.

The Revised Annual Caps have been determined with reference to the existing factors underlying the Original Annual Caps, and modified in light of the recent surge in the proportion of users opting to settle payments to the Group through Tencent Payment Channels instead of alternative payment methods and channels, and the value of the Group's payments settled through the Tencent Payment Channels.

Note:

- (1) For the purposes of illustration only, the amount denominated in HK\$ is calculated at the rate of HK\$1 to RMB0.87899 (being the RMB central parity rate announced by the People's Bank of China as at the date of this announcement).

As none of the Directors (including Ms. LEUNG Yu Hua Catherine, who is a director and also an officer and/or employee of one or more companies within Tencent) have any material interest in the continuing connected transactions in relation to the Payment Services Transaction under the Tencent Framework Agreement or the Revised Annual Caps, no Director was required to abstain from voting on the Board resolutions approving the Revised Annual Caps.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) have considered the Tencent Framework Agreement and the circumstances concerning the Revised Annual Caps for the Payment Services Transaction and have determined that: (i) the Revised Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the terms of the Tencent Framework Agreement are fair and reasonable and the transactions thereunder (including the Payment Services Transaction) have been, and are, provided on normal commercial terms or better, in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the provision of online extracurricular education services in China, with a comprehensive portfolio of well-recognised brands and core expertise in after-school tutoring and test preparation.

Tencent is an internet-based technology and culture enterprise headquartered in China.

LISTING RULES IMPLICATIONS

Shenzhen Tencent Computer is a subsidiary of Tencent. As at the date of this announcement, Shenzhen Tencent Computer and Tencent are connected persons of the Company under the Listing Rules by virtue of them being close associates (as defined in the Listing Rules) of Linzhi Tencent, which is a substantial shareholder and connected person of the Group. Any transaction between the Group and Tencent is accordingly a connected transaction and the Tencent Framework Agreement is a continuing connected transaction.

Given that the highest applicable percentage ratio calculated with reference to the Revised Annual Caps (using the highest annual cap) is more than 0.1% but less than 5%, the Payment Services Transaction is subject to the reporting, announcement and annual review requirements but is exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“Board”	the board of Directors
“China” or “PRC”	The People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company”	Koolearn Technology Holding Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 7 February 2018, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it by the Listing Rules
“consolidated affiliated entity(ies)”	an entity or entities controlled by the Company through a series of contractual arrangements, details of which are described in the “Contractual Arrangements” section of the Prospectus. Consolidated affiliated entities are considered the Company’s subsidiaries
“Directors”	the directors of the Company
“FY”	the financial year ended 31 May
“Group”	the Company and its subsidiaries (including the consolidated affiliated entities) from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Linzhi Tencent”	Linzhi Tencent Technology Co., Ltd., a company incorporated under the laws of the PRC on 26 October 2015, a substantial shareholder at the subsidiary level
“Listing Date”	28 March 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Annual Caps”	the annual cap amounts set for the total transaction value for the Payment Services Transaction under the Tencent Framework Agreement for FY 2019, 2020 and 2021 as disclosed in the Prospectus, being RMB1.2 million, RMB1.9 million and RMB2.9 million, respectively

“percentage ratios”	has the meaning ascribed to it in the Listing Rules
“Prospectus”	the Company’s prospectus dated 15 March 2019
“Revised Annual Caps”	the revised annual cap amounts set for the total transaction value of the Payment Services Transaction under the Tencent Framework Agreement for FY 2019, 2020 and 2021, being RMB1.9 million, RMB5.2 million and RMB7.9 million, respectively
“RMB”	Renminbi, the lawful currency of China
“Shareholder(s)”	holder(s) of shares in the Company
“Shenzhen Tencent Computer”	Shenzhen Tencent Computer Systems Co., Ltd., a subsidiary of Tencent
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Tencent”	Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700), and/or its subsidiaries from time to time, as the case may be
“Tencent Framework Agreement”	the framework agreement entered into between the Company (for itself and on behalf of other members of the Group) and Shenzhen Tencent Computer on 13 March 2019, details of which are disclosed in the “Connected transactions” section of the Prospectus
“%”	per cent

* *for identification purposes only*

By order of the Board of the Company
Mr. YU Minhong
Chairman

Hong Kong, 23 May 2019

As of the date of this announcement, the Board comprises Ms. SUN Chang, Mr. YIN Qiang and Mr. PAN Xin as executive Directors; Mr. YU Minhong, Mr. WU Qiang and Ms. LEUNG Yu Hua Catherine as non-executive Directors; and Mr. CHI Yufeng, Mr. TONG Sui Bau and Mr. KWONG Wai Sun Wilson as independent non-executive Directors.