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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)

# SUPPLEMENTAL ANNOUNCEMENT ON DISCLOSEABLE AND CONNECTED TRANSACTION FOR THE ACQUISITION OF 49% OF DONGFANG YOUBO

We refer to: (a) our Company's announcement of 16 August 2019 ("DFUB Announcement") on our Group's acquisition of the remaining 49% interest in Dongfang Youbo from Tianjin Qiancheng (a connected person of our Company at the subsidiary level, the additional details of which are set out in our prospectus of 15 March 2019 under the sections headed "History" and "Substantial shareholders"), and (b) the Company's FY 2019 annual results announcement of 16 August 2019 ("Results Announcement").

Unless the context otherwise requires, capitalised terms in this announcement have the same meanings as the DFUB Announcement. All figures in this announcement have been rounded to the nearest decimal place.

We would like to extract certain information contained in our Results Announcement and update the DFUB Announcement in order to provide our Shareholders with additional insight into the Acquisition and its progress.

## FINANCIAL MATTERS

The unaudited financial information of Dongfang Youbo for FY 2018 and FY 2019 are summarised as follows:

	<b>FY 2018</b> <b>RMB</b>	<b>FY 2019</b> <b>RMB</b>
<b>Net assets/(liability) value:</b>	(15.0 million)	(64.4 million)
<b>Total assets:</b>	18.8 million	38.7 million
<b>Revenue:</b>	16.2 million	56.9 million
<b>Gross profit</b>	965.0 thousand	203.3 thousand
<b>Profit/(loss) before tax:</b>	(19.4 million) <sup>(1)</sup>	(49.0 million)
<b>Profit/(loss) after tax:</b>	(19.1 million) <sup>(1)</sup>	(49.7 million)

Note:

- (1) The reduction in the amount between the before-tax loss and after-tax loss was due to the credit of a deferred tax asset that was recognised in FY 2018.

## ADDITIONAL REASONS FOR AND BENEFITS OF THE ACQUISITION

At the date of the DFUB Announcement, Dongfang Youbo was a non-wholly owned subsidiary of our Company. Our Directors believe that it would be in the interest of our Company and our Shareholders to wholly-own Dongfang Youbo and to receive 100% of the economic benefits from its business, DFUB, for the following principal reasons:

**DFUB’s unique business model and synergy with our Koolearn K-12 platform** : We view DFUB as a unique education service provider in the K-12 education space. DFUB offers location-specific live interactive small classes online that brings quality teachers from larger cities in China to students in geographically sparse locations in lower tier cities across China through DFUB’s live streaming online platforms. Its courses are specifically tailored to the local K-12 content being taught to students at their local city.

DFUB complements and offers an alternative learning method to the K-12 education courses offered by our Koolearn platform. Our Koolearn K-12 education platform is largely used by students from first and second tier cities within China, and for which we have recently introduced a modified “dual-teacher model” that has been applied across all K-12 courses on the Koolearn platform. The DFUB’s “single-teacher small class” courses offers an alternative to Koolearn K-12 platform’s “dual-teacher model” courses, and the two delivery methods provide students with greater flexibility as to which teaching method best suits their learning style.

**DFUB’s performance and how this fits into our Group’s business development going forward** : DFUB has been our Group’s fastest growing business in terms of revenue (2,062.9% year-on-year growth in FY 2017/2018 and 251.0% year-on-year growth in FY 2018/2019) and student enrolment numbers (460.0% year-on-year growth in FY 2017/2018, and 316.1% year-on-year growth in FY 2018/2019). As at 31 May 2019, DFUB had entered into 63 cities across 15 provinces in China. This represents a significant growth in DFUB’s presence, which as at 30 November 2018, was in 51 cities across 14 provinces in China. For further information on DFUB, see the sections headed “Business” and “Financial information” in our Prospectus.

As demonstrated by DFUB’s growth over the past three years, we view the K-12 education sector, and in particular, our education platforms operating in this area, as still having significant room and opportunity to grow. Going forward, we plan to, among other areas, focus on developing our K-12 education segment, and we view Dongfang Youbo as a significant contributing factor in enhancing our Group’s presence in the K-12 education market in China. Our business development direction is supported by our appointment of Mr. SUN Dongxu as an executive Director, who, prior to his appointment, was (and continues to be) our Company’s co-chief executive officer (together with our other executive Director, Ms. SUN Chang) focusing on our K-12 education business.

## FURTHER INFORMATION ABOUT THE ACQUISITION

**Basis of consideration** : The RMB94 million consideration for the Acquisition was determined, among other factors, with reference to: (a) a valuation range determined by an independent third party valuer with reference to the value-to-revenue ratio of our Group compared with that of certain comparable education companies listed on the Stock Exchange or The New York Stock Exchange; and (b) Dongfang Youbo's financial performance for FY 2019 and DFUB's business review and outlook, which were discussed in our Results Announcement and summarised above in “ — Additional reasons for and benefits of the acquisition.”

**Progress of the Acquisition** : The Acquisition was conditional upon approval by our Board, which was approved on 16 August 2019 prior to the parties executing the Agreement on the same date.

In accordance with the Agreement, Beijijng Xuncheng (as the purchaser) shall complete the registration of the transfer with relevant government authorities, and pay the consideration, on or before 31 December 2019. As at the date of this announcement, we are pleased to announce that we have finished the registration process for the Acquisition. Payment of the consideration remains to be completed.

By order of the Board of Directors  
**Mr. YU Minhong**  
Chairman

Hong Kong, 2 September 2019

*As of the date of this announcement, the Board of Directors comprises Mr. SUN Dongxu, Ms. SUN Chang, and Mr. YIN Qiang 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.*