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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)

CONTINUING CONNECTED TRANSACTION REVISION OF ANNUAL CAPS OF THREE EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the continuing connected transactions under the New Oriental Framework Agreement and the Tigerstep Framework Agreement, the details of which are disclosed in the section headed “Connected transactions” of the Prospectus.

For the reasons set out in this announcement, our Board has resolved to amend the FY 2021 annual cap for: (a) “promotional services” and “provision of educational materials” transactions under the New Oriental Framework Agreement; and (b) the Tigerstep Framework Agreement, at the board meeting held on 21 August 2020.

For each of these Transactions, the highest applicable percentage ratio calculated with reference to their revised annual cap is more than 0.1% but less than 5%; and as such 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.

NEW ORIENTAL FRAMEWORK AGREEMENT

Reference is made to the continuing connected transactions between our Group and the New Oriental Group under the New Oriental Framework Agreement, the details of which were disclosed in the section headed “Connected transactions” of the Prospectus.

Promotional services

Transaction description

Under this transaction, the Retained New Oriental Group and our Group shall provide to each other advertising, marketing and promotional services, including traffic re-direction, cross-marketing and promotional services, and advertisement services and consulting. The transaction fees shall be agreed between the parties on a fair and reasonable basis with reference to market comparable rates and determined according to a fixed percentage of gross billings generated from such promotional activities or a commission per number of student enrolments over a set period of time.

Transaction fees and annual cap

For FY 2018, FY 2019 and FY 2020, the aggregate service fees under this transaction was approximately RMB57,000, RMB42,000 and nil, respectively. We have set an annual cap for this transaction in FY 2021 of an aggregate of RMB47.2 million, consisting of: (i) RMB45.5 million payable for promotional services received by our Group from the Retained New Oriental Group; and (ii) RMB1.8 million receivable for promotion services offering by our Group to the Retained New Oriental Group.

Reasons and basis for the FY 2021 annual cap

We refer to our annual results announcement for FY 2020 dated 21 August 2020, in which we stated in our “Strategic Update and Future Development” section that we intended to increase our investment in diversified marketing channels. Marketing and promotion of brand awareness in order to raise our brand presence and increase student acquisition remains a key focus for our Group. The Retained New Oriental Group has an extensive network of online promotional portals, offline branches and physical learning centres across China, as well as relationships with a broader student base, many of which may not yet be users of our platforms. In FY 2021, as we focus more on our promotional efforts, we anticipate our marketing avenues and platforms to increase in both scope, quantity and quality. We also intend for the number of students enrolling in our courses to significantly increase. Given that the fees under this transaction are calculated based on, among other factors, a commission per number of student enrolments or a percentage of gross billings, and we anticipate students’ coverage to increase for both us and the Retained New oriental Group as a result of our cross channel promotional efforts, we have set an FY 2021 annual cap to account for our anticipated expenditure and earnings under this transaction.

Provision of educational materials

Transaction description

Under this transaction, the Retained New Oriental Group shall provide educational materials to the Group, including published books and reading materials, teaching materials, tutorial questions and examination materials and student learning materials. In exchange, the Group shall pay the New Oriental Group fees agreed between the parties on a fair and reasonable basis, based on factors including the costs of producing and licensing the materials, fees charged to third-party customers and fees charged by competitors for similar or comparable materials.

Transaction fees and revision of annual cap

For FY 2018, FY 2019 and FY 2020, we have paid to the Retained New Oriental Group approximately RMB5.3 million, RMB5.4 million and RMB1.8 million, respectively, for this transaction. We have revised the FY 2021 annual cap for this transaction from RMB7.1 million to RMB33.0 million.

Reasons and basis for the FY 2021 annual cap

The annual cap for this transaction is based on historical amounts and the availability of various materials from the Retained New Oriental Group, considering the anticipated business needs of our Group for the year and the product of: (i) the educational materials ordered; (ii) the fixed item catalogue price for each item; (iii) a bulk procurement discount; and (iv) the expected order volume for each type of educational material.

We have revised the FY 2021 annual cap mainly due to two developments that affect our sourcing of educational materials: (a) in addition to providing academic education, considering the actual needs of our business, we wish to also focus on fostering a more holistic learning environment for our students, which would include publications authored or recommended by New Oriental's popular educational or successful figures on a range of broader education-related subjects including personal and mental wellbeing, learning optimisation and approaches, and autobiographies, which could also expand our brand effect, that we plan to purchase for the benefit of our students to help cultivate a more balanced educational curriculum and broader sense of wellbeing; and (b) certain educational materials are acquired from the Retained New Oriental Group for sale to our Dongfang Youbo students, in particular, students in third and fourth-tier cities in China; and given the business expansion of Dongfang Youbo's business, we anticipate an increase the volume of materials required in this area.

TIGERSTEP FRAMEWORK AGREEMENT

Reference is made to the continuing connected transactions between our Group and the Tigerstep Group under the Tigerstep Framework Agreement, the details of which were disclosed in the section headed "Connected transactions" of the Prospectus.

Transaction description

Under this framework agreement, the Tigerstep Group has agreed to lease certain properties to our Group to be used as, among other purposes, office space, recording studios and administrative premises. In exchange, our Group shall pay the Tigerstep Group rent at an amount agreed upon periodically between the parties, calculated at a daily rate according to the period of time leased and additional monthly maintenance costs. The daily rate is also determined with reference to market rates of similar premises in nearby locations.

Transaction fees and revision of annual cap

For FY 2018, FY 2019 and FY 2020, we have paid to the Tigerstep Group approximately RMB8.6 million, RMB10.5 million and RMB11.1 million, respectively, for this transaction. We have revised the FY 2021 annual cap for this transaction from RMB13.9 million to RMB20.1 million.

Reasons and basis for the FY 2021 annual cap

The annual cap for this transaction is based on, among other factors, historical transaction amounts and the anticipated usage of different types of premises over the upcoming year. We have revised the FY 2021 annual cap primarily due to the expansion of Dongfang Youbo after our acquisition of the remaining interest in the company in FY 2019 and expansion of its business and presence in cities across China since then.

The revised cap is primarily due to two reasons; (i) our Group has entered into a new lease with the Tigerstep Group for additional premises within the same “New Oriental” building as our headquarters in China (“**our headquarters**”). The additional premises will be used as Dongfang Youbo’s Beijing office. This is in line with our belief in the benefit of consolidating the key offices of our principal subsidiaries within the same premises as, or close to, our head offices, for the reasons that physical proximity of key operational staff and offices would increase business integration and foster a stronger Group culture, as well as facilitate easier communication among departments and facilitate collaboration across business lines. Accordingly, when the opportunity arose to rent additional space in our headquarters, and the rental lease ended for Dongfang Youbo’s existing office location, we seized the opportunity to relocate Dongfang Youbo’s Beijing office to our headquarters and within the “New Oriental” building; and (ii) we have expanded our business lines in Dongfang Youbo’s K-12 business that will result in an increase in teaching, administrative and engineering staff (see our profit warning announcement of 29 July 2020), which would require increased office space in buildings leased by the Tigerstep Group.

CONFIRMATION FROM THE DIRECTORS

One of our Directors, Mr. Yu, is also a director of New Oriental and wholly-owns and controls Tigerstep. Accordingly, Mr. Yu has a material interest in these transactions and has abstained from voting on amending the revised caps for the Transactions at the Board meeting on 21 August 2020.

Our Directors (including the independent non-executive Directors, but excluding Mr. Yu who has abstained from considering the Transactions) have considered the terms of the New Oriental Framework Agreement and the Tigerstep Framework Agreement and the circumstances concerning the revised caps for the three transactions mentioned above and have determined that: (i) the revised caps are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the terms of the New Oriental Framework Agreement and the Tigerstep Framework Agreement are fair and reasonable and the transactions thereunder (including the three transactions mentioned above) have been, and are, provided on normal commercial terms or better, in the ordinary and usual course of business and in the interests of our Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

Our 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.

New Oriental is a comprehensive education services provider that operates a network of schools, learning centres and bookstores across China, and is listed on the New York Stock Exchange (Trading Symbol: EDU). New Oriental is our controlling shareholder (as defined in the Listing Rules).

Tigerstep is an investment holding company wholly-owned and controlled by Mr. Yu, our chairman of our Board and non-executive Director.

LISTING RULES IMPLICATIONS

As mentioned above, New Oriental is our controlling shareholder (as defined in the Listing Rules) and Tigerstep is wholly-owned and controlled by Mr. Yu, our non-executive Director and chairman of our Board. Accordingly, New Oriental, Tigerstep and their respective subsidiaries, are connected persons of our Company under the Listing Rules and each of the Transactions is a connected transaction.

For each of the Transactions, given that the highest applicable percentage ratios calculated with reference to the respective revised cap is more than 0.1% but less than 5%, the transaction is subject to reporting, announcement and annual review requirements but is exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION WITH RESPECT TO THE RELATED PARTY TRANSACTIONS IN THE FY 2019 ANNUAL REPORT

Reference is made to our FY 2019 annual report (the “**2019 Annual Report**”) published on the Stock Exchange's website on 24 September 2019.

Our Company would like to confirm that, aside from the transactions identified under the section headed “Continuing connected transactions” in the Directors' Report contained in the 2019 Annual Report, none of the other related party transactions disclosed under Note 40 to the financial statements of the 2019 Annual Report was a connected transaction that would fall to be disclosed under Chapter 14A of the Listing Rules. Our Company has complied with the requirements in Chapter 14A of the Listing Rules during FY 2019.

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”, “our Company”, or “the 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 (Stock Code: 1797)
“connected person(s)”	has the meaning ascribed to it by the Listing Rules
“Directors”	the directors of the Company
“Dongfang Youbo”	Beijing Dongfang Youbo Network Technology Co., Ltd., a company incorporated under the laws of the PRC on 23 June 2016 and our wholly-owned subsidiary (as defined in the Listing Rules)
“FY”	the financial year ended 31 May
“Group”	our Company and our subsidiaries (as defined in the Listing Rules)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yu”	Mr. YU Minhong, our non-executive Director and chairman of our Board
“New Oriental”	New Oriental Education & Technology Group Inc., a company incorporated under the laws of the Cayman Islands on 16 March 2006, the American depository shares of which are listed on the New York Stock Exchange (Ticker Symbol: EDU) and our controlling shareholder (as defined in the Listing Rules)

“New Oriental Framework Agreement”	a framework agreement dated 13 March 2019 and effective until 27 March 2022, entered into between our Company (for itself and on behalf of the remaining members of our Group) and New Oriental (for itself and on behalf of the remaining members of the Retained New Oriental Group)
“percentage ratios”	has the meaning ascribed to it by the Listing Rules
“Prospectus”	the Company’s prospectus dated 15 March 2019
“Retained New Oriental Group”	New Oriental and its subsidiaries (including consolidated affiliated entities but excluding our Group)
“RMB”	Renminbi, the lawful currency of China
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it by the Listing Rules
“Tigerstep”	Tigerstep Developments Limited, a company incorporated under the laws of the British Virgin Islands, and wholly-owned by Mr. Yu Minhong, our non-executive Director and chairman of our Board
“Tigerstep Framework Agreement”	a framework agreement dated 13 March 2019 and effective until 27 March 2022 entered into between our Company (for itself and on behalf of the remaining members of our Group) and Tigerstep (for itself and on behalf of its subsidiaries)
“Transactions”	(i) the “promotion services” under the New Oriental Framework Agreement, (ii) the “provision of educational materials” under the New Oriental Framework Agreement, and (iii) the Tigerstep Framework Agreement, being the transactions for which the FY 2021 annual caps have been revised
“%”	per cent

By order of the Board
Koolearn Technology Holding Limited
YU Minhong
Chairman

Hong Kong, 21 August 2020

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