
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Koolearn Technology Holding Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Koolearn Technology Holding Limited.



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)

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(2) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF
NEW SHARES
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders*



A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee, Gram Capital, containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 30 of this circular.

A notice convening the EGM of Koolearn Technology Holding Limited to be held at the Company's headquarters in Beijing, Level 18, South Wing, 2 Haidian East Third Road, Haidian District, Beijing, China on Thursday, 5 November 2020 at 11 a.m. or immediately upon the conclusion of the AGM, whichever is later, is set out on pages 37 to 38 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.koolearn.hk).

Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e., not later than 11:00 a.m. on Tuesday, 3 November 2020) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

14 October 2020

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
1. INTRODUCTION	5
2. SUBSCRIPTION OF NEW SHARES	6
3. RANKING OF SUBSCRIPTION SHARES.....	8
4. SPECIFIC MANDATE.....	9
5. APPLICATION FOR LISTING	9
6. BACKGROUND OF THE COMPANY AND THE SUBSCRIBERS	9
7. IMPLICATIONS OF THE LISTING RULES	12
8. EFFECT ON THE SHAREHOLDING OF THE COMPANY	13
9. FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS	14
10. EGM	14
11. RECOMMENDATIONS	15
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	16
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	18
APPENDIX GENERAL INFORMATION	31
NOTICE OF EGM	37

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2020 Annual Report”	the annual report of the Company for the financial year ended 31 May 2020 and published on 14 September 2020
“Announcement”	the announcement dated 8 September 2020 made by the Company in relation to, among others, the Subscription
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China” or the “PRC”	the People’s Republic of China, and for the purposes of this circular only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Closing”	completion of the allotment and issue of the Subscription Shares under the Subscription Agreement
“Company”, “we”, “us” or “our”	Koolearn Technology Holding Limited (新東方在綫科技控股有限公司), a company incorporated in Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1797
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held for the Shareholders or the Independent Shareholders, as appropriate, to consider and, if thought fit, approve, among other things, the Subscription and the Specific Mandate
“Group” or “our Group”	the Company and its subsidiaries from time to time or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board which comprises all the independent non-executive Directors, namely Mr. Lin Zheyang, Mr. Tong Sui Bau, and Mr. Kwong Wai Sun Wilson, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate)
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“Independent Shareholder(s)”	Shareholder(s) other than: (i) the Subscriber and its associates (if any); (ii) those who have a material interest in the Subscription, or any other person who is required by the Listing Rules to abstain from voting on the resolutions approving the Subscription, the allotment and issue of the Subscription Shares and other transactions contemplated under the Subscription Agreement
“Last Trading Day”	8 September 2020, being the last trading day of the Shares on the Stock Exchange before the entry into of the Subscription Agreement
“Latest Practicable Date”	9 October 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Oriental”	New Oriental Education & Technology Group Inc. (新東方教育科技(集團)有限公司), 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 under the symbol “EDU” and our controlling shareholder
“Outstanding Share Options”	99,880,985 outstanding share options granted by the Company as at the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Pre-IPO ESOP”	pre-IPO share option scheme adopted by our Company on 13 July 2018 and subsequently amended on 29 September 2018
“Post-IPO ESOP”	post-IPO share option scheme adopted by our Company on 30 January 2019 and amended from time to time in accordance with Chapter 17 of the Listing Rules

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of US\$0.00002 each
“Shareholder(s)”	holder(s) of our Share(s)
“Share Option Schemes”	the Pre-IPO ESOP and Post-IPO ESOP
“Specific Mandate”	the specific mandate to be granted to the Directors by the requisite majority of the Independent Shareholders (as appropriate) at the EGM for the allotment and issuance of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	New Oriental and Tigerstep, or any one of them, each being a subscriber of the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 8 September 2020 entered into between the Company and the Subscribers in relation to the Subscription
“Subscription Amount”	the aggregate cash consideration payable by the Subscriber(s) for the Subscription Shares at the Subscription Price
“Subscription Price”	US\$3.87 per Subscription Share (corresponding to HK\$30.00 per Subscription Share)
“Subscription Share(s)”	new Shares to be allotted and issued to the Subscriber(s) pursuant to the Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Tigerstep”	Tigerstep Developments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, and a connected person of the Company
“US\$”	U.S. Dollar, the lawful currency of the United States of America
“%”	per cent

DEFINITIONS

Unless otherwise specified, the exchange rate adopted in this circular for illustration purposes is (a) US\$1:HK\$7.752 (being the midpoint rate of US\$ to HK\$ set by the Hong Kong Monetary Authority under the Linked Exchange Rate System as at 8 September 2020); and (b) RMB1:HK\$1.134 (being the midpoint rate of RMB to HK\$ published by the Bank of China as at 8 September 2020).



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)

Executive Directors:

Mr. Sun Dongxu (*Chief Executive Officer*)

Mr. Yin Qiang (*Chief Financial Officer*)

Non-executive Directors:

Mr. Yu Minhong (*Chairman*)

Ms. Sun Chang

Mr. Wu Qiang

Ms. Leung Yu Hua Catherine

Independent Non-executive Directors:

Mr. Lin Zheyang

Mr. Tong Sui Bau

Mr. Kwong Wai Sun Wilson

Registered Office:

P.O. Box 2681

Cricket Square

Hutchins Drive

Grand Cayman, KY1-1111

Cayman Islands

Head Office:

Level 18, South Wing

2 Haidian East Third Road

Haidian District

Beijing, China

Principal Place of Business in Hong Kong:

Level 40, Sunlight Tower

248 Queen's Road East

Wan Chai, Hong Kong

14 October 2020

To Shareholders

Dear Sirs/Madams,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(2) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF
NEW SHARES
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in which it was disclosed that the Company entered into the Subscription Agreement with the Subscribers on 8 September 2020 (after trading hours), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscribers, an aggregate of 59,432,000 new Shares at the Subscription Price of US\$3.87 per Subscription Share (corresponding to approximately HK\$30.00 per Subscription Share), for an aggregate Subscription Amount of US\$230 million (corresponding to approximately HK\$1,783 million). The Subscription is subject to various conditions set out below under the paragraph headed "Closing Conditions."

LETTER FROM THE BOARD

The purpose of this circular is to:

- (a) provide further details of the Subscription and the Specific Mandate;
- (b) set out: (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription and the transactions contemplated thereunder (including the grant of Specific Mandate); and (ii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscription (including the grant of Specific Mandate); and
- (c) give you notice of the EGM and provide a form of proxy to consider and, if thought fit, approve: (i) the Subscription Agreement and the Subscription; and (ii) the Specific Mandate for the allotment and issue of the Subscription Shares.

2. SUBSCRIPTION OF NEW SHARES

The Subscription Agreement

Date: 8 September 2020

Parties:

- (a) the Company (as the issuer)
- (b) New Oriental (as a Subscriber)
- (c) Tigerstep (as a Subscriber)

Subscription:

New Oriental:	51,680,000 new Shares at the Subscription Price of US\$3.87 per Subscription Share (corresponding to approximately HK\$30.00 per Subscription Share), for a Subscription Amount of US\$200 million (corresponding to approximately HK\$1,550.4 million)
Tigerstep:	7,752,000 new Shares at the Subscription Price of US\$3.87 per Subscription Share (corresponding to approximately HK\$30.00 per Subscription Share), for a Subscription Amount of US\$30 million (corresponding to approximately HK\$232.6 million)

LETTER FROM THE BOARD

The Subscription Shares

Each Subscriber's interest as at the Latest Practicable Date and immediately following the Subscription represents approximately:

	% issued share capital as at the Latest Practicable Date	% issued share capital enlarged by the Subscription Shares only (assuming no change in the Company's issued share capital since the Latest Practicable Date)
New Oriental	53.19%	55.20%
Tigerstep	1.69%	2.36%
Total	54.88%	57.56%

Based on the closing price of the Shares of HK\$32.35 per Share on the Last Trading Day, the Subscription Shares have a market value of HK\$1,922.6 million, and the aggregate nominal value of the Subscription Shares is HK\$9,214.3.

Subscription Price

The Subscription Price of US\$3.87 corresponds to HK\$30.00 per Subscription Share and represents:

- (a) a discount of approximately 7.3% to the closing price of HK\$32.35 per Share as quoted on the Stock Exchange on 8 September 2020, being the Last Trading Day;
- (b) a discount of approximately 12.8% to the average closing price of approximately HK\$34.40 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 15.5% to the average closing price of approximately HK\$35.49 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and
- (d) a premium of approximately 1,233.3% to the Company's audited consolidated net asset value per Share as at 31 May 2020 of approximately RMB1.98 (corresponding to approximately HK\$2.25).

LETTER FROM THE BOARD

The Subscription Price was determined after arm's length negotiations between the Company and the Subscribers with reference to recent market prices of the Shares. The Subscription Price was determined with reference to: (i) the closing price of the Shares on the Last Trading Day; (ii) the average trading price of the Shares over the five consecutive trading days up to and including the Last Trading Day; (iii) a benchmark reference to the subscription prices of 11 referenced transactions occurring within the six months prior to the date of the Subscription Agreement involving companies listed on the Stock Exchange issuing new securities to their controlling shareholders, which ranged from a discount of approximately 30% to a premium of approximately 10% to the closing price of the relevant listed companies' shares on the date prior to their respective subscription agreement; and (iv) the fluctuation of the price of the Shares over the year prior to the date of the Subscription Agreement, which ranged from as low as HK\$12.30 to as high as HK\$41.80, with the average closing price of the Shares over the year being HK\$27.08 and the closing price of the Shares prices during the second half of the reviewed year generally remaining above HK\$30.00.

Closing Conditions

Closing is conditional upon the following conditions being satisfied:

- (a) the approval of the Subscription and the transactions and other arrangements (as necessary) contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, by the Independent Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not being subsequently revoked prior to the closing of the Subscription).

In the event that the above conditions are not fulfilled on or before 31 December 2020 (or such later date as may be agreed between the parties), then the Subscription Agreement shall terminate with immediate effect (other than the surviving provisions and without prejudice to the rights and/or obligations of any party in respect of any antecedent breach), and the parties shall be released and discharged from their respective obligations under the Subscription Agreement.

Closing

Closing of the Subscription shall take place at 10.00 a.m. (Hong Kong time) on the date as the Company and the Subscribers agree in writing after the satisfaction of the Closing Conditions and before 31 December 2020 (or such later date as may be agreed between the parties).

On or before the date of the Closing, the Subscribers shall pay to the Company the aggregate Subscription Amount of US\$230 million in cash for the Subscription. On the date of the Closing, the Subscription Shares shall be allotted and issued to the Subscribers free from all liens, charges, security, interests, encumbrances and adverse claims.

3. RANKING OF SUBSCRIPTION SHARES

The Subscription Shares, when issued and fully paid up, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of the allotment and issue of the Subscription Shares, and in particular will rank in full for all dividends and other distributions declared, made or paid at any time after Closing.

LETTER FROM THE BOARD

4. SPECIFIC MANDATE

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be obtained from the Independent Shareholders at the EGM in due course.

5. APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

6. BACKGROUND OF THE COMPANY AND THE SUBSCRIBERS

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.

New Oriental is a comprehensive educational services provider that operates a network of schools, learning centres and bookstores across China, and its American depository shares are listed on the New York Stock Exchange (Ticker Symbol: EDU). New Oriental is our controlling shareholder. To the best of the Company's knowledge based on New Oriental's Form 20-F filed with the U.S. Securities and Exchange Commission on 16 September 2020 and other relevant public filings, New Oriental has one substantial shareholder, namely Tigerstep, which held approximately 12.4% of New Oriental's issued share capital as of the date of the Form 20-F. Aside from Tigerstep, and to the best of the Company's knowledge, New Oriental does not have any other substantial shareholders (as defined in the Listing Rules).

Tigerstep is an investment holding company wholly-owned and controlled by Yu Minhong ("Mr. Yu"), the chairman of our Board and a non-executive Director.

	Shareholding as at the Latest Practicable Date		Shareholding after completion of the Subscription (assuming no change in the Company's issued share capital since the Latest Practicable Date)	
	Shares	%	Shares	%
New Oriental	500,000,000	53.19	551,680,000	55.20
Tigerstep ⁽¹⁾	15,858,832	1.69	23,610,832	2.36
Sub-total	515,858,832	54.88	575,290,832	57.56
Other non-public Shareholders	108,530,017	11.54	108,530,017	10.86
Public Shareholders	315,603,753	33.58	315,603,753	31.58
Total	939,992,602	100.00%	999,424,602	100.00%

LETTER FROM THE BOARD

Note:

- (1) Tigerstep is wholly-owned by Mr. Yu, and accordingly, under the SFO, Mr. Yu is deemed to be interested in all of the interests held by Tigerstep in the Company. Mr. Yu is also beneficially interested in options corresponding to 16,695,285 underlying Shares, none of which have been exercised as at the Latest Practicable Date. For the approximate percentage of interest held by Mr. Yu upon full exercise of his options, please see the table on page 13, and in particular, Note 3 to the table.

Reasons and benefits for the subscription and use of proceeds

New Oriental is the largest provider of private educational services in China offering a wide range of educational programs, services and products to a varied student population throughout China. It is our controlling shareholders and also the Company's parent company. Tigerstep is wholly-owned by Mr. Yu, the founder of New Oriental, the chairman of our Board and non-executive Director. The Subscription will: (a) further strengthen and enhance the collaboration between the Company and New Oriental; (b) further align and strengthen the interests of our Group with that of New Oriental, Tigerstep, and Mr. Yu; (c) allow New Oriental to maintain its majority shareholding interest in the Company and continue to allow the financial accounts of the Group to be consolidated into that of New Oriental; and (d) represents a valuable opportunity for the Company to raise funds to further strengthen its capital base and financial position, thereby laying down a more solid foundation for the Company to further its business development and accelerate its growth in the online education market.

New Oriental is a leader in the education industry in China with an operating history of nearly 30 years and, as of May 31, 2020, a network of more than 100 schools and 1,000 learning centres across China, as well as publishing its own educational materials and resources. Mr. Yu, as New Oriental's founder, is a renowned and respected figure in the education industry in China. The Subscription will increase each of their interests in our Company, and will in turn, allow us to access the wisdom and wealth of experience, knowledge and networks possessed by each of them.

As mentioned above, New Oriental is presently the holding company of our Company and as at the Latest Practicable Date, held approximately 53.19% interest in our issued share capital. Under the Share Option Schemes, the Company may be required to issue new Shares that may cause New Oriental's shareholding in our Company to fall below 50%, at which point in time New Oriental may cease to consolidate our financial results, which may have an impact on the extent to which New Oriental is incentivized to provide support for our business. The Subscription will allow New Oriental to increase its shareholding in our Company and retain statutory control over our Company despite potential dilution pursuant to the Share Option Schemes, and our Directors consider it beneficial for the Company to remain a subsidiary of New Oriental and continue to enjoy the benefits of being part of the "New Oriental" network. The proceeds from the Subscription will also facilitate our further development of our businesses (as further described in the section headed "Use of Proceeds" below), which will also benefit from the ongoing experience of, and support from, New Oriental and its founder, Mr. Yu.

The Directors consider the Subscription as an appropriate means to raise funds. It is a good opportunity to: (a) enhance the capital base of the Company; (b) enable the Company to maintain a sufficient positive cash position for the Group's operation; and (c) provide the Company with the financial flexibility necessary for the Group's continued business development and expansion.

The Company has also considered other forms of fund-raising methods, namely other means of equity financing (such as a rights issue or an open offer). These other means of equity financing, such as a rights issue, which the Company considers would, (i) incur additional costs, including but not limited to underwriting commission and other professional fees; and (ii) take a relatively longer timeframe when compared to the Subscription of new Shares, and would not be in the Company's

LETTER FROM THE BOARD

best interests (as compared with this Subscription). While the Company has considered placing new shares to independent third-parties, the Directors are of the view that placings with New Oriental and Tigerstep would reinforce the Group's strategic alliances with New Oriental (our parent company) and Tigerstep (the entity controlled by our chairman and founder of New Oriental) respectively, providing an efficient means of raising capital for the Group's present needs, as well as strengthening our ties with our parent group and the chairman of our Board, who is not only a pioneer in the education industry, but has also led the New Oriental group and our Group for more than a decade and since the inception of the two respective groups. Accordingly, the Company has entered into Subscription Agreements with the Subscribers to provide the Group with further capital and for strategic alliance reasons.

The Directors (excluding: (i) the independent non-executive Directors whose opinions are included in the Letter from the Independent Board Committee set out elsewhere in this circular; and (ii) Mr. Yu, who has abstained from voting on the Subscription given that he has an interest in it through Tigerstep) consider that the Subscription Price and the other terms and conditions in the Subscription Agreement are fair and reasonable, and the Subscription is in the best interests of the Company and the Shareholders as a whole.

Use of proceeds

The gross proceeds of the Subscription will be approximately HK\$1,783 million. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$1,781 million. The Company will utilise the net proceeds from the Subscription at a rate that will depend on actual business needs and circumstances; and as at the date of this circular, the Company anticipates to use these net proceeds within three years from the Closing date. The Company intends to apply the net proceeds of the Subscription in the manner set out below.

Amount (HK\$ million) (approx.)	Proposed Use	Expected timing for use of the Subscription proceeds	Remaining amount of proceeds from Global Offering for same use as at Latest Practicable Date ⁽¹⁾	Expected timing for use of the remaining IPO proceeds
712.4	<i>Sales and marketing.</i> The Company will use the proceeds to continue to improve and implement sales and marketing activities to expand our student base and increase student engagement, and will include online and offline advertising anticipated to mainly focus our brands, and online and offline courses selling promotions anticipated to mainly focus on the selling of specific courses.	Up to three years from the date of the Subscription	Nil	N/A

LETTER FROM THE BOARD

Amount (HK\$ million) (approx.)	Proposed Use	Expected timing for use of the Subscription proceeds	Remaining amount of proceeds from Global Offering for same use as at Latest Practicable Date ⁽¹⁾	Expected timing for use of the remaining IPO proceeds
712.4	<i>Technology infrastructure.</i> The proceeds will be used to invest in improving and upgrading technology infrastructure, including technical staff recruitment for building and upgrading technology platforms and software content, and purchasing new and renewing existing technology infrastructure,	Up to three years from the date of the Subscription	Nil	N/A
178.1	<i>Our teachers.</i> The proceeds will be used towards our teachers and teaching staff, including their recruitment and training, given that teachers teaching staff and employees form the heart of our business.	Up to three years from the date of the Subscription	Nil	N/A
178.1	<i>Working capital.</i> The proceeds will be used for our working capital and other general corporate purposes.	Up to three years from the date of the Subscription	18.2	One year from the Latest Practicable Date

Note:

- (1) In addition to the uses in this table, as at the Latest Practicable Date the Company also retained amounts of HK\$533.4 million and HK\$71.2 million from the net proceeds of the Global Offering for the purposes of (i) acquisitions and investments and (ii) course development, respectively.

7. IMPLICATIONS OF THE LISTING RULES

New Oriental is our controlling shareholder, while Tigerstep is wholly-owned by Mr. Yu, a Director, and therefore, New Oriental and Tigerstep, being the Subscribers, are a connected person of the Company and an associate of a connected person of the Company respectively, and the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Mr. Yu is interested in the Subscription and has abstained from voting at the Board meeting held to approve the Subscription.

8. EFFECT ON THE SHAREHOLDING OF THE COMPANY

As at the Latest Practicable Date, the Company has 939,992,602 Shares in issue and 99,880,985 outstanding share options (i.e., the Outstanding Share Options) granted by the Company under the Share Option Schemes.

The following table illustrates the shareholding structure of the Company: (i) as at the Latest Practicable Date; (ii) immediately following Closing, assuming none of the Outstanding Share Options will have been exercised (and assuming there will be no change in the issued share capital of the Company for the period between the date of this announcement and Closing, save for the allotment and issue of the Subscription Shares); and (iii) immediately following Closing assuming all of the Outstanding Share Options will have been exercised (and assuming there will be no other change in the issued share capital of the Company for the period between the date of this announcement and Closing, save for the allotment and issue of the Subscription Shares and the exercise of the Outstanding Share Options):

	As at the Latest Practicable Date		Upon Closing assuming none of the Outstanding Share Options will be exercised		Upon Closing assuming all of the Outstanding Share Options will be exercised	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders						
New Oriental	500,000,000	53.19%	551,680,000	55.20%	551,680,000	50.18%
Tigerstep ⁽¹⁾	15,858,832	1.69%	23,610,832	2.36%	23,610,832	2.15%
Subscribers	515,858,832	54.88%	575,290,832	57.56%	575,290,832	52.33%
Image Frame Investment (HK) Limited ⁽¹⁾	90,416,181	9.62%	90,416,181	9.05%	90,416,181	8.22%
Sub-total	606,275,013	64.50%	665,707,013	66.61%	665,707,013	60.56%
Directors and chief executive						
Mr. Yu Minhong ⁽¹⁾⁽³⁾	0	0.00%	0	0.00%	16,695,285 ⁽³⁾	1.52%
Mr. Sun Dongxu	0	0.00%	0	0.00%	8,500,000 ⁽⁴⁾	0.77%
Ms. Sun Chang ⁽⁵⁾	14,742,640	1.57%	14,742,640	1.48%	14,742,640	1.34%
Mr. Yin Qiang ⁽⁶⁾	3,371,196	0.36%	3,371,196	0.34%	6,271,196 ⁽⁷⁾	0.57%
Mr. Wu Qiang	0	0.00%	0	0.00%	1,350,000 ⁽⁸⁾	0.12%
Sub-total	624,388,849	66.42%	683,820,849	68.42%	713,266,134	64.88%
Other Shareholders	315,603,753	33.58%	315,603,753	31.58%	386,039,453	35.12%
Total:	939,992,602	100.00%	999,424,602	100.00%	1,099,305,587	100.00%

Notes:

- (1) Tigerstep is wholly-owned by, controlled by a family trust of which, Mr. Yu is a beneficiary, and as such, under the SFO, Mr. Yu is deemed to be interested in all of Tigerstep's interests in the Company.
- (2) The Shares are held by Image Frame Investment (HK) Limited, which is a subsidiary of Tencent Holdings Limited, and as such, under the SFO, Tencent Holdings Limited is deemed to be interested in all of Image Frame Investment's interests in the Company.

LETTER FROM THE BOARD

- (3) Represents 16,695,285 Shares that may be issued pursuant to an exercise of options granted to Mr. Yu under the Pre-IPO ESOP.

Mr. Yu is also beneficially interested in the Shares held by Tigerstep (see Note 1 above), which are 15,858,832 Shares as at the Latest Practicable Date and 23,610,832 Shares (in aggregate) immediately following the Subscription. As such, immediately following the Subscription, Mr. Yu will be interested in 40,306,117 Shares in aggregate (being 23,610,832 Shares held through Tigerstep and 16,695,285 Shares through Mr. Yu's interest in outstanding options), representing: (a) 4.29% of the Company's current issued share capital; (b) 4.03% of the Company's enlarged issued share capital immediately following the Closing (assuming no change in the Company's issued share capital since the Latest Practicable Date); and (c) 3.67% of the Company's enlarged issued share capital immediately following the Closing (assuming full exercise of the Outstanding Share Options but no other change in the Company's issued share capital since the Latest Practicable Date).

- (4) These interests represent (i) 8,000,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Sun Dongxu under the Pre-IPO ESOP; and (ii) 500,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Sun Dongxu under the Post-IPO ESOP on January 29, 2020.
- (5) The Shares are held by First Bravo Asia Limited, a company wholly-owned by Ms. Sun Chang, and as such, under the SFO, Ms. Sun Chang is deemed to be interested in all of First Bravo's interests in the Company.
- (6) The Shares are held by Perfect Go Industries Limited, a company wholly-owned by Mr. Yin Qiang, and as such, under the SFO, Mr. Yin Qiang is deemed to be interested in all of Perfect Go's interests in the Company.
- (7) These interests comprise of: (i) 2,100,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Yin Qiang under the Pre-IPO ESOP; and (ii) 800,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Yin Qiang under the Post-IPO ESOP on January 29, 2020.
- (8) These interests represent the 1,350,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Wu Qiang under the Pre-IPO ESOP.

9. FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not carried out any other capital raising activities during the 12 months immediately preceding the date of the Announcement.

10. EGM

A notice convening the EGM to be held at the Company's headquarters in Beijing, Level 18, South Wing, 2 Haidian East Third Road, Haidian District, Beijing, China on Thursday, 5 November 2020 at 11:00 a.m. or immediately upon the conclusion of the AGM, whichever is later, is set out on pages 37 to 38 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement and the Subscription, including the Specific Mandate for the allotment and issue of the Subscription Shares.

Based on the information, belief and knowledge of the Company, save for the Subscribers and Mr. Yu (should he exercise any options over Shares held by him before the EGM), and their respective associates (if any), no other Shareholder has a material interest in the Subscription Agreement and the Subscription and is therefore required to abstain from voting for the relevant resolutions to approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate) at the EGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.koolearn.hk). Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e., no later than 11:00 a.m. on Tuesday, 3 November 2020) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting if they so wish.

The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be 5 November 2020. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 30 October 2020.

Pursuant to the Listing Rules, the Independent Board Committee has been formed to advise the Independent Shareholders in respect of the terms of the Subscription Agreement, the transactions contemplated thereunder, including the grant of Specific Mandate. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

11. RECOMMENDATIONS

Your attention is drawn to: (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription and the transactions contemplated thereunder, including the Specific Mandate; and (ii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder, including the Specific Mandate.

The Board (including the members of the Independent Board Committee whose opinion is set forth in the "*Letter from the Independent Board Committee*" in this circular after considering the advice of the Independent Financial Adviser), is of the view that the Subscription is a means of obtaining finance for the ongoing development of the Group's existing businesses and is therefore entered into in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement are fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole; and considers: (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares will be issued; and (iv) the Subscription are in the interests of the Company and the Shareholders as a whole, and accordingly, recommends that the Independent Shareholders to vote in favour of the relevant resolution relating thereto at the EGM.

Shareholders and potential investors should note that the Subscription is subject to conditions to be fulfilled and the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
Koolearn Technology Holding Limited
Yu Minhong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) for the purpose of inclusion in this circular.



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)

14 October 2020

To the Independent Shareholders

Dear Sirs/Madams,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF
NEW SHARES**

INTRODUCTION

We refer to the circular dated 14 October 2020 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

Pursuant to the Listing Rules, we have been appointed to form the Independent Board Committee to consider the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 15 of the Circular which contains, among others, information on the Subscription as well as the letter from the Independent Financial Adviser, Gram Capital, set out on pages 18 to 30 of the Circular which contains its advice in respect of the Subscription in order to advise the Independent Shareholders as to whether, in our opinion, the Subscription is fair and reasonable so far as the Independent Shareholders are concerned, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolutions pursuant to the Listing Rules at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the Subscription Agreement, the principal factors, reasons and advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, the Subscription is a means of obtaining finance for the ongoing development of the Group's existing businesses and is therefore entered into in the ordinary and usual course of business of the Company, we concur with the Independent Financial adviser and consider that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and have been entered into on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Lin Zheyang
*Independent non-executive
Director*

Mr. Tong Sui Bau
*Independent non-executive
Director*

Mr. Kwong Wai Sun Wilson
*Independent non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

14 October 2020

*To: The independent board committee and the independent shareholders
of Koolearn Technology Holding Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 October 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 8 September 2020, the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscribers, an aggregate of 59,432,000 new Shares at the Subscription Price of US\$3.87 per Subscription Share (corresponding to approximately HK\$30.00 per Subscription Share), with an aggregate Subscription Amount of US\$230 million (corresponding to approximately HK\$1,783 million).

The Subscription Shares represent approximately: (a) 6.32% of the Company’s issued share capital as at the date of Subscription Agreement; and (b) 5.95% of the Company’s enlarged issued share capital immediately following the Closing (assuming no exercise of the Outstanding Share Options and no other change in the Company’s issued share capital).

With reference to the Board Letter, the Subscription constitutes a connected transaction of the Company under the Listing Rules, which is subject to the announcement, reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. LIN Zheyang, Mr. TONG Sui Bau and Mr. KWONG Wai Sun Wilson (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription are on normal commercial terms and are fair and reasonable; (ii) whether the Subscription is conducted in the ordinary and usual course of the business of the Company and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Subscription and transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscribers or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic

LETTER FROM INDEPENDENT FINANCIAL ADVISER

conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Subscription

Information on the Group

With reference to the Board Letter, 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.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 May 2020 as extracted from the 2020 Annual Report:

	For the year ended 31 May 2020	For the year ended 31 May 2019	Year-on-year change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Revenue	1,080,587	918,911	17.6
— <i>College Education</i>	641,691	631,361	1.6
— <i>K-12 Education</i>	295,135	159,213	85.4
— <i>Pre-school Education</i>	30,014	33,395	(10.1)
— <i>Institutional customers</i>	113,747	94,942	19.8
Selling and marketing expenses	(872,293)	(443,930)	96.5
Loss for the year attributable to the owners of the Company	(742,005)	(39,773)	1,765.6
	As at 31 May 2020	As at 31 May 2019	Year-on-year change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Bank balances and cash	480,251	2,497,621	(80.8)
Net assets	1,863,700	2,570,107	(27.5)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Group recorded revenue of approximately RMB1,080.6 million for the year ended 31 May 2020 (“FY2020”), representing an increase of approximately 17.6% as compared to that for the year ended 31 May 2019 (“FY2019”).

Among the Group’s reportable segments, the Group recorded (i) an increase of approximately 1.6% in revenue of college education segment, which was driven primarily by an increase in revenue from college test preparation and revenue from overseas test preparation; (ii) a substantial increase of approximately 85.4% in revenue of the K-12 education segment, which was primarily due to the expansion of Koolearn K-12 courses and location-based live interactive after-school tutoring courses and the strengthening of customer acquisition in Koolearn K-12 courses; (iii) a decrease of approximately 10.1% in revenue of the pre-school education segment, which was due to optimizing and upgrading of the Group’s Donut English-learning app and the termination of live English courses for Donut online classroom; and (iv) an increase of approximately 19.8% in revenue of the institutional customers segment.

During FY2020, the Group’s selling and marketing expenses increased by approximately 96.5% from approximately RMB443.9 million in FY2019 to approximately RMB872.3 million in FY2020, which was primarily due to a substantial increase in marketing expenses and staff costs, in particular expenses relating to online media promotion, as the Group continued to invest in the promotion of the Group’s course offerings, especially free course offerings, in college and K-12 segments during COVID-19. The marketing expenses in the college segment increased as the Group diversified the marketing channels to strengthen its leading position in the market. In the K-12 segment, marketing expenses increased primarily due to the Group’s new initiatives to gain wider market recognition and to reach the target students more precisely through diversified marketing campaigns. The total number of student enrolments for K-12 education segment recorded a year-on-year growth of 224.5%.

Despite that the Group recorded a substantial increase in revenue for FY2020 as compared to that for FY2019, the Group recorded a significant increase in loss for the year attributable to the owners of the Company during FY2020. As advised by the Directors, the aforesaid significant increase in loss was mainly attributable to the increase in the Group’s (i) selling and marketing expenses; (ii) research and development expenses; (iii) costs of revenue, as compared to FY2019; and (iv) costs and expenses relating to grants under the Group’s employee share incentive scheme.

As at 31 May 2020, the Group had bank balances and cash of approximately RMB480.3 million.

With reference to the 2020 Annual Report, looking forward, K-12 education business segment will remain the Group’s strategic focus and long-term growth driver. We also noted that during FY2020, the Group made substantial progress in K-12 expansion plan. The plan focused on three key aspects, namely: (i) upgrading technological infrastructure; (ii) improving online products and content; and (iii) recruiting and training teaching personnel. The successful implementation of these new initiatives helped the Group achieve impressive operational results in its K-12 segment.

Information on the Subscribers

With reference to the Board Letter, New Oriental is a comprehensive educational services provider that operates a network of schools, learning centres and bookstores across China, and its American depository shares are listed on the New York Stock Exchange (Ticker Symbol: EDU). New Oriental is the controlling Shareholder.

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Reasons for and benefits of the Subscription and use of proceeds

With reference to the Board Letter, the Subscription will: (a) further strengthen and enhance the collaboration between the Company and New Oriental; (b) further align and strengthen the interests of our Group with that of New Oriental, Tigerstep, and Mr. Yu; (c) allow New Oriental to maintain its majority shareholding interest in the Company and continue to allow the financial accounts of the Group to be consolidated into that of New Oriental; and (d) represents a valuable opportunity for the Company to raise funds to further strengthen its capital base and financial position, thereby laying down a more solid foundation for the Company to further its business development and accelerate its growth in the online education market.

Financing alternatives

The Directors consider the Subscription as an appropriate means to raise funds. It is a good opportunity to: (a) enhance the capital base of the Company; (b) enable the Company to maintain a sufficient positive cash position for the Group's operation; and (c) provide the Company with the financial flexibility necessary for the Group's continued business development and expansion.

Upon our request, the Directors advised that they also considered other forms of fund raising methods for the Group, such as other equity financing (i.e. placing of new Shares to independent third-party, rights issue, or open offer) and debt financing (i.e. bank borrowings or issuance of debt), before the entering into of the Subscription Agreement.

In respect of the debt financing, it would incur additional finance costs and increase the gearing level of the Group.

In respect of the equity financing,

- rights issue or open offer would (i) incur additional costs, including but not limited to underwriting commission and other professional fees; and (ii) take a relatively longer timeframe when compared to the Subscription of new Shares, and would not be in the Company's best interests (as compared with the Subscription).
- as compared to the placing new shares to independent third-parties, the Subscription would reinforce the Group's strategic alliances with New Oriental (the Company's parent company) and Tigerstep (the entity controlled by the Company's chairman and founder of New Oriental) respectively, providing an efficient means of raising capital for the Group's present needs, as well as strengthening the Group's ties with its parent group and the chairman of the Board, who is not only a pioneer in the education industry, but has also led the New Oriental group and the Group for more than a decade and since the conception of the two respective groups.

In addition, the Subscribers' (being the controlling Shareholder and an entity controlled by the Company's chairman (founder of New Oriental) respectively) participation demonstrates the Subscribers' confidence in the Company.

Based on the above factors, the Directors consider that the Subscription is an appropriate fund raising method currently available to the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Use of proceeds

The gross proceeds of the Subscription will be approximately HK\$1,783 million. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$1,781 million. The Group intends to apply the net proceeds of the Subscription in the following manner:

Amount from the Subscription (approx. HK\$ million)	Proposed use	Expected timing for use of the Subscription proceeds	Remaining amount of proceeds from global offering for same use as at Latest Practicable Date (approx. HK\$ million)	Expected timing for use of the remaining IPO proceeds
712.4	<i>Sales and marketing.</i> The Company will use the proceeds to continue to improve and implement sales and marketing activities to expand student base and increase student engagement, and will include online and offline advertising anticipated to mainly focus its brands, and online and offline courses selling promotions anticipated to mainly focus on the selling of specific courses.	Up to three years from the date of the Subscription	Nil	N/A
712.4	<i>Technology infrastructure.</i> The proceeds will be used to invest in improving and upgrading technology infrastructure, including technical staff recruitment for building and upgrading technology platforms and software content, and purchasing new and renewing existing technology infrastructure	Up to three years from the date of the Subscription	Nil	N/A
178.1	<i>The Group's teachers.</i> The proceeds will be used towards the Group's teachers and teaching staff, including their recruitment and training, given that teachers teaching staff and employees form the heart of the Group's business.	Up to three years from the date of the Subscription	Nil	N/A
178.1	<i>Working capital.</i> The proceeds will be used for the Group's working capital and other general corporate purposes.	Up to three years from the date of the Subscription	18.2	One year from the Latest Practicable Date

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Below information is for Shareholders reference:

Amount from the Subscription (approx. HK\$ million)	Proposed use of proceeds from global offering	Remaining amount of proceeds from global offering for the use as at Latest Practicable Date (approx. HK\$ million)
Nil	To selectively pursue acquisitions and/or investments in complementary business and support the Group's growth strategies (the " Acquisitions and/or Investments ")	533.4
Nil	To increase and enhance the Group's content offerings and course development capabilities	71.2

According to the above information, the net proceeds from the Group's global offering for (i) continuous improvement and implement of the Group's sales and marketing activities to expand the student base and increase student engagement; (ii) the investment in improvements and upgrades of the Group's technology infrastructure; and (iii) the investment in the Group's staff (including the teachers and teaching staffs) recruitment and training were fully utilized.

As advised by the Directors, the Group's growth strategies were crucial to the Group's success and include expanding the Group's courses and content offerings, increasing the Group's student enrolments, attracting and retaining teaching staff, strengthening the Group's technology infrastructure, and pursuing further strategic partnerships and investments. Among the aforesaid growth strategies, (i) the Group's ability to increase student enrolments to its platform and maintain and grow its student base depends on various factors, including the breadth and quality of course offerings on the Group's platform, and its ability to successfully market and promote its courses; and (ii) building a reliable, scalable and secure technology infrastructure is crucial to the Group's ability to support its online education services.

Despite that there was unutilized amounts from the Group's global offering of approximately HK\$622.8 million, having considered the above factors and that (i) 90% of proceeds from the Subscription will be utilized for (a) sales and marketing, (b) technology infrastructure and (c) the teachers and teaching staffs (the proceeds from the Group's global offering for the aforesaid uses were fully utilized as at the Latest Practicable Date); (ii) the Group had planned the use of proceeds (including the unutilized amounts) from the Group's global offering, the majority unutilized amounts of which were for the Acquisitions and/or Investments; (iii) the Group has no plan to change the use of proceeds from its global offering as at the Latest Practicable Date; and (iv) the unutilized parts of proceeds from the Group's global offering for working capital purposes were immaterial to the gross proceeds from the Subscription, we consider that the proposed use of proceeds to be reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Having considered (i) reasons for and benefits of the Subscription as mentioned above; (ii) the Subscription is an appropriate fund raising method currently available to the Group; and (iii) the proposed use of proceeds to be acceptable, we are of the view that the Subscription is conducted in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Subscription

Set out below are the summarised terms of the Subscription, details of which are set out under the section headed “SUBSCRIPTION OF NEW SHARES” of the Board Letter.

Date: 8 September 2020

Parties: (a) the Company (as the issuer)
(b) New Oriental (as a Subscriber)
(c) Tigerstep (as a Subscriber)

Subscription: New Oriental: 51,680,000 new Shares at the Subscription Price of US\$3.87 per Subscription Share (corresponding to approximately HK\$30.00 per Subscription Share), for a Subscription Amount of US\$200 million (corresponding to approximately HK\$1,550.4 million)

Tigerstep: 7,752,000 new Shares at the Subscription Price of US\$3.87 per Subscription Share (corresponding to approximately HK\$30.00 per Subscription Share), for a Subscription Amount of US\$30 million (corresponding to approximately HK\$232.6 million)

Subscription Price

With reference to the Board Letter, the Subscription Price is HK\$30.00 per Subscription Share, representing:

- (i) a discount of approximately 10.2% to the closing price of HK\$33.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 7.3% to the closing price of HK\$32.35 per Share as quoted on the Stock Exchange on 8 September 2020, being the Last Trading Day;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

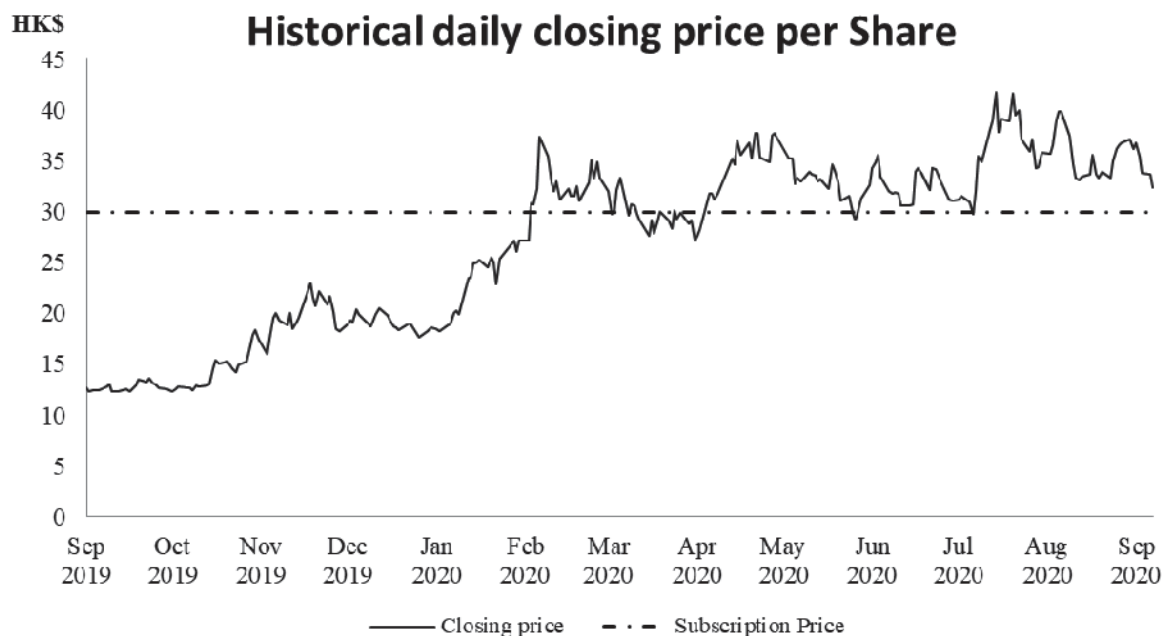
- (iii) a discount of approximately 12.8% to the average closing price of approximately HK\$34.40 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 15.5% to the average closing price of approximately HK\$35.49 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 1,233.3% over the Company's audited consolidated net asset value per Share as at 31 May 2020 of approximately RMB1.98 (corresponding to approximately HK\$2.25).

Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

a) Share price performance

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 September 2019 to the Last Trading Day, being approximate one year up to and including the Last Trading Day (the “**Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares:



Source: the Stock Exchange's website

LETTER FROM INDEPENDENT FINANCIAL ADVISER

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$41.80 per Share and HK\$12.30 per Share respectively. The Subscription Price fell within the closing price range of the Shares during the Review Period and represented a premium over the average closing price of the Shares of approximately HK\$27.08 during the Review Period.

As depicted from the above chart, the closing prices of the Shares represented a general increasing trend from September 2019 to the beginning of February 2020. Thereafter, the closing prices of the Shares fluctuated and did not form any specific and continuous trend up to the Last Trading Day. We also noticed that the Subscription Price was higher than the closing prices of the Shares in approximately half of the total number of trading days during the Review Period.

b) Liquidity

Set out below are (i) the number of trading days; (ii) the percentage of the Shares' average daily trading volume (the "**Average Volume**") as compared to the total number of issued Shares held by the public as at the Last Trading Day; and (iii) the percentage of the Average Volume as compared to the total number of issued Shares as at the Last Trading Day, during the Review Period:

Month	No. of trading days in each month	% of the Average Volume to total number of issued Shares held by the public as at the Last Trading Day (Note 1) %	% of the Average Volume to total number of issued Shares as at the Last Trading Day (Note 2) %
2019			
September	21	0.65	0.22
October	21	1.91	0.64
November	21	3.05	1.03
December	20	1.23	0.41
2020			
January	20	1.98	0.66
February	20	3.65	1.23
March	22	2.39	0.80
April	19	2.00	0.67
May	20	2.00	0.67
June	21	1.45	0.49
July	22	3.03	1.02
August	21	1.86	0.63
September (to up and including the Last Trading Day)	6	1.52	0.51

Source: the Stock Exchange's website

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Notes:

1. Based on 315,576,753 Shares held by the public as at the Last Trading Day.
2. Based on 939,965,602 Shares as at the Last Trading Day.

We noted from the above table that the average daily trading volume of the Shares was thin during the Review Period. During the Review Period, the Average Volume was below 5% of the total number of issued Shares held in public hands and the total number of issued Shares as at the Last Trading Day.

Given the low liquidity of the Shares as illustrated above, it is reasonable to set the Subscription Price at a discount to the closing price of the Share as at the Last Trading Day. To assess the fairness and reasonableness of the level of discount, we further performed comparables analyses, details of which are set out in the below section.

c) Comparables

As part of our analysis, we also identified subscription of new shares under specific mandate for cash during the period from 1 March 2020 up to the Last Trading Day (being an approximate six-month period up to and including the Last Trading Day) as announced by companies listed on the Stock Exchange (the “**Comparables**”). To the best of our knowledge and as far as we are aware of, we found 16 transactions which met the said criteria and were exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables.

Company name (stock code)	Date of announcement	Premium/ (discount) of the subscription price over/to closing price per share on the date of agreement in relation to the respective subscription of new shares (%)	% of the average daily trading volume to total number of issued shares held by the public as at the date of announcement for last 254 consecutive trading days up to and including their respective announcement date
Asia Energy Logistics Group Limited (351)	27 March 2020	(3.03)	0.15
Sinopharm Tech Holdings Limited (8156)	2 April 2020	(12.28)	0.57
Gemini Investments (Holdings) Limited (174)	3 April 2020	81.82	0.02
Creative China Holdings Limited (8368)	9 April 2020	8.91	0.02
AsiaInfo Technologies Limited (1675)	14 April 2020	(27.62)	0.14
China Saite Group Company Limited (153)	20 April 2020	(18.70)	0.14
Binhai Investment Company Limited (2886)	23 April 2020	Nil	0.05
IR Resources Limited (8186)	28 April 2020	(39.13)	0.80
China Jinmao Holdings Group Limited (817)	6 July 2020	(6.56)	0.53

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Date of announcement	Premium/ (discount) of the subscription price over/to closing price per share on the date of agreement in relation to the respective subscription of new shares (%)	% of the average daily trading volume to total number of issued shares held by the public as at the date of announcement for last 254 consecutive trading days up to and including their respective announcement date
51 Credit Card Inc. (2051)	13 July 2020	(24.05)	0.63
China Metal Resources Utilization Limited (1636)	20 July 2020	60.61	0.38
Hao Tian Development Group Limited (474)	24 July 2020	(13.79)	0.25
E-House (China) Enterprise Holdings Limited (2048)	31 July 2020	(37.50)	0.17
OCI International Holdings Limited (329)	13 August 2020	6.56	0.01
China Uptown Group Company Limited (2330)	2 September 2020	47.06	0.07
Yunfeng Financial Group Limited (376)	7 September 2020	(5.93)	0.08
Maximum		81.82	
Maximum (excluding outlier)		8.91	
Minimum		(39.13)	
Minimum (excluding outlier)		(27.62)	
		(7.26)	
The Subscription		(“LTD Discount”)	2.09

We noted from the above table that the subscription prices of the Comparables (excluding the outliers^(Note)) ranged from a discount of approximately 27.62% to a premium of approximately 8.91% to/over the respective closing prices of their shares on the date of agreement in relation to the respective subscription of new shares under specific mandate for cash (the “**Discount/Premium Market Range**”). The LTD Discount of approximately 7.26% fell within the Discount/Premium Market Range (excluding outliers).

In addition, we also noted that the percentages of the Comparables companies shares’ average daily trading volume for last 254 consecutive trading days (i.e. number of trading days during the Review Period) up to and including prior to their respective announcements date were below 5% of their respective total number of issued shares held in public hands as at the respective dates of announcements. The liquidities of shares of the Comparables companies were low.

Note: Among the Comparables, subscription prices of Gemini Investments (Holdings) Limited (stock code: 174), IR Resources Limited (stock code: 8186), China Metal Resources Utilization Limited (stock code: 1636), E-House (China) Enterprise Holdings Limited (stock code: 2048) and China Uptown Group Company Limited (stock code: 2330) represented an exceptionally premium/discount over/to its closing price per share on the date of agreement as compared with those of the other Comparables. We are therefore of the view that the subscription prices of the aforesaid companies are rather outliers.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Having considered that:

- (i) the Subscription Price fell within the closing price range of the Shares during the Review Period and represented a premium over the average closing price of the Shares during the Review Period;
- (ii) given the low liquidity of the Shares as illustrated above, it is reasonable to set the Subscription Price at a discount to the closing price of the Share as at the Last Trading Day; and
- (iii) the LTD Discount fell within the Discount/Premium Market Range (excluding outliers) (the liquidities of shares of the Comparables companies (excluding outliers) were low),

we consider the Subscription Price to be fair and reasonable.

Taking into account the principal terms of the Subscription (including the Subscription Price) as highlighted above, we are of the view that the terms of the Subscription are on normal commercial terms and are fair and reasonable.

3. Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed “BACKGROUND OF THE COMPANY AND THE SUBSCRIBERS” of the Board Letter, the shareholding interests held by the public Shareholders would be diluted by approximately 2.00 percentage points as a result of the Subscription. In this regard, taking into account (i) the reasons for and benefits of the Subscription; and (ii) the terms of the Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the Subscription is justifiable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription are on normal commercial terms and are fair and reasonable; and (ii) the Subscription is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. SHARE CAPITAL

Share capital

The authorised and issued share capital of the Company: (i) as at the Latest Practicable Date; and (ii) assuming the Subscription has completed (with no other change in the issued share capital of the Company from the Latest Practicable Date up to date of Closing) was/will be as follows:

As at the Latest Practicable Date:

<i>Authorised</i>		<i>US\$</i>
<u>5,000,000,000</u>	Shares of US\$0.00002 each	<u>100,000.00</u>
<i>Issued and fully paid or credited as fully paid</i>		
<u>939,992,602</u>	Shares of US\$0.00002 each	<u>18,799.85</u>

Assuming the Subscription has completed

<i>Authorised</i>		<i>US\$</i>
<u>5,000,000,000</u>	Shares of US\$0.00002 each	<u>100,000.00</u>
<i>Issued and fully paid or credited as fully paid</i>		
<u>939,992,602</u>	Shares of US\$0.00002 each	<u>18,799.85</u>
<u>59,432,000</u>	Subscription Shares to be allotted and issued pursuant to the Subscription Agreement	<u>1,188.64</u>
<u>999,424,602</u>	Shares in issue upon Closing and assuming none of the Outstanding Share Options have been exercised	<u>19,988.49</u>
<u>1,099,305,587</u>	Shares in issue upon Closing and assuming all Outstanding Share Options have been exercised	<u>21,986.11</u>

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Subscribers will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of the Subscription Shares.

Share options

As at the Latest Practicable Date, the Company had Outstanding Share Options granted by the Company.

Save as disclosed in the section headed “*Share capital and Share options*” in this appendix and as at the Latest Practicable Date, the Company had no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convertor exchange into Shares.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken, or were deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Directors’ and the chief executive’s interests in the Company

Name of Director or chief executive	Nature of interest	Relevant entity	Number of ordinary shares held	Approximate Percentage of Interest in the Company ⁽¹⁾
Mr. Yu Minhong	Beneficial interest	Tigerstep	16,695,285(L)	1.78%
	Beneficiary of a trust		15,858,832(L) ⁽²⁾	1.69%
Mr. Sun Dongxu	Beneficial interest		8,500,000(L) ⁽³⁾	0.90%
Mr. Yin Qiang	Beneficial interest	Perfect Go	2,900,000(L) ⁽⁴⁾	0.31%
	Interest of controlled corporation		3,371,196(L) ⁽⁴⁾	0.36%
Ms. Sun Chang	Interest of controlled corporation	First Bravo	14,742,640(L) ⁽⁵⁾	1.57%
Mr. Wu Qiang	Beneficial interest		1,350,000(L) ⁽⁶⁾	0.14%

Notes:

(1) As at the Latest Practicable Date, the Company had a total of 939,992,602 Shares in issue.

(2) Represents 15,858,832 Shares held through Tigerstep, which is controlled by a family trust of which Mr. Yu Minhong is a beneficiary.

- (3) These interests represent: (i) 8,000,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Sun Dongxu under the Pre-IPO ESOP; and (ii) 500,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Sun Dongxu under the Post-IPO ESOP on 29 January 2020.
- (4) These interest represent: (i) 2,900,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Yin Qiang under the Pre-IPO ESOP and Post-IPO ESOP; and (ii) 3,371,196 Shares held by Perfect Go Industries Limited, a company wholly-owned by Mr. Yin Qiang.
- (5) The Shares are held by First Bravo Asia Limited, a company wholly-owned by Ms. Sun Chang.
- (6) Represents 1,350,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Wu Qiang under the Pre-IPO ESOP.

Directors' and the chief executive's interests in associated corporations

New Oriental

Name of Director or chief executive	Nature of interest	Associated corporation	Total number of Shares	Approximate percentage of shareholding in the associated corporation
Mr. Yu Minhong	Interest in a controlled corporation; beneficiary of a trust	New Oriental ⁽¹⁾	19,750,272	12.4%

Associated corporations (other than New Oriental)

Name of Director or chief executive	Nature of interest	Associated corporation	Amount of registered capital (RMB)	Approximate percentage of shareholding in the associated corporation
Mr. Yu Minhong	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	Beijing Xuncheng ⁽²⁾	122,351,229	74.49%
	Beneficial owner	Century Friendship ⁽²⁾	9,900,000	99%
	Interest in a controlled corporation	New Oriental China ⁽²⁾	50,000,000	100%
	Interest of controlled limited partnership	New Venture ⁽³⁾	5,000	50%

Notes:

- (1) According to the best knowledge of the Directors, and based on the Form 20-F filed by New Oriental with the SEC on 16 September 2020, as of 7 September 2020, New Oriental was held by Tigerstep as to approximately 12.4% while Mr. YU Minhong wholly-owns and controls Tigerstep. Under the SFO, Mr. YU Minhong is deemed to be interested in all of Tigerstep's interests in New Oriental.

- (2) Beijing Century Friendship Education Investment Co., Ltd. (“**Century Friendship**”) and New Oriental Education & Technology Group Co., Ltd. (“**New Oriental China**”) are controlled through a series of contractual arrangements by, and are therefore treated as subsidiaries of New Oriental. Mr. YU Minhong holds an 99% equity interest in Century Friendship, which in turn, holds the enquire equity interests in New Oriental China. New Oriental China holds a 74.49% equity interest in, and has entered into the Contractual Arrangements with Beijing Xuncheng. Under the SFO, Mr. YU Minhong is deemed to be interested in all of Century Friendship’s interests in New Oriental China, and all of New Oriental China’s interests in Beijing Xuncheng.
- (3) Huoerguosi Oriental New Venture Equity Investment Partnership (L.P.) (“**New Venture**”) is held by the Company as to more than 20%, and is held by New Oriental China as to 50%. Mr. YU Minhong controls New Oriental China and, under the SFO, is deemed to be interested in all of New Oriental China’s interests in New Venture.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their respective associates had or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Director and chief executives of the company are taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS

Competing interests

As at the Latest Practicable Date, none of the Directors and their respective close associates was considered to have an interest in any business which competes or is likely to compete or have any other conflict of interest, either directly or indirectly, with the business of the Group.

Interests in assets

Reference is made to the lease transactions entered into under the Tigerstep Framework Agreement (as defined in the 2020 Annual Report) and set out in the 2020 Annual Report. Aside from the lease transactions, as at the Latest Practicable Date, none of the Directors had any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 May 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Interests in contracts or arrangements

Reference is made to the Contractual Arrangements and the Tigerstep Framework Agreement (as defined in the 2020 Annual Report) set out in the 2020 Annual Report. Aside from these arrangements, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

Service contracts

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with any member of the Group which did not expire or was not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which is contained in this circular:

Name	Qualifications
Gram Capital Limited	a licensed corporation to carry out type 6 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Gram Capital Limited has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert named above did not have any direct or indirect shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 May 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 May 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. CORPORATE INFORMATION

- (a) The registered office of the Company is at PO Box 2681, Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands.
- (b) The corporate headquarters of the Company is at Level 18, South Wing, 2 Haidian East Third Road, Haidian District, Beijing, China.
- (c) The principal place of business of the Company in Hong Kong is located at Level 40, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Cheung Kai Cheong Willie. Mr. Cheung Kai Cheong Willie is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

- (e) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e., from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 6:00 p.m.) at the principal place of business in Hong Kong of the Company situated at Level 40, Sunlight Tower, 248 Queen’s Road East, Wanchai, Hong Kong, up to and including the date of the EGM:

- (a) the Subscription Agreement;
- (b) the letter from the Board, the text of which is set out on pages 5 to 15 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular;
- (d) the letter from the Independent Financial Adviser, Gram Capital, to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 30 of this circular;
- (e) the written consent as referred to in the paragraph headed “*Expert’s Qualification and Consent*” in this appendix; and
- (f) this circular.

9. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Koolearn Technology Holding Limited (the “**Company**”) will be held at the Company’s headquarters in Beijing, Level 18, South Wing, 2 Haidian East Third Road, Haidian District, Beijing, China on Thursday, 5 November 2020 at 11 a.m. or immediately upon the conclusion of the AGM, whichever is later for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions which will be proposed as ordinary resolution:

ORDINARY RESOLUTION

1. “THAT:

- (a) the subscription agreement dated 8 September 2020 (the “**Subscription Agreement**”), a copy of which has been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification, and entered into between the Company as issuer, on the one hand, and New Oriental Education and Technology Group Inc. and Tigerstep Developments Limited as the subscribers on the other hand (together, the “**Subscribers**”), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 59,432,000 new ordinary shares (the “**Subscription Shares**”) at the subscription price of US\$3.87 per Subscription Share (corresponding to HK\$30.00 per Subscription Share) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) the board (the “**Board**”) of directors (the “**Directors**”) of the Company be and is hereby granted with a specific mandate (the “**Specific Mandate**”) to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement; and

NOTICE OF EGM

- (c) any Director be and is hereby authorised to do such acts and things, to sign and execute all such documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

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

Principal Place of Business in Hong Kong:
Level 40, Sunlight Tower
248 Queen’s Road East
Wanchai, Hong Kong

Registered office:

P.O. Box 2681
Cricket Square
Hutchins Drive
Grand Cayman KY1-1111
Cayman Islands

Hong Kong, 14 October 2020

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company (the “Shares”) may appoint more than one proxy to represent him/her to attend and vote on his/her behalf.
2. Where there are joint registered holders of any Share, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she was solely entitled thereto; but if more than one of such joint registered holders are present at the EGM personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect of such Share.
3. To be valid, the form of proxy, duly completed and signed in accordance with the instructions printed thereon, together with any power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the office of the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the EGM (i.e., not later than 11:00 a.m. 3 November 2020) or any adjournment thereof. The completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.
4. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be 5 November 2020. All transfers of Shares accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 30 October 2020.
5. All voting by the members at the EGM shall be conducted by way of poll.