EASTBUY

东方甄选

East Buy Holding Limited

東方甄選控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1797)

2023

ANNUAL REPORT

EASTBUY

东方甄选

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SUN Dongxu (孫東旭), *Chief executive officer*
Mr. YIN Qiang (尹強), *Chief financial officer*

Non-executive Directors

Mr. YU Minhong (俞敏洪), *Chairman*
Ms. SUN Chang (孫暢)
Mr. WU Qiang (吳強) *(resigned on 26 August 2022)*
Ms. LEUNG Yu Hua Catherine (梁育華)
(resigned on 26 August 2022)

Independent non-executive Directors

Mr. TONG Sui Bau (董瑞豹)
Mr. KWONG Wai Sun Wilson (鄺偉信)
Mr. LIN Zheying (林哲瑩)

BOARD COMMITTEES

Audit committee

Mr. TONG Sui Bau, *Committee chairman*
Mr. WU Qiang *(resigned on 26 August 2022)*
Mr. KWONG Wai Sun Wilson
Mr. LIN Zheying *(appointed on 26 August 2022)*

Remuneration committee

Mr. LIN Zheying, *Committee chairman*
Ms. SUN Chang
Mr. TONG Sui Bau

Nomination committee

Mr. YU Minhong, *Committee chairman*
Mr. TONG Sui Bau
Mr. LIN Zheying

COMPANY SECRETARY

Mr. CHEUNG Kai Cheong Willie *(FCPA, FCCA)*

AUTHORISED REPRESENTATIVES

Mr. YIN Qiang
Mr. CHEUNG Kai Cheong Willie

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

REGISTERED OFFICE

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

HEADQUARTERS

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2 Haidian East Third Road
Haidian District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 40, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong Laws and United States Laws

Skadden, Arps, Slate, Meagher & Flom and affiliates

As to PRC Laws

Tian Yuan Law Firm

As to Cayman Islands Laws

Conyers Dill & Pearman

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

PRINCIPAL BANK

Bank of China (Hong Kong) Limited

STOCK CODE

1797

WEBSITE

ir.eastbuy.com

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE HIGHLIGHTS

	FY2023 Continuing operations RMB'000	FY2023 Discontinued operations RMB'000	FY2023 Combined total RMB'000	FY2022 Continuing operations RMB'000	FY2022 Discontinued operations RMB'000	FY2022 Combined total RMB'000
Revenue	4,509,849	–	4,509,849	600,526	298,009	898,535
Profit/(Loss) for the year	971,286	–	971,286	(70,994)	(462,970)	(533,964)
Profit/(Loss) for the year attributable to:						
– Owners of our Company	971,286	–	971,286	(70,984)	(462,970)	(533,954)
– Non-controlling interests	–	–	–	(10)	–	(10)
Earnings/(Loss) per share						
– Basic (RMB)	0.97	–	0.97	(0.07)	(0.46)	(0.53)
– Diluted (RMB)	0.91		0.91	(0.07)	(0.46)	(0.53)
Non-IFRS measure: Adjusted profit/(loss) for the year (unaudited)[1]	1,089,333	–	1,089,333	109,997	(473,722)	(363,725)
Non-IFRS measure: Adjusted EBITDA/(LBITDA) (unaudited)[2]	1,207,454	–	1,207,454	55,567	(377,846)	(322,279)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	RMB'000 FY2023	FY2022	FY2021	FY2020	FY2019
Revenue	4,509,849	898,535	1,418,655	1,080,587	918,911
Gross profit	1,954,769	413,491	412,208	493,086	506,409
Operating profit/(loss)	1,070,815	(579,571)	(1,480,227)	(881,185)	(188,414)
Profit/(loss) for the year	971,286	(533,964)	(1,658,392)	(758,239)	(64,109)
Profit/(loss) attributable to owners of our Company	971,286	(533,954)	(1,658,392)	(742,005)	(39,773)
Non-IFRS measure: Adjusted net profit/(loss) (unaudited)[1]	1,089,333	(363,725)	(1,322,557)	(658,022)	(289)

CONDENSED CONSOLIDATED BALANCE SHEET

	RMB'000				
	FY2023	FY2022	FY2021	FY2020	FY2019
Assets:					
Non-current assets	416,022	367,912	738,572	707,832	293,776
Current assets	3,436,916	1,691,481	2,546,746	2,341,412	2,974,817
Total assets	3,852,938	2,059,393	3,285,318	3,049,244	3,268,593
Equity and liabilities:					
Equity attributable to owners of our Company	2,803,808	1,641,008	2,008,872	1,863,700	2,601,586
Non-controlling interests	–	–	–	–	(31,479)
Total equity	2,803,808	1,641,008	2,008,872	1,863,700	2,570,107
Non-current liabilities	20,301	25,058	233,604	273,868	16,530
Current liabilities	1,028,829	393,327	1,042,842	911,676	681,956
Total liabilities	1,049,130	418,385	1,276,446	1,185,544	698,486
Total equity and liabilities	3,852,938	2,059,393	3,285,318	3,049,244	3,268,593

Notes:

(1) Adjusted Profit/(Loss) for the year represents profit/(loss) for the year less loss on FVTPL – non-current plus share-based compensation expenses for the financial year.

(2) Adjusted EBITDA/(LBITDA) (or earnings/losses before interest, taxes, depreciation, and amortisation) represents profit/(loss) for the year plus income tax expense/(credit), share-based compensation expenses, finance costs, impairment losses recognised under expected credit loss model, net, depreciation of property and equipment, depreciation of right-of-use assets, less other income, gains and losses for the financial year.

BUSINESS OVERVIEW AND OUTLOOK

OUR BUSINESS

We have positioned ourselves as a livestreaming platform that focuses on carefully selecting premium products for our customers, an outstanding product and technology company that continually provides as its core product agricultural products under our private label, "East Buy" (東方甄選), and a cultural communication company that provides customers with pleasant experience. Through the provision of high-quality products and services, the promotion of traditional Chinese culture and positive values, we hope to contribute and provide every customer with a better, healthier, and high-quality life.

Since 2021, we have expanded our businesses in livestreaming e-commerce and established East Buy, which has become a well-known platform for selling top-quality and value for money agricultural and other products. Not only does the platform offer an alternative channel for farmers and local companies to sell their high-quality agricultural and other products to a broader customer base, it also provides consumers with a platform which offers a wide range of high-quality products with transparency in pricing. Leveraging our deep understanding of customers' needs, we select high-quality agricultural and other products for our customers through our integrated supply chain management and diversified cooperation with various third parties. We create value for consumers by providing various private label products under the East Buy brand, which are designed to be healthy and high-quality with good value for money, including fresh foods, juice, coffee, tea, bedding, etc. Through direct cooperation with producers and local enterprises, we aspire to promote high-quality products that have traditionally lacked sales channels and to improve the operational efficiency of the industry supply chain, so as to accelerate rural revitalisation and provide more valuable contributions in the long term.

Similar to our other extensive educational products, we continue to stand by our "customer-centric" strategy. Through innovative livestreaming activities and the provision of premium services, we provide our customers with a unique and enjoyable shopping experience by sharing our extensive knowledge and culture. We have an established team of talented livestreamers and have set up various channels such as East Buy Beautiful Life (東方甄選美麗生活) and East Buy Private Label (東方甄選自營產品), which focuses on different product categories on Douyin (抖音) to continually create positive, unique and interesting content to attract users while, at the same time, promote traditional Chinese culture. The East Buy brand has become increasingly prominent in the industry, thereby gaining millions of return and loyal customers and followers.

Meanwhile, we are also a leading online provider of extracurricular education services in China with a comprehensive portfolio of well-recognised brands known for high-quality courses and content, with a core expertise in online language learning and test preparation. We strive to become a lifelong learning partner, empowering students to achieve their full potential. We provide our courses and products through different online platforms and mobile applications in multiple formats.

The key operating metrics in the livestreaming e-commerce business are summarized below:

	FY2023	For the six months ended 30 November 2022
Key operating data		
Gross merchandise volume (GMV)		
GMV (RMB) (billion) [(1)]	10.0	4.8
Number of followers on Douyin (million)	41.8	35.2
Number of paid orders on Douyin (million)	136.3	70.2

Note:

(1) Include the paid GMV from all sales channels such as Douyin.

The number of student enrolments in each type of course offerings for the years indicated is summarized below:

	FY2023 '000	FY2022 '000
Student enrolments		
College education	581	546
K-12 education[(1)]	–	1,864
Total	581	2,410

Note:

(1) The Company has ceased its pre-school and K-12 businesses during FY2022 (see the Business Update Announcements).

The average spending per enrolment in each type of course offerings is summarized below:

	FY 2023 RMB	FY 2022 RMB
Formal courses		
College education	1,544	1,308
K-12 education[1]	–	(172)[2]
Sub-total average	1,544	1,244
Entry courses	14	9
Total average	1,168	221

Note:

(1) The Company has ceased its pre-school and K-12 businesses during FY2022 (see the Business Update Announcements).

(2) There were tuition fees refunding in FY2022 due to the New Regulations.

BUSINESS DEVELOPMENTS

Our financial performance

FY2023 marked our first year as a private label products and livestreaming e-commerce company with a brand new company name "East Buy". We finished the full year on a strong note, delivering record high revenue and profits. Total net revenues from both the continuing and discontinued operations increased by 401.9% from RMB898.5 million for FY2022 to RMB4.5 billion for FY2023. The net revenue from the continuing operations increased by 651.0% from RMB600.5 million for FY2022 to RMB4.5 billion for FY2023. The net profit from both the continuing and discontinued operations for FY2023 was RMB971.3 million, representing a turnaround from the net loss of RMB534.0 million for FY2022. The net profit from the continuing operations for FY2023 was RMB971.3 million, representing a turnaround from net loss of RMB71.0 million for FY2022.

In addition to the rapid growth in the Group's revenue and profit, we are delighted to see that the Company has been actively exploring and pursuing innovation during the Company's business transformation from a leading online provider of extracurricular education services to a private label products and livestreaming e-commerce company over the past year. In particular, we have launched a series of new high-quality products, new content and new livestreaming events. Faced with a new and bigger market, larger customer demands and a complex and ever-changing market environment, we adhere to our customer-centric approach and are committed to providing high-quality products. Further, we have built a more comprehensive organizational structure to support the rapid development of our new businesses, and recruited and cultivated more excellent talents in the professional field. As of 31 May 2023, the total number of personnel in our private label products and livestreaming e-commerce team reached 1,103, of which 346 personnels are dedicated to our supply chain and product team. Further, we believe that the success of East Buy was attributable to the matured social infrastructure in China and the care and support from all sectors of society, as well as the long operating history and excellent corporate culture of New Oriental Group and its brand recognition accumulated over the past 30 years, which enabled us to minimize our branding and marketing expenses in the early stage of the establishment and development of the East Buy brand, and to allow better allocation of resources for the enhancement of our core competencies. During the Reporting Period, we have continued to invest heavily in our products, services and contents, and to explore different opportunities and gain new experiences in all new developments. All of our efforts have proven to be very meaningful and effective. We believe that all these developments have laid a solid foundation for the long-term sustainable development of East Buy in the future.

The Company's strategic positioning is clear and concise. In the future, we will continue to strive to become a livestreaming platform that focuses on carefully selecting premium products for our customers, an outstanding product and technology company that continually provides agricultural products as its core product under our private label, "East Buy", and a cultural communication company that provides customers with pleasant experience. We firmly believe in our mission of promoting public welfare and creating value for society.

Private label products and livestreaming e-commerce

East Buy has become a well-known product and technology company that provides agricultural products as its core product under our private label, "East Buy", and the platform formed part of our integrated supply chain management and after-sales services system which strictly abides by applicable laws and regulations. We set extremely stringent access standards to screen high-quality suppliers, so that each product has better craftsmanship and simpler ingredient lists. Leveraging our deep understanding of customers' needs and feedback, we have continued to expand our product selection and SKUs through the strong development of private labels. In FY2023, the number of our private label products has exceeded 120, and we have made breakthroughs in product categories from food and beverage to standardized daily necessities. Through innovative content, diversified livestreaming activities and sharing of our extensive knowledge and culture, we provide a unique and enjoyable shopping experience to our customers.

As a result of our aspiration and insistence on creating values in the industry, we have attracted and retained a large group of talents, co-operators as well as followers and members. Our GMV for FY2023 reached RMB10.0 billion. While the GMV from Douyin represented a large majority of our GMV, the total number of paid orders from our third-party products and our private label products on Douyin for FY2023 has reached 136.3 million.

College education

In our college education segment, we have continued to provide courses for domestic college test preparation and oversea test preparation. Our courses are primarily used by college students and working professionals preparing for standardized tests or seeking to improve their English language proficiency. During the Reporting Period, we adopted a multi-channel marketing strategy and organized different events online and offline to attract a more diverse consumer base. Our average spending per enrolment in formal courses of domestic college test preparation business increased to RMB1,544 for the Reporting Period, compared to RMB1,308 for FY2022. Our overseas test preparation business has achieved encouraging results in terms of revenue, enrolment and profitability, which exceeded the historical high level due to strong post COVID-19 demand and has returned to the track of healthy and rapid development. While in the process of optimizing our course portfolio and offering a whole process solution to student customers, we continued to upgrade our IT infrastructure and actively explore the combination of artificial intelligence ("**AI**") and business scenarios to continuously improve students' learning experience and efficacy. As those initiatives continued to create positive effect from recovering market demand and stronger branding, our student enrolment numbers in the college education segment increased by 6.4%, recording 581 thousand in the Reporting Period, compared to 546 thousand for FY2022.

Institutional customers

We provide services to institutional customers, which mainly consist of colleges and universities, public libraries, telecom operators and online video streaming providers. During the Reporting Period, apart from the "Craftsmen in the New Era Institution" (新時代工匠學院) project, we also invested in the research and development in new energy and smart building projects and all-media operator projects. We have increased our investment in content relating to cultural quality education, and in particular, content relating to technology and graphics which is popular in public libraries. We have also established a strategic cooperation arrangement with China Digital Library (中國數字圖書館) to establish smart reading spaces and smart classrooms in primary and secondary schools and public libraries by leveraging the virtual reality technology as part of our efforts to improve and enhance the overall development of children.

FUTURE OUTLOOK BEYOND THE REPORTING PERIOD

The performance of our private label products and livestreaming e-commerce business during the Reporting Period has made notable progress and our private label products and livestreaming e-commerce business has become our long-term key growth driver. We are also very grateful for the love and support from all parties that gave us this opportunity. We had a very good start and is confident in establishing our private label products under the East Buy brand and livestreaming e-commerce.

During the Reporting Period and over the foreseeable future, our operational strategies and business focus have shifted in the following key ways:

Private label products and livestreaming e-commerce business

In the future, we will continue to pursue the provision of excellent products and innovation. We will continue to invest in and emphasize on quality control, and follow scientific and strict quality management standards to continually improve the quality of our private label products. Our commitment is to provide customers with top-quality products.

Adhering to the Company's vision of "providing people with safe, trustworthy and high-quality agricultural products for every meal, and enabling them to enjoy a healthy and quality life", we have established internal management systems, such as "Private Label Products Management System" (自營產品管理制度) and "Food Safety Management System" (食品安全管理制度), etc., which cover the entire life cycle of our product development, from product selection up to products being taken off-shelf. In terms of our private label products, we insist on using high-quality ingredients and strictly conducting food safety and quality inspection. Further, we prioritize the selection of agricultural products with place of origins which are rich in natural resources, and we also adhere to the concept of green and sustainable development in every stage of our product cycle, from screening the place of origin of ingredients to product development, as well as from crop planting, harvesting to product design.

We have also recently established a research and development platform for our private label products, the Nutrition Research Institute (營養研究院), to improve long-term independent research and development capability of the Company. The platform aims to have full control over the entire product chain from product development to sales services, starting from the promotion of nutritional knowledge and a healthy diet culture to the development of nutritional and healthy products, so as to ultimately build a stronger product portfolio. Through our research and development, we also aim to give new value to the ingredients, saving on resources and environmental costs, and effectively integrating our products with rural revitalization efforts. We firmly believe that research and development and innovation will continue to empower our products by addressing our challenges and pain points in the product development process. We will maintain overall control over key aspects of our research and development to ensure the constant supply of new products, as well as upgrades and improvements to our existing products. We will follow the current market trends and continue to launch a number of new products each month.

We will continue to pursue our "customer centric" long-term development strategy. The Company will adopt a multi-channel strategy to directly reach a wider consumer base and continuously increase brand awareness and influence. With the Company's continuous enhancement of supply chain management capabilities and more diversified product portfolio, we are able to analyse the needs of target customers from different channels to develop the layout for our product portfolio, and ensure that consumers receive consistently high-quality products, services and brand experience in different channels. The Company expects to officially launch its livestreaming activities on the new platform of Taobao (淘寶) starting from 29 August 2023. Relying on our deep understanding of our customers over the years, our ability to continually learn and our capability to cultivate popular live streamers, we believe that the Company will develop suitable marketing strategies and events in the future to effectively reach more new consumer groups and better satisfy their needs.

While developing our business, we continue to give back to our customers and all levels of society by utilizing our resources and capabilities. We have established and will continue to promote our membership system. With the increasing number of customers and increasing repurchase rate, we plan to introduce a membership card in the future to effectively provide customers with more favorable products and more comprehensive membership services to further meet their needs. In order to achieve this, we will reach customers through different channels, such as through providing customer services in Mini-program and mobile APPs, communities, WeCom, SMS, etc., so as to better understand our customers' opinions and feedbacks and explore better solutions. Meanwhile, we have established a customer complaint mechanism to ensure timely responses and solutions to our customers. In addition, we will continue to deepen our cooperation with leading logistics and warehousing companies, such as S.F. Express Co., Ltd. And JD Logistics, Inc., in order to optimize our warehousing, logistics and distribution services, so as to constantly enhance our customer experience.

In the future, we believe that the adoption of cutting-edge technology will continue to empower our Company and drive business development. By enhancing our internal system, we will provide effective operational management tools to improve the efficiency of both our internal and external business processes. This will support a broader range of business analysis and provide data analysis capabilities for management personnel to meet assessment and decision-making needs. We will continue to establish a big data application platform especially tailored to livestreaming e-commerce and shelf trading scenarios. This platform will enable us to establish real-time data dashboards and large screens to fulfil the data requirements for real-time business decision-making. Further, we launched our brand new East Buy mobile APP in early July 2023, and going forward, we will continually refine our products and improve user scenarios to bring more new and enhanced experience to our customers.

College education

Domestic test-preparation

Since the easing of the COVID-19 pandemic, we have resumed our offline customer acquisition and expanded new channels for our online livestreaming broadcast at the same time. We will continue to establish our livestreaming broadcast department and will take the lead in the industry to adopt the dual model of Douyin combining profitability from product offerings related to the postgraduate entrance examination with direct promotion and sales of our products. This allows us to provide course planning services for postgraduate entrance examination to students, who intend to take the postgraduate entrance examination, with a view to increasing course enrolments, while directly promoting our course offerings for the postgraduate entrance examination and English learning products in livestreaming broadcast.

In terms of our courses, we will continue to offer new products, such as postgraduate entrance examination courses for working students. In terms of technology upgrade, we will continue to develop the smart learning system for tracking the learning process of our students by adjusting the level of learning and follow up on content based on personalized test results in the system. The smart learning system offers (i) fun teaching, featuring more frequent interaction than the other traditional online learning; (ii) personalized test and diagnostics which breaks the linearity of the traditional learning model by focusing on targeted learning, thereby improving learning efficiency; (iii) smart course pushing (智能學習推課), which recommends learning plans based on test results; and (iv) real-time progress display which displays real-time learning progress and time spent in the system.

Overseas test-preparation

With the optimization of internal and external environment and the strengthening of our product and marketing capabilities, our overseas test-preparation business has continued to accelerate its growth during the Reporting Period. In the future, we will continue to focus on customer segmentation and provide comprehensive international education solutions for different customer groups, and regarding our strategic focus, we will continue to increase investment, improve customer segmentation, and configure corresponding product lines and teams to gain market shares. Further, with the rapid development of our business, we will gradually adjust our organizational structure to conform with the segmentation of our customer groups, so as to provide more professional and customer-centric services. In terms of technology, we will continue to actively explore the combination of AI and business scenarios, improve intelligent scoring, intelligent correction and adaptive learning system, and continue to cooperate with TOEFL on Speech Rater and other learning tools, and empower our products and services through technology.

Furthermore, we will continue to strengthen the strategic cooperation with TOEFL and IELTS, and will continue to maintain the exclusive copyright on core content such as IELTS questions and TOEFL official teaching materials in mainland China. In the future, we will continue to actively explore strategic cooperations with outstanding partners in various subdivisions.

In addition to the above, we will continue to actively expand new media customer acquisition channels, establish a complete online marketing system, deepen our cooperation with partners in various industries, and acquire high-intent customers through our partners. We will also focus on customer segmentation by catering to the needs of different customer groups and building a targeted marketing team for proactive promotion and marketing purposes. In the future, we will continue to emphasize on the retention and growth of our teachers and research and development personnel, maintain our competitive advantages, and gradually improve the construction of our back-up echelon structure to achieve sustainable development.

Institutional customers

We have continued to deepen our cooperation with different schools and institutions during the Reporting Period and we will continue to do so in the future. Further, we will market and promote our digital multimedia library business and carry out in-depth digital library construction with university libraries. At the same time, we will continue to explore different channels and programs to expand our scope of cooperation in areas including (i) the content of vocational education combining industry and education; and (ii) the content of science and technology innovation education in the field of primary and secondary schools and urban libraries.

Overall, we are committed to seeking new opportunities while also bettering the development of our existing business. We remain confident that in strengthening our business focus on private label products and livestreaming e-commerce business, we will be able to create more values to our customers and society, and drive our continued development and growth in a novel and sustainable way.

REVENUE

Our revenue from the continuing operations increased by 651.0% from RMB600.5 million for FY2022 to RMB4.5 billion for FY2023. This substantial growth was largely attributable to the strong development of private label products and livestreaming e-commerce business.

Private label products and livestreaming e-commerce business

Revenue from our private label products and livestreaming e-commerce segment was RMB3.9 billion for FY2023, among which revenue from our private label products amounted to more than RMB2.6 billion. During the Reporting Period, we have been working on strengthening the supply chain management system, expanding our product categories, and increasing the number of products and SKUs, especially our private label products.

College education

Revenue from our college education segment increased from RMB517.5 million in FY2022 to RMB590.8 million in FY2023. The increase was mainly due to improvement in educational services and marketing strategies and the demand recovery post COVID-19. The student enrolments in the college education segment increased from 546 thousand in FY2022 to 581 thousand in FY2023.

Institutional customers

Revenue from our institutional customers decreased by 34.7% from RMB58.4 million in FY2022 to RMB38.2 million in FY2023.

Cost of revenue, gross profit and gross margin

Our total cost of revenue from continuing operations increased by 1,118.6% from RMB209.7 million in FY2022 to RMB2.6 billion in FY2023, primarily due to substantial growth in our private label products and livestreaming e-commerce business.

Our gross profit from continuing operations increased by 400.1% from RMB390.9 million in FY2022 to RMB2.0 billion in FY2023. Our gross profit margin from continuing operations decreased from 65.1% in FY2022 to 43.3% in FY2023, primarily due to the rapid development of our private label products and livestreaming e-commerce business.

Private label products and livestreaming e-commerce business

Cost of revenue for our private label products and livestreaming e-commerce segment was RMB2.4 billion in FY2023, compared to RMB15.3 million in FY2022. Segment gross profit for our private label products and livestreaming e-commerce was RMB1.5 billion in FY2023, compared to RMB9.3 million in FY2022, and the gross profit margin increased from 37.8% in FY2022 to 38.2% in FY2023.

College education

Cost of revenue for our college education segment decreased by 18.4% from RMB183.6 million in FY2022 to RMB149.9 million in FY2023, primarily due to the decrease in staff costs.

Segment gross profit for our college education business increased by 32.0% from RMB333.9 million in FY2022 to RMB440.9 million in FY2023, and the segment profit margin increased from 64.5% in FY2022 to 74.6% in FY2023. This was primarily due to strong recovery in market demand and adoption of intelligent learning system in our courses.

Institutional customers

Cost of revenue for services to institutional customers decreased by 29.0% from RMB10.8 million in FY2022 to RMB7.7 million in FY2023.

Segment gross profit for our services to institutional customers decreased by 36.0% to RMB30.5 million in FY2023 from RMB47.6 million in FY2022, and the gross profit margin decreased from 81.5% in FY2022 to 79.9% in FY2023. This was primarily due to the business adjustment in institutional customers segment.

OTHER INCOME, GAINS AND LOSSES

Our other income, gains and losses from continuing operations increased by 65.8% from RMB70.7 million in FY2022, to RMB117.2 million in FY2023, primarily due to the increase in exchange gain.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses from continuing operations increased by 129.6% from RMB270.1 million in FY2022 to RMB620.3 million in FY2023, primarily due to the increase in staff costs.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses from continuing operations increased by 69.9% from RMB64.4 million in FY2022 to RMB109.5 million in FY2023, primarily due to an increase in staff costs as we invested in the internet technology system and application for private label and livestreaming e-commerce business during the Reporting Period.

ADMINISTRATIVE EXPENSES

Our administrative expenses from continuing operations decreased by 28.0% from RMB214.1 million in FY2022 to RMB154.2 million in FY2023, primarily due to the decrease in share-based compensation expenses.

SHARE OF RESULTS OF ASSOCIATES

Our share of profit of associates from continuing operations turnaround from a gain of RMB3.1 million in FY2022 to a loss of RMB12.8 million in FY2023, primarily due to the change from profit to loss in Beijing Shidai Yuntu Book Co., Ltd. (北京時代雲圖圖書有限責任公司) and increase in loss in Beijing Edutainment World Education Technology Co., Ltd. (北京寓科未來智能科技有限公司).

INCOME TAX EXPENSE/(CREDIT)

From FY2022 to FY2023, our income tax expenses from continuing operations increased to RMB201.4 million, from a credit of RMB18.3 million, primarily due to the increased profit from the continuing operations during the Reporting Period.

NET PROFIT/(LOSS) FOR THE YEAR

As a result of the above, our profit from both the continuing and discontinued operations for FY2023 was RMB971.3 million, which represents a turnaround from a loss of RMB534.0 million for FY2022. The net profit from the continuing operations for FY2023 was RMB971.3 million, which represents a turnaround from a loss of RMB71.0 million for FY2022.

NON-IFRS MEASURES

To supplement our financial information presented in accordance with IFRS, we also use Adjusted Profit/(Loss) for the period and Adjusted EBITDA/(LBITDA) as non-IFRS measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparison of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We also believe these measures provide useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they have assisted our management. Please note, however, our presentation of Adjusted Profit/(Loss) and Adjusted EBITDA/(LBITDA) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

We define Adjusted Profit/(Loss) for the period as profit/(loss) for the period less loss on fair value changes of financial assets at FVTPL — non-current plus share-based compensation expenses for the period. We define Adjusted EBITDA/(LBITDA) as profit/(loss) for the period plus income tax expense/(credit), share-based compensation expenses, finance costs, impairment losses recognised under expected credit loss model, net, depreciation of property and equipment, depreciation of right-of-use assets, less other income, gains and losses for the period.

The following table reconciles our profit/loss from continuing operations for the year to Adjusted Profit from continuing operations for the year:

	FY2023 RMB'000 (unaudited)	FY2022 RMB'000 (unaudited)
Reconciliation of profit/(loss) for the year to Adjusted Profit/(Loss) for the year:		
Profit/(Loss) from continuing operations for the year	971,286	(70,994)
Less:		
Loss on fair value changes of financial assets at FVTPL – non-current assets	(14,380)	(5,270)
Add:		
Share-based compensation expenses	103,667	175,721
Adjusted Profit from continuing operations for the year	1,089,333	109,997

The following table reconciles our profit/loss for the year to Adjusted EBITDA from continuing operations:

	FY2023 RMB'000 (unaudited)	FY2022 RMB'000 (unaudited)
Reconciliation of profit/(loss) for the year to Adjusted EBITDA		
Profit/(Loss) from continuing operations for the year	971,286	(70,994)
Add:		
Income tax expense/(credit)	201,428	(18,305)
Share-based compensation expenses	103,667	175,721
Finance costs	1,689	2,580
Impairment losses recognised under expected credit loss model, net	799	2,635
Depreciation of property and equipment	18,010	13,667
Depreciation of right-of-use assets	27,726	20,928
Less:		
Other income, gains and losses	117,151	70,665
Adjusted EBITDA from continuing operations	1,207,454	55,567

OTHER INFORMATION ABOUT OUR FINANCIAL PERFORMANCE

Liquidity and capital resources

During the Reporting Period, we met our cash requirements primarily from cash and cash equivalents and proceeds from the Share Subscription. We had cash and cash equivalents of RMB1.2 billion as at 31 May 2023 compared to RMB547.4 million as at 31 May 2022. We had term deposits of RMB796.9 million as at 31 May 2023, compared to RMB682.6 million as at 31 May 2022. We also had financial assets (current) at FVTPL of RMB1.0 billion as at 31 May 2023, compared to RMB359.0 million as at 31 May 2022. Cash and cash equivalents were represented by bank balances and cash; and bank balances and cash comprised of cash and short-term deposits with an original maturity of three months or less. Financial assets (current) at FVTPL comprised of wealth management products.

During the Reporting Period, we primarily used cash to fund required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe that our liquidity requirements will be satisfied by using funds from a combination of internally generated cash and net proceeds from our Share Subscription.

As at the end of FY2023, our gearing ratio was 27.2%, compared with 20.3% at the end of FY2022, calculated as total liabilities divided by total assets.

Cash flow

The following table sets forth our cash flows for the two comparable periods:

	FY2023 RMB'000	FY2022 RMB'000
Net cash from (used in) operating activities	**1,264,430**	(918,068)
Net cash (used in) investing activities	**(737,546)**	(26,370)
Net cash from (used in) financing activities	**55,644**	(45,398)
Net increase (decrease) in cash and cash equivalents	**582,528**	(989,836)
Cash and cash equivalents at the beginning of the financial year	**547,445**	1,519,564
Effect of exchange rate changes	**35,164**	17,717
Cash and cash equivalents at the end of the financial year	**1,165,137**	547,445

Net cash from operating activities

Net cash from operating activities primarily consists of our profit before tax for the financial year adjusted by non-cash items, non-operating items and changes in working capital. Our net cash generated from operating activities in FY2023 was RMB1.3 billion. The difference between cash generated from operating activities before tax and interest of RMB1.5 billion and the profit from continuing operations before tax of RMB1.2 billion was mainly due to: (i) a RMB311.7 million increase in trade payables due to the fast development of private label products; (ii) a RMB166.7 million increase in accrued expenses and other payables; and (iii) excluding the effect of Share-based compensation expenses of RMB103.7 million.

Net cash used in investing activities

Our net cash used in investing activities in FY2023 was approximately RMB737.5 million, primarily attributable to purchases of financial assets at FVTPL of RMB2.4 billion and placement of term deposits of RMB1.3 billion, which was partially offset by proceeds from disposal of financial assets at FVTPL of RMB1.7 billion and withdraw of term deposits of RMB1.2 billion.

Net cash from financing activities

Our net cash from financing activities in FY2023 was approximately RMB55.6 million primarily attributable to the proceeds from issuance of shares upon exercise of share options.

Capital expenditure

The following table sets forth our capital expenditure for the financial year indicated:

	FY2023 **RMB'000**	FY2022 RMB'000
Purchase of property and equipment	**12,827**	20,333

Our capital expenditures were primarily for purchases of property and equipment in FY2022 and FY2023. Our purchases of property and equipment were RMB20.3 million and RMB12.8 million for FY2022 and FY2023, respectively.

Off-balance sheet commitments and arrangements

As at 31 May 2023, we had not entered into any off-balance sheet transactions.

Future plans for material investments and capital assets

As at 31 May 2023, we did not have any other foreseeable plans for material investments and capital assets.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

During the Reporting Period, we did not have any other material acquisitions and/or disposals of subsidiaries and affiliated companies.

Employees and remuneration policy

As at 31 May 2023, we had 1,479 full-time employees and 486 part-time employees (31 May 2022: 910 full-time employees and 390 part-time employees). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programmes, discretionary bonuses, share awards and share options may be awarded to employees according to assessment of individual performance.

The total remuneration expenses from continuing operations, including share-based compensation expense incurred by the Group for FY2023 was RMB735.9 million, representing a year-on-year increase of 62.4% from RMB453.2 million in FY2022.

Foreign exchange risk

Foreign exchange risk arises when commercial transactions or recognised assets and liabilities are denominated in a currency that is not the functional currency of our operating entities. We operate in the PRC with most of the transactions settled in RMB. During the Reporting Period, we had assets and liabilities denominated in United States dollars and Hong Kong dollars. We continuously monitor changes in currency exchange rates and will take necessary measures to mitigate exchange rate impact.

Indebtedness

During the Reporting Period, we did not incur any bank loan or other borrowing. Our Directors consider that we have adequate cash and capital resources considering our bank balances and cash, term deposits and our financial assets at FVTPL, wealth management products generated from our operating activities and the net proceeds from the Global Offering to fund our operations and expansion, therefore, we do not plan to incur any borrowing in the 12 months from the date of this annual report.

Pledge of assets

As at 31 May 2023, none of our Group's assets were pledged.

Contingent liabilities

As at 31 May 2023, we did not have any material contingent liabilities.

Property and equipment

Movements in our Group's property and equipment during FY2023 are detailed in Note 15 to the consolidated financial statements.

Material litigation

During the Reporting Period, our Company was not involved in any material litigation or arbitration; nor were our Directors aware of any material litigation or claims that were pending or threatened against our Company.

Reserves

As at the end of FY2023, we did not have distributable reserves.

Pre-emptive rights

There are no provisions for pre-emptive rights under our Articles of Association or Cayman Islands Laws that would oblige our Company to offer new Shares on a pro-rata basis to existing Shareholders.

Tax relief and exemption

Our Directors are not aware of any tax relief and exemption available to our Shareholders by reason of them holding our Company's securities.

Public Float

Based on the information publicly available to our Company, and to the best knowledge of our Directors, as at the Latest Practicable Date, our Company maintained the prescribed percentage of public float under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As at Latest Practicable Date, our Board consists of seven members, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors, namely:

Name	Age	Position	Date of appointment
SUN Dongxu (孫東旭)	37	Executive Director, *Chief executive officer*	16 August 2019
YIN Qiang (尹強)	49	Executive Director, *Chief financial officer*	23 May 2018
YU Minhong (俞敏洪)	60	Non-executive Director, *Chairman*	23 May 2018
SUN Chang (孫暢)	55	Non-executive Director	7 February 2018
TONG Sui Bau (董瑞豹)	52	Independent non-executive Director	15 March 2019
KWONG Wai Sun Wilson (鄺偉信)	57	Independent non-executive Director	15 March 2019
LIN Zheying (林哲瑩)	58	Independent non-executive Director	20 January 2020

The biographies of each of our current Directors are set out below:

Executive Directors

SUN Dongxu (孫東旭) ("Mr. Sun")

Mr. Sun, aged 37, is an executive Director and our Company's chief executive officer. Within our Group, Mr. Sun is a director of: Beijing Xuncheng since September 2019 (also Beijing Xuncheng's CEO), Dexin Dongfang since August 2019 (also Dexin Dongfang's CEO), Xuncheng HK since November 2019, Kuxue Huisi (also Kuxue Huisi's CEO) since November 2019, Xi'an Ruiying from April 2020 to April 2021, and New Oriental Wuyou Online (HK) Education & Technology Co., Ltd. since August 2020, Dong Fang You Xuan (Beijing) Technology Co., Ltd. from October 2021, Beijing Xin Yuanfang Human Resource Services Co., Ltd. from October 2021, East Buy (Beijing) Technology Co., Ltd. from December 2021. Prior to this, Mr. Sun was the principal of Xi'an New Oriental School from April 2016 to July 2018, and the regional president of Northwestern China of New Oriental China from April 2016 to May 2018. Mr. Sun began his career with the New Oriental Group (which, at the time, included our Group) as a teacher in the foreign exams department of Tianjin New Oriental School from June 2007 to June 2008. Between June 2008 and April 2016, Mr. Sun worked at Hefei New Oriental School, beginning as the assistant supervisor of the foreign examination department, from June 2008 to June 2009, and moving through various positions within the school to ultimately acting as the principal, from October 2013 to April 2016. Aside from our Group, Mr. Sun has been the vice-president of New Oriental China since April 2019, and was previously the assistant vice-president of New Oriental China from April 2016 to April 2019. Mr. Sun received his bachelor's degree in engineering, majoring in computer science and technology, from Nankai University (南開大學), China, in June 2007.

YIN Qiang (尹強) ("Mr. Yin")

Mr. Yin, aged 49, is an executive Director and our Company's chief financial officer. He is also a director and chief financial officer of Beijing Xuncheng, since January 2016, director of Zhuhai Chongsheng since July 2019 to November 2020 and director (since April 2020) and general manager (since April 2021) of Xi'an Ruiying, and director and general manager of Hainan Haiyue Dongfang Network Technology Co., Ltd. (海南海悦東方網絡科技有限公司) since October 2020. Mr. Yin received his bachelor's degree in economics from Capital University of Economics and Business (首都經濟貿易大學), China, in July 1996 and his master's degree in business management from Peking University, China, in July 2008. Mr. Yin is also a PRC accredited accountant (since October 2001). Aside from our Group, Mr. Yin has been the vice-president of New Oriental China since April 2019. Mr. Yin was the financial controller and assistant vice-president of New Oriental China from June 2005 to May 2016, and senior accountant at PricewaterhouseCoopers from 1996 to 2001.

Non-executive Directors

YU Minhong (俞敏洪) ("Mr. Yu")

Mr. Yu, aged 60, is a non-executive Director, chairman of the Nomination Committee, and Chairman of our Board. Mr. Yu is also the chairman and a director of Beijing Xuncheng, since May 2015, and certain companies under the New Oriental Group, including Leci Internet. Mr. Yu received his bachelor's degree in English from Peking University, China in July 1985. Mr. Yu is the founder and currently the executive chairman of the board of directors of New Oriental, since 2001, and was a director of Sunlands Technology Group, a company whose American depository shares are listed on the New York Stock Exchange (NYSE: STG), from August 2017 (and an independent director from March 2018) to June 2019. Since 2001, Mr. Yu has been the chairman and director of New Oriental, our Controlling Shareholder and a company whose American depository shares are listed on the New York Stock Exchange (NYSE: EDU) and shares are listed on the Stock Exchange (stock code: 9901).

SUN Chang (孫暢) ("Ms. Sun")

Ms. Sun, aged 55, is a non-executive Director and a member of the Remuneration Committee. She was our Company's co-chief executive officer until 19 January 2020. Ms. Sun is a director of Beijing Xuncheng, since May 2015 and Dexin Dongfang since March 2018. Ms. Sun received her bachelor's degree in pre-school education from Beijing Normal University (北京師範大學), China, in July 1990 and her master's degree in business administration from Renmin University of China (中國人民大學), China, in July 1999. Aside from our Group, Ms. Sun was the assistant vice-president and the vice-president of New Oriental China from 2012 to 2016 and 2016 to 2020, respectively. Ms. Sun was the general manager of the investment division at China Netcom Group Corporation Limited (now China United Network Communications Group Co., Ltd. (中國聯合網絡通訊集團有限公司), or China Unicom (中國聯通)) from 2000 to 2004, and the marketing manager at Microsoft (China) Co., Ltd. (微軟(中國)有限公司) from 1997 to 2000.

Independent Non-executive Directors

TONG Sui Bau (董瑞豹) ("Mr. Tong")

Mr. Tong, aged 52, is an independent non-executive Director, chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee. Mr. Tong received his bachelor's degree in accounting with an additional concentration in computer science from the University of Wisconsin, Madison, U.S., in May 1993. Mr. Tong was previously a member of the American Institute of Certified Professional Accountants (AICPA), from 1995 to 2009, and Chartered Financial Analyst, from 1999 to 2009. Mr. Tong has been a non-executive director of NetEase Inc., a company whose American depository shares are listed on the Nasdaq (Nasdaq: NTES) and whose shares are listed on the Stock Exchange (stock code: 9999), from 2009 to 2021. He was previously an executive director and co-chief operating officer of NetEase Inc., from 2003 to 2009, and from 2004 to 2009, respectively.

KWONG Wai Sun Wilson (鄺偉信) ("Mr. Kwong")

Mr. Kwong, aged 57, is an independent non-executive Director and a member of the Audit Committee. Mr. Kwong is an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Kwong received his bachelor of arts degree from the University of Cambridge, United Kingdom, in June 1987. Mr. Kwong is an executive director of China Metal Resources Utilisation Limited, since August 2013, a company listed on the Stock Exchange (stock code: 1636). Mr. Kwong also acts as an independent non-executive director of Shunfeng International Clean Energy Limited, since July 2014, a company listed on the Stock Exchange (stock code: 1165), C.banner International Holdings Limited, since August 2011, a company listed on the Stock Exchange (stock code: 1028), China Outfitters Holdings Limited, since June 2011, a company listed on the Stock Exchange (stock code: 1146), and China New Higher Education Group Limited, since March 2017, a company listed on the Stock Exchange (stock code: 2001). Mr. Kwong was the president of Gushan Environmental Energy Limited, a company listed on the New York Stock Exchange (NYSE: GU) (from December 2007 to October 2012). Prior to this, he was a managing director in the investment banking division and the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited from March 2004 to July 2006, and a director and the general manager of the corporate finance division of Cazenove Asia Limited, from 2002 to 2003, and from 1997 to 2003, respectively.

LIN Zheying (林哲莹) ("Mr. Lin")

Mr. Lin, aged 58, is an independent non-executive Director, chairman of the Remuneration Committee, and a member of the Nomination Committee and the Audit Committee. Mr. Lin received his bachelor's degree majoring in planning statistics from the Shanxi University of Finance and Economics (formerly known as the Shanxi College of Finance and Economics), China, in July 1987, a master's degree in business administration from the Guanghua School of Management, Peking University in China, in July 2006, and a doctoral degree in business administration from ESC Rennes School of Business, France, in June 2008. Aside from our Group, Mr. Lin served as a director of Shenzhen Fengchao Technology Limited, from November 2016 to December 2017; and has been serving as a vice-chairperson of S.F. Holdings (Group) Co., Ltd., from June 2014 to December 2019, and an executive director of Ancient Jade Capital Management Co., Ltd., since January 2011. Aside from our Company, Mr. Lin also holds, or held, directorships in the following listed companies: (i) executive director and vice-chairperson of S.F. Holding Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002352), from March 2017 to December 2022; (ii) independent non-executive director of Shanghai Dongzheng Automotive Finance Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2718), from August 2018 to June 2020 and (iii) director of GCH Technology CO., Ltd. a company listed on the Shanghai Stock Exchange (stock code: 688625), from December 2015 to September 2021.

Both Mr. Tong and Mr. Kwong have appropriate professional accounting or related financial management experience for the purpose of Rule 3.10(2) of the Listing Rules.

We have received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and our Board considers each of them independent.

Save as disclosed in this annual report, (a) none of our Directors has: (i) held any other directorship on another public company in Hong Kong or overseas in the last three years preceding the Latest Practicable Date, (ii) has any other professional qualifications, or (iii) any other relationship with any other Director, senior manager or substantial shareholder (as defined in the Listing Rules) of our Company; and (b) no other matters have occurred during FY2023 that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules or that need to be brought to the attention of our Shareholders or the Stock Exchange.

SENIOR MANAGEMENT

Mr. Sun is our Company's chief executive officer and Mr. Yin is our Company's chief financial officer. Mr. Sun and Mr. Yin are also our executive Directors. See "—Executive Director" above for their biographies.

COMPANY SECRETARY

CHEUNG Kai Cheong Willie (張啟昌) ("Mr. Cheung")

Mr. Cheung is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, a provider of a wide range of corporate services, and the company secretary of our Company. Mr. Cheung has been a member of the Hong Kong Institute of Certified Public Accountants since January 2009, and a fellow member of the Association of Chartered Certified Accountants since October 2008. Mr. Cheung received his bachelor's degree in arts (with honours), majoring in accounting and finance from University of Glamorgan, the United Kingdom, in June 1996.

Save as disclosed above, there have been no further matters during FY2023 that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' REPORT

Our Board is pleased to present this Directors' report together with our Group's consolidated financial statements for FY2023.

OUR COMPANY AND OUR PRINCIPAL ACTIVITIES

Our Company is an investment holding company. We were incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 7 February 2018, and our shares were listed on the Main Board of the Stock Exchange on 28 March 2019.

Since 2021, we have expanded our businesses in livestreaming e-commerce and established East Buy, which has become a well-known platform for selling top-quality and cost effective agricultural and other products. Our Group is now positioned as a livestreaming platform that focuses on carefully selecting premium products for our customers, an outstanding product and technology company that continually provides, as its core product, agricultural products under our private label, "East Buy" (東方甄選), and a cultural communication company that provides customers with pleasant experience. Meanwhile, we are also a leading online provider of extracurricular education services in China with a comprehensive portfolio of well-recognised brands known for high-quality courses and content, with a core expertise in online after-school tutoring and test preparation. We provide our courses and products through different online platforms and mobile applications in multiple formats.

Our subsidiaries are set out in Note 39 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of our Group's business (as required by Schedule 5 to the *Companies Ordinance*), including an analysis of our Group's financial performance, an indication of our Group's likely future business developments, a description of the principal risks and uncertainties facing our Group and our Group's key relationships with our stakeholders who have a significant impact on our Group and on which our Group's success depends, is set out in "Business overview and outlook", and "Management discussion and analysis." All the review, discussions and analysis mentioned above form part of this Directors' report. Events affecting our Company that have occurred between the end of FY2023 and the date of the annual results announcement for FY2023 are set out in "Events after the Reporting Period."

FINANCIAL RESULTS AND SUMMARY

Our Group's results for FY2023 are set out in the "Consolidated statement of profit or loss and other comprehensive income" at pages 132 to 133.

A summary of our Group's condensed consolidated results and financial positions is set out at pages 134 to 135.

OUR MAJOR CUSTOMERS AND SUPPLIERS

During FY2023: (a) our Group's five largest customers accounted for approximately 0.8% of our total revenues, while the largest customer accounted for approximately 0.6% of our total revenues; and (b) our Group's top five suppliers accounted for approximately 2.4% of our total purchase amounts, while the largest supplier accounted for approximately 0.9% of our total purchase amounts.

None of our Directors, and, to the best of our Directors' knowledge, none of their respective associates, or any Shareholder who, to the best of our Directors' knowledge, owns 5% or more of our issued capital, has any interest in any of our five largest customers and suppliers during FY2023 and up to the date of this annual report.

NET PROCEEDS FROM THE SHARE SUBSCRIPTION

The Share Subscription was completed on 24 December 2020 and raised approximately HK$1.783 billion in net proceeds. Subsequent to the Share Subscription, our Group had used the net proceeds from the Share Subscription in the manner and according to the intended uses set out in the circular of the Company dated 14 October 2020. On 21 January 2022, the Board has resolved to change the use of the remaining net proceeds as at the same date and the Group had used the net proceeds in accordance with the intended use as set out in the announcement of the Company dated 21 January 2022. We will continue gradually utilise the net proceeds, in accordance with the table set out below, within three years from 21 January 2022.

The utilisation of the net proceeds for FY2023 are summarised as follows:

HK$ million(1)	Unutilised amount as at 1 June 2022	**Utilised during FY2023**	Remaining amount
Sales and marketing	272.1	**17.3**	254.8
Technology infrastructure	76.4	**72.5**	3.9
Teachers and other business related staff	225.7	**9.2**	216.5
Working capital	249.4	**46.8**	202.6
Total	823.6	**145.8**	677.8

Notes:

(1) The amounts "utilised during FY2023" are based on the exchange rate of HK$1.1065:RMB1.

(2) The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

SHARE MATTERS

Share capital movements

Movements in our Company's share capital and details of issued Shares during FY2023 are set out in Note 29 to the consolidated financial statements.

On 3 November 2022, our Shareholders granted to our Directors a general mandate to repurchase up to 10% of our then-total number of issued Shares. During FY2023, we did not make any repurchases on the Stock Exchange, and neither we nor our subsidiaries purchased, sold or redeemed any of our Company's listed securities.

Purchase, sale or redemption of our Company's listed securities

Neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange during FY2023.

Debentures issued

Our Group did not issue any debentures during FY2023.

Equity-linked agreements

Except as disclosed in this annual report, no equity-linked agreement was entered into by our Group, or existed during FY2023.

Final dividends

Our Board does not recommend the distribution of a final dividend for FY2023 (FY2022: Nil).

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the Corporate Governance Code, we established the Remuneration Committee to formulate our Directors' remuneration policies. The remuneration is determined based on each Director's and senior manager's qualification, position, responsibility and seniority. In addition to this, our Directors and senior managers may have been granted options under our Pre-IPO Scheme and 2019 Scheme, and are eligible to participate as grantees of our 2023 Scheme.

Our Directors', senior managers' and top five highest paid individuals' remuneration are detailed at Notes 11 and 12 to the consolidated financial statements.

None of our Directors waived or agreed to waive any remuneration and there were no emoluments paid by our Group to any of our Directors as an inducement to join, or upon joining our Group, or as compensation for loss of office. Our Group did not pay any of our Directors any discretionary bonuses during FY2023.

DIRECTORS AND THEIR SERVICE CONTRACTS AND APPOINTMENT LETTERS

Directors and senior management

A list of Directors and senior managers and their biographical details (including changes in our Board during FY2023) are set out in "Directors and senior management" above.

The interests and short positions as at the end of FY2023 of our Directors, and our Company's chief executives and substantial shareholders (as defined in the SFO) in our Company and associated corporations (as appropriate) that falls to be disclosed under Part XV of the SFO are set out in "Other information" below.

Directors' service agreements

Each of our executive Directors entered into a service agreement with our Company for an initial term of three years from the effective date of the appointment or until the third annual general meeting of our Company since the effective date of the appointment, whichever is earlier (and subject to retirement requirements as and when required by our Articles of Association), and which will automatically renew for a term of three years thereafter.

Each of our non-executive Directors and independent non-executive Directors signed a letter of appointment with our Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (which is earlier, and subject to retirement requirements as and when required by our Articles of Association), and which will automatically renew for a term of three years thereafter.

Permitted Indemnity Provision

Pursuant to Article 164 of the Articles of Association and subject to applicable Laws, every Director (including resigned directors during the period of his/her directorship at our Company) shall be indemnified out of the assets and profits of our Company against all losses or liabilities incurred or sustained by him/her as a director of our Company, except for losses or liabilities in respect of fraud or dishonesty. This permitted indemnity provision was in force during FY2023 and continued to be in force as at the Latest Practicable Date.

OUR CONTROLLING SHAREHOLDER'S AND DIRECTORS' COMPETING BUSINESS

Neither our Controlling Shareholder nor any of our Directors had any interest in a business, apart from that of our Group, that competes or is likely to compete, directly or indirectly, with our Group's business, which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing transactions with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of our non-exempt continuing connected transactions in accordance with Chapter 14A of the Listing Rules:

Contractual Arrangements

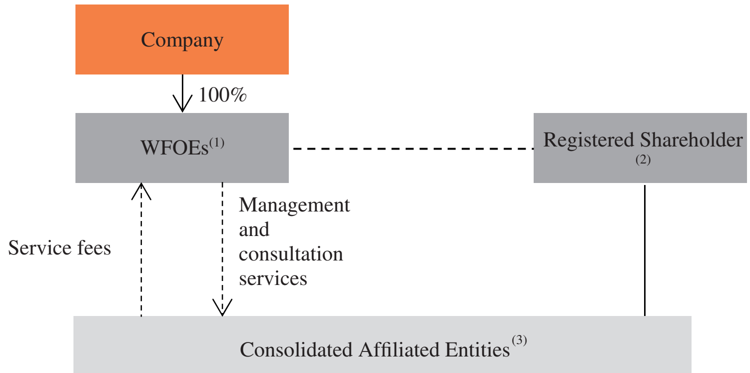
Overview

Our Group entered into a series of Contractual Arrangements with Beijing Xuncheng and its subsidiaries, and the Previous Registered Shareholders, pursuant to which our Company obtained effective control over and had the right to receive all of the economic benefits derived from Beijing Xuncheng and its subsidiaries, and proportional control and right to receive the economic benefits derived from our then non-wholly owned subsidiary, Dongfang Youbo, through our Operating Entity's controlling interest and proportionate shareholding in Dongfang Youbo. On 16 August 2019, we, through Beijing Xuncheng, acquired the remaining interest in Dongfang Youbo, following which, Dongfang Youbo became a wholly-owned subsidiary of our Company and assumed the same rights and obligations as Kuxue Huisi under the Contractual Arrangements.

As a result of the Contractual Arrangements, the financial results of our Consolidated Affiliated Entities are able to be consolidated into our Group's financial information as if they were our Company's subsidiaries. During the Reporting Period, the revenue of our Consolidated Affiliated Entities amounted to RMB4,509,849 thousand (accounting for approximately 100% of the revenue of our Group over the Reporting Period), compared with RMB898,535 thousand in FY2022 (accounting for approximately 100% of the revenue of our Group in FY2022).

During FY2023, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements has been unwound as none of the restrictions that led to their adoption has been removed.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

(1) Dexin Dongfang, Zhuhai Chongsheng, Xi'an Ruiying, Hainan Haiyue and Wuhan Dongfang (collectively, the WFOEs)

(2) Our Registered Shareholder is New Oriental China. New Oriental China has become the sole registered shareholder of Beijing Xuncheng since 24 May 2023, prior to this, the Previous Registered Shareholders were New Oriental China, Linzhi Tencent Technology Co., Ltd. (林芝騰訊科技有限公司) and the Tianjin Limited Partnerships.

(3) Beijing Xuncheng, our Operating Entity, and its subsidiaries.

(4) "→" denotes legal and beneficial ownership in the equity interests of the WFOEs.

(5) "—" denotes legal ownership in the equity interests of the Consolidated Affiliated Entities.

(6) "⇢" denotes control by the WFOEs under the Contractual Arrangements through: (a) powers of attorney to exercise all registered shareholders' rights in the Operating Entity, (b) exclusive options to acquire all or part of the equity interests in the Operating Entity, and (c) equity pledges over the equity interests in the Operating Entity.

(7) "- -" denotes the control by the WFOEs over the Consolidated Affiliates Entities through the respective powers of attorney to exercise all shareholders' rights in Beijing Xuncheng, exclusive options to acquire all or part of the equity interests in the Consolidated Affiliates Entities and equity pledges over the equity interest in the Consolidated Affiliates Entities.

Summary of our Contractual Arrangements

We set out below a brief description of each of the specific agreements that comprise the Contractual Arrangements, the further details of which are set out in "Contractual Arrangements" in the Prospectus:

(a) ***Exclusive Management Consultancy and Business Cooperation Agreement***

Dexin Dongfang, on the one hand, and the Previous Registered Shareholders and our Relevant VIE Entities, on the other hand, entered into an exclusive management consultancy and business cooperation agreement on 10 May 2018, pursuant to which Dexin Dongfang has the exclusive right to provide, or designate any third party to provide, each of our Relevant VIE Entities with corporate management and educational services, intellectual property licensing services as well as technical and business support services. Such services include, among others, advisory services, research and consulting services, market development and planning services, human resources and internal information management, sales of proprietary products and intellectual property and know-how, and other additional services as the parties may mutually agree from time to time.

(b) ***Exclusive Call Option Agreement***

Dexin Dongfang, on the one hand, and the Previous Registered Shareholders and Beijing Xuncheng, on the other hand, entered into an exclusive call option agreement on 10 May 2018, pursuant to which Dexin Dongfang had an exclusive option to purchase all or part of the equity interests in Beijing Xuncheng from the Previous Registered Shareholders for the minimum amount of consideration permitted by applicable PRC Law and under circumstances in which Dexin Dongfang or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of Beijing Xuncheng.

(c) ***Equity Pledge Agreement***

Dexin Dongfang, on the one hand, and the Previous Registered Shareholders and Beijing Xuncheng, on the other hand, entered into an equity pledge agreement on 10 May 2018, pursuant to which the Previous Registered Shareholders unconditionally and irrevocably pledged all of their respective equity interests in Beijing Xuncheng to Dexin Dongfang in order to guarantee the performance of the Contractual Arrangements by the Relevant VIE Entities and the Previous Registered Shareholders. Under the Equity Pledge Agreement, the Previous Registered Shareholders have agreed that, without prior written consent of Dexin Dongfang, they will not transfer or dispose of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice Dexin Dongfang's interest.

(d) ***Powers of Attorney***

Each of the Previous Registered Shareholders and Beijing Xuncheng has executed an irrevocable power of attorney on 10 May 2018, appointing Dexin Dongfang (or any person that it designates) to appoint directors and vote on behalf of that relevant Previous Registered Shareholder on all matters of our Consolidated Affiliated Entities that require shareholders' approval.

(e) ***Supplemental Agreement of Zhuhai Chongsheng***

Dexin Dongfang and Zhuhai Chongsheng, on the one hand, and Beijing Xuncheng and the Previous Registered Shareholders, on the other hand, entered into a supplemental agreement on 10 October 2019, pursuant to which, Zhuhai Chongsheng would be jointed as a party to the Contractual Arrangements and gain all the rights and assume all the obligations of Dexin Dongfang under the agreements underlying the Contractual Arrangements (as appropriate).

(f) ***Second Supplemental Agreement***

Dexin Dongfang, Zhuhai Chongsheng, Xi'an Ruiying, Hainan Haiyue Dongfang Network Technology Co., Ltd. ("**Hainan Haiyue**"), Wuhan Dongfang Youbo Network Technology Co., Ltd. ("**Wuhan Dongfang**"), Beijing Xuncheng and its subsidiaries and all of the Previous Registered Shareholders entered into a second supplemental agreement on 1 February 2021, pursuant to which, Xi'an Ruiying, Hainan Haiyue and Wuhan Dongfang joined as parties to the Contractual Agreements between Dexin Dongfang, Beijing Xuncheng and its subsidiaries and the registered shareholders (including the Exclusive Option Agreement, Exclusive Management Consultancy and Cooperation Agreement, Equity Pledge Agreement, Letters of Undertaking and Powers of Attorney) and the supplemental agreement of Zhuhai Chongsheng, and assumed the same rights and share the same obligations as Dexin Dongfang and Zhuhai Chongsheng under the Contractual Agreements and the supplemental agreement of Zhuhai Chongsheng.

(g) ***Third Supplemental Agreement***

Dexin Dofang, Zhuhai Chongsheng, Xi'an Ruiying, Hainan Haiyue, Wuhan Dongfang, Beijing Xuncheng and its subsidiaries and the Previous Registered Shareholders entered into a third supplemental agreement on 24 May 2023, pursuant to which, from the date on which Linzhi Tencent Technology Co., Ltd. (林芝騰訊科技有限公司) and the Tianjin Limited Partnerships cease to be the shareholders of Beijing Xuncheng, Linzhi Tencent Technology Co., Ltd. (林芝騰訊科技有限公司) and Tianjin Limited Partnerships shall cease to have any rights or obligations under the Contractual Agreements (including the Exclusive Option Agreement, Exclusive Management Consultancy and Cooperation Agreement, Equity Pledge Agreement, Letters of Undertaking and Powers of Attorney), the supplemental agreement and the second supplemental agreement; and from the same date, the New Oriental China shall act as the sole shareholder of Beijing Xuncheng, and each of Dexin Dongfang, Zhuhai Chongsheng, Xi'an Ruiying, Hainan Haiyue, Wuhan Dongfang, Beijing Xuncheng and its subsidiaries and New Oriental China shall continue with its rights and obligations under the Contractual Agreements, the supplemental agreement and the second supplemental agreement.

Reasons for our Contractual Arrangements

We operate online and mobile education platforms and livestreaming e-commerce business in China (collectively, the "**Relevant Business**"), which are subject to foreign investment restrictions or prohibitions under PRC law, namely: (a) foreign investors are restricted from holding more than 50% equity interest in a company which operates value-added telecommunications services (with a few exceptions), and (b) the foreign investors are prohibited from holding any equity interest in a company whose operation are deemed as production and operation of radio and television programs. See "Contractual Arrangements — PRC Laws relating to foreign investment restrictions" in the Prospectus for more information on these restrictions.

Given the above restrictions and as advised by Tian Yuan Law Firm, our PRC legal adviser, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we operate our Relevant Business through our Consolidated Affiliated Entities. To maintain effective control over the Relevant Business operated by our Consolidated Affiliated Entities and to receive the economic benefits generated by our Relevant Business, a series of Contractual Arrangements have been entered into between our WFOEs, our Consolidated Affiliated Entities and their Registered Shareholders.

Our Directors believe that: (a) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (b) the Contractual Arrangements (and the terms of the VIE agreements underlying the Contractual Arrangements) have been entered into in the ordinary and usual course of business and on normal commercial terms or better for our Company and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Risks relating to our Contractual Arrangements

We believe that the following risks, among others, may be associated with the use of our Contractual Arrangements:

(a) the PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC Laws, which may subject us to severe penalties and our business may be materially and adversely affected, in particular, the significant impact brought by the Opinion;

(b) the interpretation and implementation of the *Foreign Investment Law of the PRC* (中華人民共和國外商投資法) are subject to changes and it is uncertain as to how it may impact the viability of our current corporate structure, corporate governance and business operations;

(c) we rely on the Contractual Arrangements with our Consolidated Affiliated Entities and the Registered Shareholders for our business operations in China, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest;

(d) we may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if any of our Consolidated Affiliated Entities declares bankruptcy or become subject to a dissolution or liquidation proceeding;

(e) the largest ultimate shareholder of Beijing Xuncheng, Mr. Yu, may have conflicts of interest with us, which may materially and adversely affect our business;

(f) if we exercise the option to acquire equity ownership of our Operating Entity, the ownership transfer may subject us to certain limitations and substantial costs; and

(g) our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

See "Risk factors — Risks relating to our Contractual Arrangements" in the Prospectus for further discussion on these risks.

Listing Rules implications and waiver

For the purposes of Chapter 14A of the Listing Rules, our Consolidated Affiliated Entities are treated as our Company's wholly-owned subsidiaries, and their directors, chief executives and substantial shareholders (as defined in the Listing Rules, which include the Registered Shareholder) and their respective associates are treated as "connected persons." As such, our Contractual Arrangements constitute continuing connected transactions for our Company.

Given that the highest applicable percentage ratio under the Listing Rules is expected to be higher than 5% and more than HK$10 million, and this transaction constitutes a non-exempt continuing connected transaction, we have applied to the Stock Exchange, and the Stock Exchange has granted to us, a waiver from strict compliance with, in respect of the Contractual Arrangements, the Applicable Requirements, subject to the following conditions:

(a) no change to our Contractual Arrangements without our independent non-executive Directors' approval;

(b) no change to the agreements underlying our Contractual Arrangements without independent Shareholders' approval;

(c) our Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities;

(d) our Contractual Arrangements may be renewed and/or reproduced without strict compliance with the Applicable Requirements (including obtaining our Shareholders' approval): (i) upon the expiry of the existing arrangements; or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprises or operating company (including branch company), engaging in the same business as that of our Group where such renewal and/or reproduction is justified by business expediency and on substantially the same terms and conditions as the existing Contractual Arrangements; and

(e) we will disclose details relating to our Contractual Arrangements on an on-going basis.

Other continuing connected transactions

The following transactions also constitute non-exempt continuing connected transactions of our Group for FY2023:

2022 EDU Framework Agreement

On 27 May 2022, our Company (for itself and on behalf of the other members of our Group) and New Oriental (for itself and on behalf of the other members of the New Oriental Group) entered into the 2022 EDU Framework Agreement, pursuant to which, our Group and the New Oriental Group would enter into, among others, the following non-exempt continuing connected transactions for our Company: (i) advertising, marketing and promotional services; (ii) sub-licensing of TPO examination materials; (iii) procurement of goods (including educational materials and intelligent learning products); (iv) provision of goods (including licensing of educational intellectual property); and (v) online and offline educational resources.

The 2022 EDU Framework Agreement is for a period of one year from 1 June 2022 to 31 May 2023, and the terms of which were entered into on normal commercial terms. Further details of the 2022 EDU Framework Agreement are set out in the announcement of the Company dated 27 May 2022.

New Oriental is our Controlling Shareholder and a substantial shareholder (under the Listing Rules) and is a connected person of our Company at the issuer level, and its subsidiaries are associates and, as such, also connected persons of our Company.

The annual cap and actual transaction amounts for the above non-exempted continuing connected transaction for FY2023 were:

No.	Transaction	Annual cap for FY2023 (RMB million)	Annual transaction amount for FY2023 (RMB million)
1.	Advertising, marketing and promotional services		
	– received by our Group from the New Oriental Group	1.06	0.13
	– provided by our Group to the New Oriental Group	39.39	34.92
2.	Sub-licensing of TPO examination materials from our Group to the New Oriental Group	20.00	8.27
3.	Procurement of goods by our Group from the New Oriental Group	39.13	11.22
4.	Provision of goods from our Group to the New Oriental Group	23.57	15.05
5.	Online and offline educational resources		
	– received by our Group from the New Oriental Group	16.65	8.04
	– provided by our Group to the New Oriental Group	26.20	1.09

Tigerstep Framework Agreement

On 13 March 2019, our Company (for itself and on behalf of the other members of our Group) and Tigerstep (for itself and on behalf of its subsidiaries) entered into the Tigerstep Framework Agreement, pursuant to which Tigerstep (and its subsidiaries) would lease certain property locations to our Group to be used as, among other purposes, office space, recording studios and administration premises. In August 2020, we updated the annual caps for this framework agreement (see our announcement of 21 August 2020). The Tigerstep Framework Agreement is for a period of three years from the Listing Date to the date immediately before the third anniversary of the Listing Date (being 27 March 2022, both dates inclusive), and the terms of which were entered into on normal commercial terms.

On 14 May 2021, our Company (for itself and on behalf of the other members of our Group) and Tigerstep (for itself and on behalf of its subsidiaries) entered into the 2021 Tigerstep Framework Agreement, pursuant to which, Tigerstep (and its subsidiaries) would (i) lease certain property locations to our Group to be used as, among other purposes, office space, recording studios and administrative premises and (ii) provide property management services. The 2021 Tigerstep Framework Agreement is for a period of two years from 1 June 2021 to 31 May 2023, and the terms of which were entered into on normal commercial terms. Further details of the 2021 Tigerstep Framework Agreement are set out in the announcement of the Company dated 14 May 2021.

The annual cap and actual transaction amounts for the above non-exempted continuing connected transaction for FY 2023 were:

No.	Transaction	Annual cap for FY2023 (RMB million)	Annual transaction amount for FY2023 (RMB million)
1.	Property leasing from Tigerstep (and its subsidiaries) to our Group (more than one year in duration)	10.00	6.96
2.	Property leasing (less than one year in duration) and property management services from Tigerstep (and its subsidiaries) to our Group	5.00	0.18

Tigerstep and its subsidiaries are associates of Mr. Yu, one of our Directors, and as such, are connected persons of our Company.

Internal control measures in relation to the continuing connected transactions

The Company believes that the success of its business depends on its ability to effectively implement the risk management and internal control measures. The Company has adopted since the Listing, and continues to at present adopt, internal control measures relating to, among others, financial reporting, information system, human resources and investment.

As the Group continues to expand, it has and will continue to modify and improve these measures and procedures to meet its evolving business needs and safeguard its business operations. This includes a series of measures and policies, which the Company has established since the Listing and that it continues to implement, to ensure that its connected transactions, including its continuing connected transactions, such as those disclosed above, will be carried out in accordance with the terms of the agreements, including pricing policies, which are on normal commercial terms and no less favourable than terms available to third parties. In particular, this includes:

(1) the marketing, products, and business teams of the Group ("**Internal Business Insiders**"), comprising of industry insiders who are familiar with prevailing market rates, industry and seasonal specific variables affecting pricing, periodically monitoring the terms of the transactions and comparing these against the terms of, or with, comparable independent third party counterparties;

(2) the Company, through its Internal Business Insiders, periodically reviewing the prices charged against, among others: (i) prices charged by comparable service providers for comparable/substitutable goods or services; (ii) prices negotiated between the Group and third parties, or prices quoted by third parties, for comparable/substitutable goods or services; and (iii) prices charged by the Company's connected counterparties to their other customers for comparable/substitute goods or services;

(3) the Company, through the Group's financial and business teams, periodically monitoring the transaction amounts under the continuing connected transactions, and when it is expected that the transaction amount would exceed the designed annual cap(s), ensuring that the Company complies with all the applicable requirements under the Listing Rules for revising the relevant annual cap;

(4) the Company, through its various departments (including the Internal Business Insiders, legal and financial teams) and senior management, periodically updating the Board (including the independent non-executive Directors) of their results from, among others, the reviews/monitoring in (1) to (3) above, with the Board, in turn, reviewing the terms of the connected transactions to ensure that such transactions are entered into on normal commercial terms, are fair and reasonable, and carried out pursuant to their respective contractual terms;

(5) in case of any proposed change to the major terms of the transactions, ensuring that the Company complies with all applicable requirements under the Listing Rules, including publishing an announcement, before such change becomes effective; and

(6) the Company's external auditor conducting an annual review of the continuing connected transactions conducted during the financial year in accordance with the Listing Rules.

Confirmations in respect of our continuing connected transactions

Confirmations from our independent non-executive Directors

Our independent non-executive Directors have reviewed our CCT Agreements and confirmed that:

With respect to our Contractual Arrangements:

(a) the transactions carried out during FY2023 have been entered into in accordance with the relevant provisions of our CCT Agreements; and

(b) no dividends or other distributions have been made by our Relevant VIE Entities to the holders of its equity interests that are not otherwise subsequently assigned or transferred to our Group during FY2023;

With respect to all CCT Agreements:

(c) the transactions underlying the CCT Agreements are in the ordinary and usual course of the Group's business, and terms of the CCT Agreements and their underlying transactions are on normal commercial terms or better, fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Save as disclosed in this section, we did not enter into any other transaction during FY2023, including the related party transactions disclosed under Note 38 to the financial statements in this annual report, that would fall to be disclosed under Chapter 14A of the Listing Rules. We have complied with the disclosure requirements in Chapter 14A of the Listing Rules during FY2023.

Confirmations from our Company's independent auditors

Our independent external auditor has confirmed in a letter to our Board that, with respect to the continuing connected transactions of our Company (including our Contractual Arrangements):

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by our Board;

(b) for transactions involving the provision of goods or services by our Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of our Company;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by our Company.

CONTRACTS WITH OUR CONTROLLING SHAREHOLDER OR MANAGEMENT CONTRACTS

Save as disclosed in this annual report, no other contracts of significance or contract of significance for the provision of services had been entered into among our Group and our Controlling Shareholder during FY2023.

No contract, concerning the management and administration of the whole or any substantial part of our Company's business was entered into or existed during FY2023.

Save as disclosed in this annual report, and in particular the "—Continuing connected transactions" above, none of our Directors (or any entity connected with our Directors) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which our Company was a party and which subsisted during FY2023.

AUDITOR

Our Group's consolidated financial statements have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at our upcoming annual general meeting of Shareholders. There was no change in our Company's independent external auditors in any of the preceding three years, including FY2023.

EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed in this report, our Group did not have any significant event occurring after the Reporting Period to the date of the annual results announcement for FY2023.

ENVIRONMENTAL AND COMMUNITY POLICIES AND PERFORMANCE

We are committed to fulfilling our social responsibility, promoting employee benefits and development, protecting the environment and giving back to our community and achieving sustainable growth. Further details of our environmental and social performance are set out in the "Environmental, social and governance report" included in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Save as otherwise disclosed in this annual report and our Prospectus, to the best of our knowledge, we have complied with all relevant Laws that have a material and significant impact on our Group.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on or around Friday, 3 November 2023. The register of members of our Company will be closed from Tuesday, 31 October 2023 to Friday, 3 November 2023 (both days inclusive) in order to determine the identity of our Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our Company's branch share registrar 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 not later than 4:30 p.m. on Monday, 30 October 2023.

By the order of our Board
YU Minhong
Chairman

Hong Kong
8 September 2023

DISCLOSURE OF INTERESTS

Directors and Chief Executives

As at the end of FY2023, the interests and short positions of our Directors and chief executives (being those as at the end of FY2023) in our Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code are set out below. All interests disclosed represent long positions in Shares. Our Directors and chief executives do not hold any short positions in Shares.

Interest in our Shares

Name of Director or chief executive	Nature of interest	Relevant entity	Number Shares interested	Approximate percentage of shareholding in our Company[1]
Mr. Sun[2]	Beneficial owner		14,982,000	1.48%
Mr. Yu[3]	Beneficial owner		24,195,285	2.39%
	Beneficiary of a trust	Tigerstep	27,182,832	2.68%
Ms. Sun[4]	Interest in a controlled corporation	First Bravo	151,000	0.01%
Mr. Yin[5]	Beneficial owner		4,700,000	0.46%

Notes:

(1) The percentages are calculated based on our Company's total number of issued shares, being 1,013,866,710 Shares, as at 31 May 2023.

(2) These interests comprise: (i) 4,139,000 Shares and 4,500,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Sun under the Pre-IPO Scheme and the 2019 Scheme, respectively, and (ii) 3,000,000 underlying Shares for the share awards granted to Mr. Sun under the 2023 Scheme, such grant was approved by independent Shareholders at an extraordinary general meeting held by the Company on 5 July 2023.

(3) These interests comprise: (i) 16,695,285 and 6,000,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Yu under the Pre-IPO Scheme and the 2019 Scheme, respectively; (ii) 1,500,000 underlying Shares for the share awards granted to Mr. Yu under the 2023 Scheme, such grant was approved by independent Shareholders at an extraordinary general meeting held by the Company on 5 July 2023, and (iii) 27,182,832 Shares held through Tigerstep. Tigerstep is wholly owned by Mr. Yu. Through a trust arrangement, Mr. Yu, together with his family, holds beneficial interest in Tigerstep.

(4) First Bravo is wholly-owned by Ms. Sun. Under the SFO, Ms. Sun is deemed to be interested in all of First Bravo's interests in our Company.

(5) These interests comprise: (i) 2,100,000 Shares and 2,000,000 Shares that may be issued pursuant to an exercise of options granted to Mr. Yin under the Pre-IPO Scheme and 2019 Scheme, respectively; and (ii) 600,000 underlying Shares for the share awards granted to Mr. Yin under the 2023 Scheme.

Interest in our Controlling Shareholder

Name of Director or chief executive	Nature of interest	Total number of shares	Percentage of shareholding in New Oriental[1]
Mr. Yu [1]	Interest in a controlled corporation; beneficiary of a trust	201,788,600	11.8%

Note:

(1) According to the best knowledge of our Directors and publicly available information of New Oriental accessed as at the end of the Reporting Period (being the Schedule 13G/A filed with the SEC on 7 February 2023), this interest represents: (i) 169,235,000 Shares held by Tigerstep, a company wholly-owned by Mr. Yu, and (ii) 3,255,360 ADSs (representing the same number of underlying shares of New Oriental), which consist of 3,215,054 ADSs held by Tigerstep and 40,306 ADSs held by Mr. Yu. On 10 March 2021, New Oriental completed a share subdivision, upon which each former common share became ten new common shares and each former ADS became ten new ADSs (representing ten new common shares). Further, in April 2022, New Oriental changed its ADR: Common share ratio from 1:1 to 1:10. The figures in the table represent new common shares. Tigerstep is wholly owned by Mr. Yu. Through a trust arrangement, Mr. Yu, together with his family, holds beneficial interest in Tigerstep.

Interest in our associated corporations (other than New Oriental)

Name of Director	Nature of interest	Associated corporation	Amount of registered capital (RMB)	Approximate percentage of shareholding in the associated corporation
Mr. Yu	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	Beijing Xuncheng[1]	122,351,229	100%
	Beneficial owner	Century Friendship[1]	9,900,000	99%
	Interest in a controlled corporation	New Oriental China[1]	50,000,000	100%
	Interest of controlled limited partnership	New Venture[2]	50,000,000	50%

Notes:

(1) Century Friendship and New Oriental China are controlled through a series of contractual arrangements by, and are therefore treated as subsidiaries of New Oriental. Mr. Yu holds a 99% equity interest in Century Friendship, which in turn, holds the entire equity interests in New Oriental China. New Oriental China holds a 100% equity interest in, and has entered into our Contractual Arrangements with (as defined and detailed in the section headed "Contractual Arrangements" in the Company's Prospectus), Beijing Xuncheng. Under the SFO, Mr. Yu 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.

(2) New Venture is held by our Company as to more than 20%, and is held by New Oriental China as to 50%. Mr. Yu controls New Oriental China and, under the SFO, is deemed to be interested in all of New Oriental China's interests in New Venture.

Substantial shareholders

As at the end of FY2023, as far as our Directors are aware, the following persons (other than our Directors and the chief executive of our Company) had interests or short positions in our Shares or underlying Shares of our Company as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO. All of the interests below represent long positions in shares. As far as our Directors are aware, none of the persons listed below held any short positions in Shares.

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding in our Company(1)
New Oriental	Beneficial interest	557,160,500	54.95%

Notes:

(1) The percentages are calculated based on our Company's total number of issued shares, being 1,013,866,710 Shares, as at 31 May 2023.

SHARE SCHEMES

Our Company has adopted three share schemes, the Pre-IPO Scheme, the 2019 Scheme (terminated on 9 March 2023) and the 2023 Scheme. See "Statutory and general information" of Appendix IV to the Prospectus for further details of the Pre-IPO Scheme and the 2019 Scheme, and the circular of our Company dated 21 February 2023 for further details of the 2023 Scheme.

30,459,000 new Shares, representing approximately 3.02% of the weighted average of issued share capital of the Company, may be issued in respect of all awards granted during the Reporting Period to eligible participants pursuant to the 2019 Scheme (before its termination) and the 2023 Scheme.

Further details and relevant breakdowns of each of the share schemes of our Company are set out below:

Pre-IPO Scheme

Purpose

The purpose of the Pre-IPO Scheme is to provide eligible participants with the opportunity to acquire proprietary interest in our Company and to encourage the eligible participants to work towards enhancing the value of our Company and the Shares for the benefit of our Company and our Shareholders as a whole. The Pre-IPO Scheme is further intended to provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants.

Eligible participants

The eligible participants of the Pre-IPO Scheme include, among others, any director, employee or contractor or affiliate of our Group (including nominees and/or trustees of any employee benefit trust(s) established for them) who the Board considers, in its sole discretion, to have contributed or will contribute to our Group.

Maximum number of Shares available for issue

The overall limit in the number of options under the Pre-IPO Scheme represents 47,836,985 underlying Shares, subject to possible adjustments under the Pre-IPO Scheme, all of which were granted to eligible participants by the end of FY2019.

No further options were granted or maybe granted under the Pre-IPO Scheme following the Listing.

Given that no further options would be granted under the Pre-IPO Scheme, the outstanding number of options would be equivalent to the maximum number of Shares available for issue under the Pre-IPO Scheme. As at June 1, 2022, options to subscribe for an aggregate of 35,911,985 underlying Shares remained outstanding. During the Reporting Period, 8,827,600 options under the Pre-IPO Scheme had been exercised and no options had been cancelled or lapsed. As at 31 May 2023 and the Latest Practicable Date, options to subscribe for an aggregate of 27,084,385 underlying Shares and 26,837,885 underlying Shares (representing approximately 2.65% of our total issued share capital as of the Latest Practicable Date) remained outstanding, respectively.

Maximum entitlement for each eligible participant

There is no specified limit on the maximum number of underlying Shares for which any particular grantee may subscribe under the Pre-IPO Scheme.

Vesting period and exercise period

The vesting criteria and conditions, and the vesting date are specified in the offer letter. Details of the vesting period of individual grants are stated in the table below.

The exercise period of options granted under the Pre-IPO Scheme shall be any time after the end of the vesting period and before the day prior to the sixth anniversary of the date of Listing.

Each grantee gave an undertaking at the date of accepting their respective grant to hold the vested options for the minimum period (i.e. for six months following the given vesting date). On 16 August 2019, our Board resolved to waive this minimum period for the grantees.

Consideration and exercise price

Each grantee paid a consideration of RMB1.00 for the grant of options under the Pre-IPO Scheme. The exercise price under the Pre-IPO Scheme is HK$8.88 per Share (being US$1.13 for each Share to be effected immediately prior to the Listing).

Remaining life of the Pre-IPO Scheme

The Pre-IPO Scheme is valid for six years from the Listing Date (being from 28 March 2019 to 27 March 2025), which is also the maximum option period, following which any outstanding options shall expire and may not be exercised. The remaining life of the scheme is approximately one year and eight months.

Details of option grants

Details of the movements of the options granted under the Pre-IPO Scheme are as follows:

					Number of options					
Name or category of grantee	Date of grant	Vesting period	Exercise period	Exercise price (HK$ per Share)	Outstanding as at 1 June 2022	Exercised during FY2023	Cancelled during FY2023	Lapsed during FY2023	Outstanding as at end of FY 2023	Weighted average closing price of Shares immediately before the date of exercise during FY2023 (HK$)
Directors										
Mr. Yu	6 March 2019	Three years from Listing Date	From the commencement of the first vesting period to the day prior to the sixth anniversary of the Listing Date	8.88	16,695,285	Nil	Nil	Nil	16,695,285	Nil
Mr. Sun	6 March 2019	Three years from Listing Date	From the commencement of the first vesting period to the day prior to the sixth anniversary of the Listing Date	8.88	8,000,000	3,861,000	Nil	Nil	4,139,000	56.03
Mr. Yin	6 March 2019	Three years from Listing Date	From the commencement of the first vesting period to the day prior to the sixth anniversary of the Listing Date	8.88	2,100,000	Nil	Nil	Nil	2,100,000	Nil
Other grantees in category										
Employee participants(1)	6 March 2019	Three years from Listing Date	From the commencement of the first vesting period to the day prior to the sixth anniversary of the Listing Date	8.88	9,116,700	4,966,600	Nil	Nil	4,150,100	29.97
Total					35,911,985	8,827,600	Nil	Nil	27,084,385	

Note:

(1) Employee participants as defined under the Listing Rules and excluding Mr. Yu, Mr. Sun and Mr. Yin as disclosed above, on individual basis.

Further details of movements in the Pre-IPO Scheme are set out in Note 31 to the consolidated financial statements.

2019 Scheme

The 2019 Scheme was terminated on 9 March 2023.

Purpose

The purpose of the 2019 Scheme is to provide eligible participants with the opportunity to acquire proprietary interest in our Company and to encourage the eligible participants to work towards enhancing the value of our Company and the Shares for the benefit of our Company and our Shareholders as a whole. The 2019 Scheme is further intended to provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants.

Eligible participants

The eligible participants of the 2019 Scheme include, among others, any director, employee or contractor or affiliate of our Group (including nominees and/or trustees of any employee benefit trust(s) established for them) who the Board considers, in its sole discretion, to have contributed or will contribute to our Group.

Maximum number of Shares available for issue

The overall limit on the number of Shares that may be issued upon exercise of all options granted under the 2019 Scheme and any other scheme must not exceed 10% (being 91,395,910 Shares) of the total number of Shares in issue on the Listing Date (being 913,959,102 Shares).

As at 1 June 2022, an aggregate of 45,994,093 options remain outstanding under the 2019 Scheme. During the Reporting Period, 4,315,008 options under the 2019 Scheme had been exercised, 140,000 options had been cancelled, 1,076,275 options had lapsed. As at 31 May 2023 and the Latest Practicable Date, an aggregate of 40,462,810 options and 39,825,588 options (representing approximately 3.93% of our total issued share capital as of the Latest Practicable Date) remain outstanding under the 2019 Scheme.

Maximum entitlement of each eligible participant

Unless specifically approved by our Shareholders, each eligible participant under the 2019 Scheme may only be granted options (including both exercised and outstanding options) within any 12-month period that represent underlying Shares that aggregate to 1% of our Company's total issued share capital at that particular time. Further details of movements in the 2019 Scheme is set out in Note 31 to the consolidated financial statements.

Vesting period

The vesting criteria and conditions, and the vesting date are specified in the offer letter. Details of the vesting period of individual grants are stated in the table below.

Remaining life of the 2019 Scheme and option period

The 2019 Scheme was terminated on 9 March 2023 and the Company shall not grant any further options under the 2019 Scheme after its termination. Any granted and unexercised options made under the 2019 Scheme immediately before the termination shall continue to be valid and exercisable in accordance with the terms of the grant and the 2019 Scheme rules.

Under the 2019 Scheme rules, there is no minimum period for which an option must be held before it can be exercised.

Consideration and exercise price

Each grantee shall pay a consideration of RMB1.00 for the grant of options under the 2019 Scheme. The exercise price per Share under the 2019 scheme shall be determined by our Board in its absolute discretion and notified to the participant, but shall be no less than the higher of:

(a) the closing price of our Shares as stated in the Daily Quotations Sheet on the grant date;

(b) the average closing price of our Shares as stated in the Daily Quotations Sheet for the five business days immediately preceding the grant date; and

(c) the nominal value of each Share on the grant date.

Details of option grants

Details of the movements of the options granted under the 2019 Scheme are as follows:

Name or category of grantee	Role	Date of grant	Vesting period	Exercise Period	Exercise price (HK$)	Number of options: Outstanding as at 1 June 2022	Granted during the period[1]	Exercised during FY2023	Cancelled during FY2023	Lapsed during FY2023	Outstanding as at end of FY2023	Weighted average closing price of Shares immediately before the date of exercise during FY2023 (HK$)
Mr. Yu	Non-executive Director and chairman of the Board	15 November 2021	(1) One-third of the options to vest on the date immediately before the first anniversary of the date of grant;	Ten years from the date of grant	5.22	6,000,000	Nil	Nil	Nil	Nil	6,000,000	Nil
Mr. Sun	Executive Director	15 November 2021	(2) One-third of the options to vest on the date immediately before the first anniversary of the First Vesting Date; and		5.22	4,500,000	Nil	Nil	Nil	Nil	4,500,000	Nil
Mr. Yin	Executive Director	15 November 2021	(3) One-third of the options to vest on the date immediately before the first anniversary of the Second Vesting Date.		5.22	2,000,000	Nil	Nil	Nil	Nil	2,000,000	Nil
Other grantees in category												
Employee participants[2]		15 November 2021			5.22	33,494,093	Nil	4,315,008	140,000	1,076,275	27,962,810	52.01
Total						45,994,093	Nil	4,315,008	140,000	1,076,275	40,462,810	

Notes:

(1) the 2019 Scheme was terminated on 9 March 2023, the period commences from 1 June 2022 to 9 March 2023. For the avoidance of doubt, no options can be granted under the 2019 Scheme after its termination.

(2) Employee participants as defined under the Listing Rules and excluding Mr. Yu, Mr. Sun and Mr. Yin as disclosed above, on individual basis.

Further details of movements in the 2019 Scheme are set out in Note 31 to the consolidated financial statements.

2023 Scheme

Purpose

The purpose of the 2023 Scheme is to provide the Company with a flexible means of, attracting, remunerating, incentivising, retaining, rewarding, compensating and/or providing benefits to eligible participants through aligning the interests of eligible participants with those of the Company and Shareholders by providing them with an opportunity to acquire proprietary interests in the Company and become Shareholders, and thereby, encouraging eligible participants to contribute to the long-term growth, performance and profits of the Company and to enhance the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

Eligible participants

Eligible participants are determined by the scheme administrator from time to time to be eligible to participate as grantees under the 2023 Scheme, and shall fall under one or more of the following categories: Employee Participants, the Related Entity Participants and Service Provider Participants.

Awards

Awards may take the form of an option or a share award, which can be funded by Shares or an equivalent value determined by prevailing market prices.

Maximum number of awards available for grant and new Shares available for issue under the scheme mandate

Scheme mandate and sub-limit

The total number of Shares that may be issued pursuant to all awards to be granted under the 2023 Scheme and awards to be granted under any other share schemes of the Company is initially set at 10% of the Shares in issue as at the adoption date of the 2023 Scheme, being 101,351,871 Shares (the "**Scheme Mandate**"). The total number of Shares that may be issued pursuant to all awards to be granted to Service Provider Participants under the 2023 Scheme is initially set at up to 2% of the Scheme Mandate, being 2,027,037 Shares (the "**Service Provider Sublimit**").

The 2023 Scheme was adopted on 9 March 2023. During the period from 9 March 2023 to 31 May 2023, no new Shares were issued pursuant to the 2023 Scheme and 61,000 share awards had been cancelled. Therefore, as at 9 March 2023 and 31 May 2023, 101,351,871 and 101,290,871 new Shares were available for issue under the Scheme Mandate, respectively. As at the Latest Practicable Date, 101,290,871 new Shares (representing approximately 9.98% of our total issued share capital as of the Latest Practicable Date) were available for issue under the Scheme Mandate. Further, as at 31 May 2023, 2,027,037 new Shares were available for issue under the Service Provider Sublimit.

Number of Shares underlying awards available for grant

The aggregate number of Shares underlying all grants made or to be made pursuant to the 2023 Scheme was 101,351,871. During the period between 9 March 2023 (being the date of adoption of the scheme) and 31 May 2023 (both dates inclusive), 30,459,000 Shares underlying awards were granted under the 2023 Scheme and 61,000 share awards had been cancelled and 84,000 share awards had lapsed. It follows that, as at 31 May 2023, there were 70,976,871 Shares remaining to be issued as a result of awards that remain to be granted under the 2023 Scheme.

Maximum entitlement of each eligible participant

There is no specific maximum entitlement for each eligible participant under the 2023 Scheme.

Issue price and exercise price

The scheme administrator may determine in their absolute discretion the issue price for the exercise of share awards and/or the exercise price for options for awards in the form of share awards and/or option (as the case may be) and such prices shall be set out in the award letter.

The exercise price for options shall be no less than the higher of: (i) the closing price of the Shares on the grant date; and (ii) the average closing price of the Shares for the five business days immediately preceding the grant date.

The issue price shall be determined on an individual basis for each of the grantee by the scheme administrator, taking into account the purpose of the 2023 Scheme, the interests of the Company and the individual circumstances of the each grantee.

Exercise period

The scheme administrator may determine in its absolute discretion the exercise period for any award of options and/or share awards and such period shall be set out in the award letter. In any event, the exercise period for any award of options shall not be longer than 10 years from the grant date.

Vesting period

The scheme administrator may determine the vesting period and specify such period in the award letter. The vesting period may not be for a period less than 12 months from the grant date, except in limited circumstances set out in the 2023 Scheme rules. These circumstances may only apply to Employee Participants and are consistent with the scenarios contemplated in FAQ 092-2022 issued by the Stock Exchange, including where:

(a) grants of "make whole" awards to a new Employee Participant to replace the awards that the Employee Participant forfeited when leaving their previous employer;

(b) grants to an Employee Participant whose employment is terminated due to death or disability or event of force majeure;

(c) grants of awards that are subject to the fulfilment of performance targets as determined in the conditions of the grantee's grant;

(d) grants of awards the timing of which is determined by administrative or compliance requirements not connected with the performance of the Employee Participant, in which case the vesting date may be adjusted to take account of the time from which the award would have been granted if not for such administrative or compliance requirements;

(e) grants of awards with a mixed vesting schedule such that the award vests evenly over a period of 12 months; or

(f) grants of awards with a total vesting and holding period of more than 12 months.

Remaining Life of the 2023 Scheme

The 2023 Scheme is valid for ten years from the adoption date of the 2023 Scheme (being from 9 March 2023 to 8 March 2033). The remaining life of the scheme is approximately ten years.

Details of grants

Details of the movements of share awards granted under the 2023 Scheme are as follows:

						Number of share awards								
Name or category of grantee	Role	Date of grant	Vesting period	Exercise Period	Issue price (HK$)	Unvested as at 1 June 2022	Granted during the period[1]	Vested during the period[1]	Cancelled during the period[1]	Lapses during the period[1]	Unvested as at end of FY2023	Closing price of the Shares immediately before the date of grant during the period[1](HK$)	Fair value[2] of the share awards at the date of grant during the period[1](HK$)	Weighted average closing price of Shares immediately before the date of vesting during the period[1] (HK$)	Performance targets of the share awards granted during the period[1]
Mr. Yu	Non-executive Director and chairman of the Board	11 April 2023	(a) 33% will vest on each of the first and second anniversary of the date of grant; and (b) 34% will vest on the third anniversary of the date of grant	Ten years from the date of grant	Nil	Nil	1,500,000	Nil	Nil	Nil	1,500,000	30.7	29.0	Nil	See note 3
Mr. Sun	Executive Director and chief executive officer	11 April 2023			Nil	Nil	3,000,000	Nil	Nil	Nil	3,000,000	30.7	29.0	Nil	See note 3
Mr. Yin	Executive Director	11 April 2023	A total vesting period of 3 years from the date of grant[4]		Nil	Nil	600,000	Nil	Nil	Nil	600,000	30.7	29.0	Nil	See note 3
Other grantees in category															
Employee Participants[5]		11 April 2023	A total vesting period of 3 years from the date of grant(4)		Nil	Nil	25,359,000	Nil	61,000	84,000	25,214,000	30.7	29.0	Nil	See note 3
Total						Nil	30,459,000	Nil	61,000	84,000	30,314,000				

Notes:

(1) the 2023 Scheme was adopted on 9 March 2023, the period commences from 9 March 2023 to 31 May 2023.

(2) the fair value of the share awards granted during the period was determined based on the fair value of the ordinary shares of the Company on the date of grant. Further details of fair value measurement are set out in Note 3 and Note 31 to the consolidated financial statements.

(3) with respect to each grantee, upon each vesting date, the portion of share awards eligible to vest will actually vest if the grantee meets the specified threshold in their performance evaluations during the one-year period prior to the vesting date. For further details, please refer to the announcement of the Company dated 11 April 2023 and the circular of the Company dated 18 May 2023.

(4) a total vesting period of 3 years from the date of grant, and shall vest according to the following schedule: (i) between 20% to 50% of the total share awards granted will vest on the first anniversary of the date of grant; (ii) between 20% to 50% of the total share awards granted will vest on the second anniversary of the date of grant; and (iii) between 20% to 50% of the total share awards granted will vest on the third anniversary of the date of grant.

(5) Employee Participants excluding Mr. Yu, Mr. Sun and Mr. Yin as disclosed above, on individual basis.

Further details of movements in the 2023 Scheme are set out in Note 31 to the consolidated financial statements.

CORPORATE GOVERNANCE PRACTICES

Corporate Governance Code

Our Company was incorporated in the Cayman Islands on 7 February 2018 as an exempted company with limited liability, and our Shares were listed on the Main Board of the Stock Exchange on 28 March 2019.

We are committed to maintaining and promoting stringent corporate governance. The principle of our Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of our Company. During the Reporting Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code.

We will continue to regularly review and monitor our corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

OUR DIRECTORS' COMPLIANCE WITH THE MODEL CODE

We adopted the Model Code contained in Appendix 10 to the Listing Rules as our Company's code of conduct regarding our Directors' dealing in our Company's securities. Having made specific enquiry of all our Directors, all Directors confirmed that they have complied with the provisions of the Model Code throughout FY2023.

OUR BOARD

As at the Latest Practicable Date, our Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors.

See "Corporate Information" pages 2 to 3 for details of our Board and board committee members. See "Director's report-Directors and senior management" at pages 22 to 25 for the biographical information of our Directors.

During FY2023, our Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and representing at least one-third of our Board, with at least one of whom possessing the appropriate professional qualifications or accounting or related financial management expertise (being Mr. Tong and Mr. Kwong). Mr. Tong is an independent non-executive Director who possesses the appropriate qualifications to act as chairman of our Audit Committee.

None of our Board members are related to one another.

Responsibilities and delegation

Our Board assumes responsibility for the leadership and control of our Company, and is responsible for directing and supervising our Company's affairs in the best interests of our Company and our Shareholders.

Mr. Yu is the Chairman of our Board and Mr. Sun is our chief executive officer. Our Chairman provides leadership and is responsible for the effective functioning and leadership of, and providing advice to, our Board. Our chief executive officer focuses on our Company's overall strategic planning, overall management and business direction.

Our Board directly, and indirectly through our Board Committees, leads and provides management strategies and overseeing the implementation of these strategies, as well as supervising our Company's internal control and risk management systems, and assumes ultimate responsibility for preparing the accounts. Our Board makes the final decision on policy matters, strategies and budgets, internal control and risk management, material transactions, financial information, directorship appointment, and other significant operational matters of our Company. Our Board may delegate certain of its responsibilities, including implementing its decisions, directing and coordinating the daily operations of our Company and management to our chief executive officers, other senior managers and management. These delegated functions and responsibilities are periodically reviewed by our Board.

Each of our Directors bring a wide variety of business and industry experience, knowledge and professionalism to our Board for its efficient and effective functioning. Our Directors have full and timely access to all information of our Company, and may upon request, seek independent professional advice in appropriate circumstances at our Company's expense for discharging their duties to our Company. Our Directors will disclose to our Company details of other offices held by them.

Appointment and re-election of Directors

According to our Articles of Associations, at each annual general meeting of our Company, one-third of our Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A Director appointed by our Board, either to fill a casual vacancy or as an addition to our Board, will hold office only until our Company's next general meeting. All retiring Directors will be eligible for re-election.

Each Director (including our non-executive Directors and independent non-executive Directors) is engaged for a term of three years and is subject to retirement and re-election in accordance with our Articles of Association.

Continuous professional development of Directors

Our Company and each of our Directors understand the importance of our Directors participating in appropriate continuous professional development to allow them to keep on top of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to our Board remains informed and relevant. Our Directors are encouraged to attend relevant training at our Company's expense.

During FY2023, each of our Directors, namely Mr. Sun, Mr. Yin, Mr. Yu, Ms. Sun, Mr. Lin, Mr. Tong, Mr. Kwong, received professional training, which include, among others: (a) participating in continuous professional training seminar(s), conference(s), course(s) and/or meeting(s); (b) reading materials provided by external parties, or prepared by our Company, and provided from time to time to Directors, regarding legal and regulatory changes and matters relevant to directors' duties and responsibilities and our Group's business; and/or (c) news, journals, magazines or other reading materials that touch on legal and regulatory changes and matters relevant to our Directors discharging their directors' duties and responsibilities or that concern our Group's business.

Attendance records of Directors

During FY2023 and as at the Latest Practicable Date, our Directors attended the following meetings:

Director	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	General meetings
Mr. Sun	4/4	–	–	–	2/3
Mr. Yin	4/4	–	–	–	3/3
Mr. Yu	4/4	–	–	1/1	1/3
Ms. Sun	4/4	–	2/2	–	2/3
Mr. Wu Qiang ("**Mr. Wu**") *(resigned on 26 August 2022)*	1/1	1/1	–	–	–
Ms. Leung Yu Hua Catherine *(resigned on 26 August 2022)*	1/1	–	–	–	–
Mr. Lin[(1)]	4/4	3/3	2/2	1/1	3/3
Mr. Tong	4/4	3/3	2/2	1/1	3/3
Mr. Kwong	4/4	3/3	–	–	0/3

Note:

(1) Mr. Lin was appointed as a member of the Audit Committee on 26 August 2022 following the resignation of Mr. Wu.

The Board will meet at least four times a year, at approximately quarterly intervals. Schedules for regular Board meetings are normally agreed with Directors in advance to facilitate their attendance. At least 14 days' notice for all regular Board meetings will be given to all Directors and all Directors are given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying meeting papers will be sent to all Directors in a timely manner and at least three days in advance of every regular Board meeting.

Apart from regular Board meetings, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during FY2023.

Board committees

We have established three Board Committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with specific written terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee comprises of three independent non-executive Directors, namely, Mr. Tong (committee chairman), Mr. Lin and Mr. Kwong. Mr. Lin was appointed as a member of the Audit Committee on 26 August 2022 following the resignation of Mr. Wu.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system (including risk management) of our Group, review and approve connected transactions and provide advice and comments to the Board.

None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The Audit Committee has performed the following major tasks during FY2023:

(a) discussing and making recommendation on the re-appointment of the Auditor;

(b) reviewing and monitoring the independence and objectivity of the Auditor and the effectiveness of the audit process for our Group's annual audit for the year ended 31 May 2022;

(c) reviewing the annual results of our Group for the year ended 31 May 2022;

(d) reviewed the interim results of our Group for the six months ended 30 November 2022;

(e) reviewing our Company's financial controls, risk management and internal control systems;

(f) discussing the effectiveness of the risk management and internal control systems of our Company with the management;

(g) reviewing the effectiveness and resources of our Company's internal auditors and ensuring its co-ordination with the Auditor;

(h) reviewing our Company's and its subsidiaries' operating, financial and accounting policies and practice;

(i) reviewing any management letter and material queries from the Auditor and the management's response, and ensuring timely response to the issues raised by the Auditor's management letter was provided by our Board;

(j) reviewing arrangements employees of our Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(k) reviewing the continuing connected transactions of the Group carried out during the year ended 31 May 2022.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee comprises of three non-executive Directors (including two independent non-executive Directors), namely, Mr. Lin (committee chairman), Ms. Sun and Mr. Tong.

The primary duties of the Remuneration Committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior managers.

During FY2023, the Remuneration Committee reviewed and made recommendations on the remuneration packages of our Directors and our Company's senior managers. Further, the Company has adopted the 2023 Scheme on 9 March 2023, and on 11 April 2023, the Remuneration Committee has reviewed and made recommendation to the Board regarding the grant of share awards under the 2023 Scheme. While considering the grant of share awards, the Remuneration Committee had evaluated the remuneration of the grantees in comparable market peer and the value of grant to the grantee. After considering those factors, the Remuneration Committee recommended the proposed grant of share awards to the grantees to the Board for approval to appreciate the grantees' devotion and commitment to the Company which align with the purpose of the 2023 Scheme.

Directors' remuneration policy

The remuneration of Directors comprises an annual directors' fee and may also be entitled to options and/or awards under the rules of the share schemes adopted by the Company from time to time. Such remuneration is determined and recommended by the Remuneration Committee with reference to the respective Directors' duties and responsibilities with the Company, the Company's remuneration policy (as disclosed on page 28 of this annual report) and the prevailing market conditions.

We set out below the remuneration of our Company's senior managers (including our executive Directors) by band for FY2023:

Annual remuneration	Number of individuals
Nil to HK$10,000,000	1
HK$10,000,001 to HK$20,000,000	1

Further details of the remuneration for FY2023 are set out in Note 11 to the consolidated financial statements.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee comprises of three non-executive Directors (including two independent non-executive Directors), namely, Mr. Yu (committee chairman), Mr. Lin and Mr. Tong.

The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

The Nomination Committee has performed the following major tasks during FY2023:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) developing the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

(c) assessing the independence of all the independent non-executive Directors;

(d) making recommendations to the Board on the selection of individuals nominated for directorships; and

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors of our Company.

We have adopted a diversity policy to enhance greater diversity of members on our Board. See "—Board diversity policy" at pages 66 to 67.

We have also adopted a director nomination policy to guide our Nomination Committee in identifying and recommending candidates for directorship positions and to make recommendations to our Board on the succession planning of directors. See "—Director nomination policy" at page 65.

Corporate governance functions

Our Board is responsible for performing the functions set out in A.2.1 of Part 2 of the Corporate Governance Code.

Our Board shall review and determine our Company's corporate governance policies and practices, our Directors' and senior managers' training and continuous professional development, our Company's policies and practices on compliance with legal and regulatory requirements, our Company's compliance with the Corporate Governance Code, and the disclosure in this Corporate Governance Report. Our Board has performed the above duties during FY2023.

Risk management and internal controls

Our Board acknowledges that it has the overall responsibility for our Company's risk management and internal control systems and reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Nevertheless, our Board is committed to minimising and managing these risks. Our Audit Committee, internal audit department and senior management together monitor the implementation of our internal control and risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

Risk management and internal control systems and policies

Our Group has adopted a "three lines of defence model" in designing its risk management and internal control systems:

(a) The first line of defence — Business and operations: our Group's management and operational departments, collectively, form the "first line of defence." They are responsible for implementing risk management and internal control policies in their day-to-day operations and identifying, evaluating and managing the risks arising from their areas of work.

(b) The second line of defence — Risk management and internal control function: our internal audit department forms the "second line of defence." The internal audit department is responsible for formulating internal control and risk management policies and managing the implementation of these policies. It supervises the work of participants who form the "first line of defence" and reports any major issues to our Audit Committee and, where necessary, our Board on a regular basis. The internal audit department maintains a high degree of independence to ensure the effectiveness and fairness of its work.

(c) The third line of defence — Internal review and continuous improvement: the "third line of defence" mainly consists of the Audit Committee, which is responsible for reviewing the effectiveness and adequacy of our Company's risk management and internal control policies and systems on a regular basis and ensuring such policies and systems are improved and updated over time. The Audit Committee reports its work and findings and any major issues to our Board on a regular basis.

During FY2023, our Audit Committee held three meetings, and as at the Latest Practicable Date, our Audit Committee also conducted two reviews of our risk management and internal controls systems and policies and has reported its findings to our Board. Our Board is satisfied that our Company's risk management and internal control systems and policies are effective and adequate.

Our Group has established whistle-blowing and anti-corruption procedures. The internal audit department is responsible for receiving any alleged anti-fraud, anti-bribery or other whistle-blowing incidents. It then performs a preliminary assessment to determine whether the case warrants further investigation. If the case is determined to have sufficient basis for further investigation, it will be reported to our Audit Committee. Our Audit Committee is responsible for investigating all cases referred to it and will report its findings and recommendations to our Board and our Company's management where necessary. For confirmed cases of breach, our Board or our Company's management may take disciplinary action according to our Audit Committee's recommendation and the relevant policies, and where the case involves a violation of relevant Laws, the case will be reported to the relevant regulatory authority.

Our Group has also adopted an information disclosure policy which sets out comprehensive guidelines on handling and disseminating inside information. Our Board is entrusted with the responsibility of monitoring and implementing the procedural requirements set out in the information disclosure policy.

Significant risks of the Company

During FY2023, our Company identified the below key significant risks through its risk management system and has formulated and implemented measures for managing these risks accordingly.

1. *Public opinion risks*

   The private label products and livestreaming e-commerce sector in China is evolving rapidly. In general, companies engaging in social management and economic activities, particularly in the online space, may face fluctuating public opinion risks, such as negative or false information, rumours from society or the Internet, and pressures to moderate user behaviours. The major public opinion risks in particular to concerns around product quality and false publicity. In order to address and reduce these risks, we will continue to adhere to our brand philosophy of being "Strict on Quality" (嚴於品), maintain our focus on consistent supply and quality of products, and at the same time, we will continue to monitor and analyse negative sentiments or feedback around our brand and business, observe and evaluate public opinions and aim to maintain an overall positive impact going forward.

   We have set up a specialised public relations department and formulated internal rules on crisis management to manage our brand, strengthen communications with our customers and key stakeholders, and ensure that we are capable of responding to public relations crisis in a timely and meaningful manner.

2. *Product and service quality risk*

   The key to our ability to attract customers in our private label products and livestreaming e-commerce sector is that we consistently strive to deliver high quality products and services to our customers. If we fail to maintain the quality of our products and services as we innovate and expand, we risk losing our attractiveness to customers and, in turn, our revenue.

   As the Company sells food and other products under the brand name "East Buy", food safety and product quality are critical to our reputation and business success. Although we have implemented strict product selection, supply chain management, and quality control standards, and after-sales services systems and measures throughout our entire operating processes, there is no assurance that the Company's quality control systems will prove to be effective at all times, or that it can identify any defects in our quality control systems in a timely manner. Nonetheless, our Company is committed in providing quality products and will continue to establish and strengthen our product management team and quality inspection team going forward.

3. *Regulatory and compliance risk*

East Buy sells food and also conducts livestreaming events on Douyin and its own App and sells products online. Therefore, we need to comply with online livestreaming and online sales related regulations. Laws relating to food safety, product quality, livestreaming and online sales are numerous, varied and evolving. As a result, it may be difficult to ensure full compliance with the laws and regulations in the food safety and product quality regime and the online sales and online livestreaming industry in a timely manner, and to the standard expected by relevant authorities. Failure to comply with these laws and regulations, or maintain the safety and quality of the products that East Buy distributes may pose risks to the East Buy (東方甄選) brand, reputation and business.

We have set up a specialised working group to closely monitor and analyse relevant developments in the legal and regulatory landscape of the industries in which we operate (including food safety, product quality, livestreaming and online sales). Additionally, our working group and our management will continuously review our compliance status. We have also employed external compliance consultants to monitor the compliance of our daily operations.

Directors' responsibilities in respect of the financial statements

Our Directors acknowledge their responsibility for preparing our Company's consolidated financial statements for FY2023. Our Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon our Company's ability to continue as a going concern.

Deloitte's reporting responsibilities for the financial statements is summarised in the "Independent auditor's report" prepared by them and set out at pages 128 to 131.

Director nomination policy

Our Company has adopted the Director Nomination Policy that sets out the considerations and procedures for selecting and nominating directors on our Board, and for succession planning of our Company's directors. According to the Director Nomination Policy, (i) the ultimate responsibility for selection and appointment of Directors rests with the entire Board; (ii) the Nomination Committee will identify, consider and recommend suitable individuals to act as directors on our Board; (iii) in assessing a candidate's suitability and the potential contribution to our Board, our Nomination Committee would consider a number of aspects, including the candidate's reputation for integrity, his/her professional qualifications and skills, accomplishments and experience and Board diversity considerations (see Diversity Policy below); and (iv) the Nomination Committee shall make recommendations to our Board on the appointment or re-appointment of directors and their succession planning.

Notwithstanding, the ultimate responsibility for selecting and appointing directors rests with our entire Board.

Board independence mechanism

The Company recognises that Board independence is key to good corporate governance. As part of the established governance framework, the Group has established the board independence mechanism (the "**Mechanism**") during FY2023, which demonstrates the Company's commitment to high standards of corporate governance, and making good governance integral to the Company's culture.

According to the Mechanism, the Board, Board committees or individual Directors may seek such independent professional advice, views and input as considered necessary to fulfil their responsibilities and in exercising independent judgement when making decisions in furtherance of their directors' duties at the Company's expense. Independent professional advice shall include legal advice and advice of accountants and other professional financial advisers on matters of law, accounting, tax and other regulatory matters.

In the event that independent professional advice, views and input are considered necessary, the Board, Board committees or individual Directors shall communicate with the company secretary to start the Mechanism, providing background and details of the relevant incidents and/or transactions, and the issues involved which would require independent views and input. They may direct any questions, queries, concerns or specific advice to be sought to the company secretary who will then contact the Company's professional advisers (including legal advisers, accountants, independent auditor, internal control adviser) or other independent professional parties to obtain such independent professional advice within a reasonable period of time. Any advice obtained through the Mechanism shall be duly documented and made available to other members of the Board.

Despite having obtained any information or advice from the chairperson of the Board and/or any independent professional advisers through the Mechanism, the Directors are expected to exercise independent judgement in forming their decisions.

During the Reporting Period, the Board has reviewed and considered the implementation of the Mechanism to be effective.

Board diversity policy

Our Company has adopted the Diversity Policy that sets out our approach to achieving diversity of members on our Board. We embrace the benefits of having a diverse Board and view diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive edge and enhancing our ability to attract, retain and motivate employees. In identifying and selecting suitable candidates to serve on our Board as Directors, our Nomination Committee would consider a number of aspects, including gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

The Nomination Committee will discuss periodically and when necessary, agree on measurable objectives for achieving diversity, including gender diversity, among our Board members as recommendations proposed to our Board for adoption. At present, our Board has not set any measurable objectives.

Pursuant to the Diversity Policy, the Company has set the following measurable objectives:

- the Company aims to maintain an appropriate balance of skills, experience and diversity of perspectives on the Board that are relevant to the Company's business growth. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered; and

- the Nomination Committee will discuss periodically and, where appropriate, agree on measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

The Nomination Committee will review our Diversity Policy as appropriate from time to time to ensure its effectiveness.

During the Reporting Period, the Board has reviewed and considered the implementation of the Diversity Policy to be effective. The Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors from a diversed age group with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, e-commerce, engineering, finance, law and computer science. They obtained degrees in various areas including business administration, economics, law, computer science and technology. As at the end of FY2023, the Board comprises seven Directors, one is female. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender diversity. The Board is characterised by significant diversity in terms of gender, age, education background and professional experience.

WORKFORCE DIVERSITY

As at 31 May 2023, the gender diversity of the Group was approximately 56.2%, representing 1,104 females out of 1,965 employees (including senior management). Further details of workforce diversity of the Group are set out in the "Environmental, Social and Governance Report" at page 102. With a strong focus on promoting gender diversity in the workforce, the Group will continue to maintain the number of female employees. To support the achievement of these targets, specific initiatives have been implemented, including a review of the recruitment process, with job descriptions and postings amended to motivate a broader applicant pool, as well as changes to applicant screening and interviews. In addition, to support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours.

DIVIDEND POLICY

Our Company has adopted the Dividend Policy, which aims to increase or maintain the value of dividends per Share, to provide reasonable return in investment to investors, and to allow Shareholders to assess its dividend pay-out trend and intention.

Pursuant to our Dividend Policy, a dividend may only be declared and paid out of our Company's profits and reserves that are lawfully available for distribution (including share premium), and may not be declared and paid out if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Our Board has absolute discretion as to whether to pay a dividend, and alternatively, Shareholders may by way of ordinary resolution declare dividends provided that no dividend declared is in excess of the amount recommended by our Board.

The form, frequency, and amount of dividends declared and paid will depend on, among others, our Company's: (a) future operations and business prospects; (b) cash flow, general financial condition, and capital adequacy ratio; and (c) the availability of dividends received from subsidiaries, considering applicable statutory and regulatory restrictions (if any) and other factors that our Board considers relevant. At present, our Company does not have a fixed dividend payout ratio.

Our Board will continue to review and amend our Dividend Policy as appropriate from time to time.

Auditor's remuneration

We have appointed Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as our Company's external auditor for FY2023. Our Auditor's reporting responsibilities for the financial statements is summarised in the "Independent auditor's report" prepared by them and set out at pages 128 to 131.

We set out below details of fees paid or payable to Deloitte for Deloitte providing audit and non-audit services to us during FY2023:

Services provided by Deloitte	Fees paid or payable (RMB '000)
Audit services	4,250.00
Non-audit services	707.50
Total	4,957.50

COMPANY SECRETARY

Our Company Secretary is Mr. Cheung, a senior manager of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Cheung's primary contact persons at our Company are the head of investor relations (Ms. Helen Song) and our executive Director and chief financial officer (Mr. Yin), whom SWCS can contact. During FY2023, Mr. Cheung has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal place of the meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Shareholders may send enquires to the following:

Address: Level 18, South Wing
2 Haidian East Third Road
Haidian District
Beijing, China

Attention: Head of Investor Relations
The Board of Directors/Ms. Helen SONG

Email: songjie@xdfzx.com

For shareholding matters, or transfer of Shares, change of name or address, replacement of Share certificates, please write to our Hong Kong share registrar below:

Address: *For change of name or address, replacement of Share certificates, or other enquiries*
Level 17M, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

For Share transfers
Shops 1712-1716, Level 17, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Attention: Computershare Hong Kong Investor Services Limited

Telephone: +852 2862 8555

Email: hkinfo@computershare.com.hk

To requisition a general meeting:

Address:	Level 40, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Attention:	East Buy Holding Limited **The Board of Directors/Mr. CHEUNG Kai Cheong Willie**
Other:	The requisition must be duly signed by Shareholders who hold at least one-tenth of our Company's paid up capital that carries voting rights at our Company's general meetings. The requisition must include notice or statement, or enquiry (as the case may be), and Shareholders are to provide their full name, contact details and identification in order to give effect to the requisition. Shareholders' information may be disclosed as required by law.

Shareholders' Communication Policy

We believe that effective communication with Shareholders is essential to maintaining our relationship with investors and enhancing investors' understanding of our business performance and direction. We endeavour to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company.

The Company considers effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**"), which aims to set out the approach of the Board to provide Shareholders of the Company and other stakeholders (including potential investors) with balanced and understandable information about the Company.

In accordance with the Shareholders' Communication Policy, the Company endeavours to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company, in particular, through annual general meetings and other general meetings. Directors (or their delegates as appropriate), appropriate management executives and external auditor will use all reasonable endeavours to attend annual general meetings and answer enquiries from Shareholders.

In addition, the Company discloses information and publishes periodic reports and announcements to the public on the Company's website and the Stock Exchange's website in a timely manner in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

Shareholders may also write to the Company's headquarters in the PRC at Level 18, South Wing 2 Haidian East Third Road Haidian District Beijing, China for enquiries. Such enquiries will be fully responded to as soon as possible.

As the information of the Company be disseminated and the Shareholders' concerns can be communicated in a timely and effective manner, the Company has reviewed and considered the implementation of the Shareholders' Communication Policy to be effective during the Reporting Period.

The Company adopted the third amended and restated articles of association on 3 November 2022. From 3 November 2022 and up to the Latest Practicable Date, we have not made any changes to our Articles of Association. The current version of our Articles of Association is available for viewing on the Company's website (ir.eastbuy.com) and the Stock Exchange's website (www.hkexnews.hk).

INFORMATION ABOUT THE REPORT

ESG reporting scope:

This report covers East Buy Holding Limited (the "**Company**"). This report has the same reporting scope as the 2023 annual report of East Buy Holding Limited.

Reporting period:

This report is released annually, covering the period from 1 June 2022 to 31 May 2023. Certain content may be beyond the aforesaid reporting period for illustrative purposes.

Basis for preparation:

This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the ESG Reporting Guide) in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited and with reference to standard requirements including the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative.

Reporting principles:

Materiality: The materiality of our ESG issues is determined by the Board. The process of stakeholder communication and identification of material issues and the materiality matrix are all disclosed in this report.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and sources of conversion factors are all explained in the definitions of the report.

Balance: This report shall provide an unbiased picture of the environmental, social and governance performance of the Company during the reporting period. It should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment of report readers.

Consistency: The statistical methodologies applied to the data disclosed in this report shall be consistent.

Description of Information:

Unless otherwise stated, the amounts in this report are denominated in Renminbi ("**RMB**").

Form of publication:

This report is published online and prepared in both Traditional Chinese and English. The online version is available on the website of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") at www.hkexnews.hk.

ESG MANAGEMENT

Statement of the Board on ESG Governance

The Board of the Company attaches great importance to environmental, social and governance ("ESG") work and assumes full responsibility for the Company's ESG strategy, reporting and supervision, and continues to improve the Company's ESG management system and promote the Board's governance in ESG in accordance with the requirements of the "Environmental, Social and Governance Reporting Guide" of the Hong Kong Stock Exchange.

During the reporting period, the Board conducted the Company's ESG risk identification, assessed ESG related risks and opportunities; reviewed important ESG issues on a regular basis to ensure the effectiveness of ESG issues; and set ESG targets, regularly reviewed the governance policy of ESG, strategy formulation, achievement of objectives as well as ESG performance in order to better fulfil the sustainability responsibilities.

This report discloses in detail the progress of ESG work and target setting of the East Buy Holding Limited for FY2023 and has been reviewed and approved by the Board.

ESG Management System

The Company strictly follows the provisions of ESG guidelines, integrates ESG management into corporate management and decision-making, strengthens ESG management systems and enhances ESG management capabilities. The Company has established a top-down ESG management system with three-level structure of "Board of Directors – Management – Executive Level".

The Board is the highest level of responsibility and decision-making body for ESG matters and has full responsibility for the Company's ESG strategy, performance and reporting. Under the authorization of the Board, the Company has established an ESG working group led by our Investor Relations Department, members of which include the senior management and the person-in-charge of ESG issues in each department. The ESG working group is responsible for performing and facilitating ESG works, including organizing annual ESG kick-off meetings, ESG-related training sessions, interviews with person-in-charge of each department, updating ESG indicators, collecting ESG information from all departments to form ESG reports, and reporting to the Board on a regular basis.

For more details of the Company's corporate governance, please refer to the Corporate Governance Report of the 2023 Annual Report of the East Buy Holding Limited.

ESG Governance Structure

Board of directors	Responsible for reviewing ESG reports, identifying ESG risks and reviewing ESG strategies.
Management	Responsible for reviewing related matters raised by the ESG working group and reporting to the board of directors.
Executive staff	Form an ESG working group from various departments, and each department shall designate a colleague as the contact person of ESG works to participate in daily training and learning and provide relevant materials.

Stakeholder Communication

The Company has respected the opinions of stakeholders. Diversified communication channels have been established for the purposes of understanding stakeholders' expectations and demands. FY2023, we have communicated and exchanged information with various stakeholders through emails, phone calls, WeChat, meetings, visits and investor conferences to provide guidance on the adjustment and optimisation of the Company's ESG work.

Stakeholders	Expectations and demands	Communication channels
Government and regulatory authorities	• Compliance with laws • Payment of tax pursuant to laws • Support economic development • Support the revitalization of rural areas • Anti-corruption • Green development	• Regular communication • Regular report and information disclosure
Shareholders/ investors	• Compliant operation • Corporate governance • Corporate development strategies • Risk control • Return on investment • The Company's products and services	• Regular report and information disclosure • Investor meeting • Results press conference • Results roadshow • Official website • Teleconference
Customers	• Customer privacy protection • Data security • Quality products and services • Protection of customers' rights	• Daily service communication • Customer satisfaction survey • Official website • Customer service hotline and platform
Suppliers and business partners	• Supplier management • Win-win cooperation	• Public tender • Satisfaction survey • Supplier meeting • Routine communication
Employees	• Protection of employees' rights and interests • Salaries and benefit • Career development and training	• Regular meeting • Staff training • Employee care event • Web portal, WeChat official account, etc
Community and media	• Open and transparent information • Promotion of the dissemination of high-value content • Public welfare in the community	• Public media • New media platform • Press conference • Public welfare and charitable event
Environment	• Energy conservation • Reduction of emissions • Responding climate change	• Green office • Environmental information disclosure • Environmental promotion event

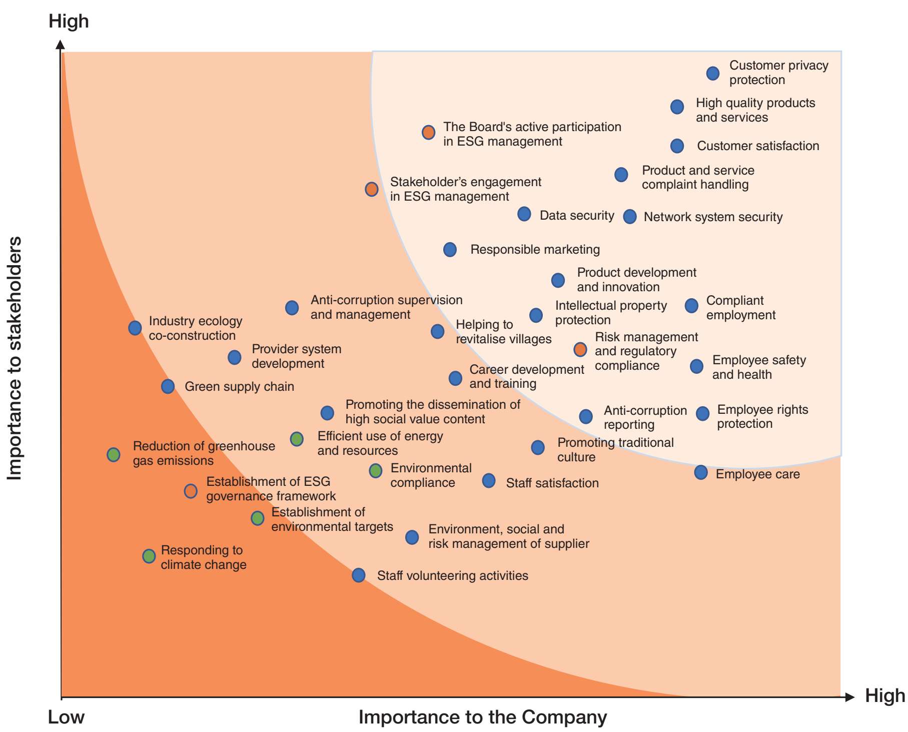
Analysis of material issues

By identifying the issues that have a significant impact on its sustainable development and are of greatest concern to its stakeholders, the Company has developed a material issues matrix to help it identify and manage issues related to risks and opportunities, and to effectively respond to stakeholder's expectations. In FY2023, the Company conducted a material issues analysis in accordance with the four-step process of material issues identification, research and interviews, screening and assessment, and review and validation, and ultimately chose 35 issues that would best contribute to the Company's achievement of its ESG objectives, and formed the ESG material issues matrix.

- *Material issues identification*
  Based on the Company's business focus and industry characteristics, and in conjunction with the "Environmental, Social and Governance Reporting Guidelines" and "the Sustainability Reporting Standards" (GRI Standards), etc, a list of the Company's material issues is determined.

- *Research and interview*
  A total of 144 valid questionnaires were collected during the financial year to gain an in-depth understanding of stakeholders' concerns through communication interviews and questionnaire surveys.

- *Screening, assessment and validation*
  Combining the feedback from the questionnaires, prioritize sustainable development issues, and synthesize the opinions of experts and related personnel to obtain a matrix of material issues.



1. STABLE OPERATION, UPHOLD COMPLIANT BOTTOM LINE

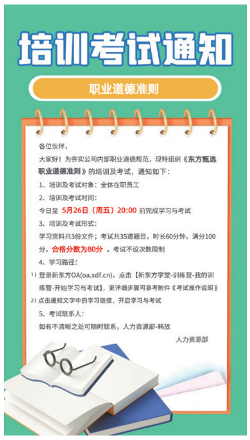
1.1 Business ethics

The Company follows the Criminal Law of the People's Republic of China, the Law against Unfair Competition of the People's Republic of China and the Company Law of the People's Republic of China, among other laws and regulations. The Company has formulated the Anti-fraud and Anti-corruption Management System, the Implementing Rules of Complaints and East Buy Anti-Corruption Reward and Affordable System (《東方甄選反腐獎廉制度》), and has continuously improved its anti-fraud and anti-corruption mechanism, opened up reporting channels, and launched anti-corruption training for directors and employees to create a clean and positive atmosphere.

In FY2023, the Group is not engaged in any litigation case concerning corruption.

• Anti-fraud and anti-corruption mechanism construction	The Company has created an anti-fraud and anti-corruption management system with clear responsibilities. The board of directors of the Company oversees the creation of an anti-fraud and anti-corruption culture within the Group, and establishes a sound internal control system including anti-fraud and anti-corruption; the management team is responsible for the implementation of the anti-fraud and anti-corruption procedures and controls, including risk assessment and prevention; the auditing committee of the Company, as the leading department and accountable department in the anti-fraud and anti-corruption efforts, is responsible for the guidance and daily supervision of the Company's anti-fraud and anti-corruption behaviours. In 2023, in order to further encourage suppliers and employees to join the monitoring system of business integrity, the Company launched the "East Buy Anti-Corruption Reward and Affordable System" to resolutely combat malpractice and corruption, the use of their positions to make illegal profits, etc.. Depending on the degree of harm caused by the act, the relevant personnel will be given warnings, demoted, dismissed, and even legally investigated for legal responsibility.

• Anti-fraud and anti-corruption reporting	The Company has a well-established reporting channel for incidents of corruption and non-compliance. The whistleblower may utilize various means for complaint such as hotline (010-62609088), facsimile, mail, email (wubijubao@ xdfzx.com), face to face complaint and proxy complaint, and may also report to Audit and Supervision Department or file the complaint with other departments in the Company. Our paths to complaints are published on our internal periodicals, journals and websites etc., to facilitate whistleblowers to report. In order to create a workplace with integrity, the Company rewards the behaviors of actively reporting illegal acts and rejecting business bribery. For personal whistleblowing inside the Company, once verified by the Company, the whistleblower will be rewarded RMB2,000 to RMB200,000 according to the validity of the clues, nature of the case and severity. For those suppliers who bribe staffs, once verified, will be moved to the black list and we will never cooperate with them. Against those corrupted and bribe-taking personnels, their information will be shared in the blacklist of the industry. For staffs who reject business bribery, they will be rewarded and given priority in considering promotion and salary increase.
• Anti-fraud and anti-corruption training	The Company is committed to building a clean and honest team. On the internal communication software we set up the "Internal Audit Thinking Sharing" ("內審思享") mobile APP to share the knowledge of internal control management, anti-fraud and anti-corruption knowledge, and risk management knowledge with all departments. The APP also provides a channel for anti-fraud and anti-corruption reporting. The Company targeted the internal audit department to launch a variety of anti-corruption training programmes, such as "Adjustment of Legislative Protection for Private Enterprises from the Historical Evolution of the Offence of Occupational Possession"(《從職務侵佔罪的歷史演變看立法對民營企業保護力度的調整》) and "When the Annual Anti-Corruption Report Card is Released, Big Data Reveals the Status of the Internal Control and Anti-fraud "(《年度反腐成績單放榜時，大數據揭秘內控反舞弊圈現狀》), and targeted all directors and employees to take the training and examination of "Code of Ethics of East Buy". The Company conducts highly effective publicity on the Company's anti-fraud and anti-corruption efforts to raise employees' awareness of cleanliness.



Occupational Ethics Examination of East Buy

Key performance table — Anti-corruption:

Number of anti-corruption and integrity training sessions

Name of the indicator	Unit	FY2023
Number of anti-corruption and integrity training sessions for employees	times	10
Number of anti-corruption and integrity training sessions for directors	times	2
Total number of anti-corruption and integrity training sessions organized	times	12

Number of participants covered by the anti-corruption and integrity training sessions

Name of the indicator	Unit	FY2023
Number of employees participating in anti-corruption and integrity training sessions	times/person	3,970
Number of directors participating in anti-corruption and integrity training sessions	times/person	14
Total number of participants in anti-corruption and integrity training sessions	times/person	3,984

Number of training hours for anti-corruption and integrity training sessions

Name of the indicator	Unit	FY2023
Total number of training hours	hours	2,012
Number of hours per capita	hours/person	1.02

1.2 Risk control

Under the Company Law of the People's Republic of China, the Basic Standard for Enterprise Internal Control, among other laws,, regulations and regulatory requirements, the Company has developed the Risk Management System, Risk Assessment Methods, and established a standardized and effective risk control system to improve risk prevention ability, enhance competitiveness, improve investment returns, ensure the safe, steady and sustainable development of the Company, and improve the level of operation and management.

The Group actively improves its comprehensive risk management system. The board of directors of the Company, as the supreme deciding body of the risk control of the Company, is responsible for overall risk management, and makes decisions on effective risk control; The audit committee, as the supervisory body of the Company's risk management, is responsible for considering risk assessment reports and formulating risk solutions, managing day-to-day risks and organising the cultivation of a risk management culture in the Company; The audit and supervision department, as the executive department of the Company's risk management, is responsible for risk identification, risk control and implementation.

The Company is commencement a full range of risk control from internal environment, risk assessment, controls over activities, information communication and internal supervision. In addition, we prepare risk assessment reports on an annual basis to identify and assess risks and adopt effective risk response strategies to ensure the sustainable and healthy development of the Company. We prepare monthly risk reports to understand and analyse product risks and carry out timely risk control.

1.3 Information security and privacy protection

The Company is committed to strengthening information security and privacy protection, establishing a perfect information security management process, and effectively protecting customer privacy. We abide by the relevant laws and regulations such as the "Decision of the Standing Committee of the National People's Congress on Serving and Supporting Internet Security(《全國人大常委會關於服務支撐互聯網安全的決定》)", "Regulations of the People's Republic of China on the Security Protection of Computer Information Systems(《中華人民共和國計算機信息系統安全保護條例》)," "Interim Provisions of the People's Republic of China on the Administration of the International Networking of Computer Information Network (《中華人民共和國計算機信息網絡國際聯網管理暫行規定》) " and the requirements of the Company's relevant security management regulations, to establish and improve the "Personal Information and Privacy Protection Policies of East Buy (《東方甄選個人信息及隱私保護政策》)", "Data Security Management Standards (《數據安全管理規範》)" and other management systems. In addition, we conduct risk assessments and management of suppliers related to information security to ensure that they comply with information security requirements.

- **Information security management**

  The Company's Information Security Leading Group and Information Security Department are the highest decision-making and implementation organizations for the Company's information security. The Information Security Leading Group is responsible for determining the Company's overall strategic plan for information security, guiding and supervising information security related work; Information Security Department is responsible for the implementation of information security work.

  Information security audit and certification

  The Company regularly conducted information security audit and certification to ensure the effective operation of the information security management system, and timely find and correct information security problems. In addition, the Company has obtained the recognition and award of national information security level protection (level 3).

  Information security training

  The Company educated and trained employees on information security related topics such as information confidentiality and privacy security, and conducts targeted training according to different positions and roles and different business nature. In FY2023, in order to improve employees' awareness of personal information protection and reduce the risk of data breach, we conducted the training on "Effective Ways to Prevent Personal Information and Data Breach (《防止個人信息以及數據洩露的有效方式》)". After the training, we conducted a test and evaluation of personal information protection capabilities and application capabilities for employees.

  Information security vulnerability management and emergency response

  The Company established a security vulnerability management process, including vulnerability scanning and evaluation, penetration test, etc., and updating and repairing software and systems in a timely manner to effectively reduce vulnerabilities. In addition, we engaged experienced and qualified third-party information security teams to conduct vulnerability analysis, conduct vulnerability risk level assessments, generate vulnerability reports, and develop remediation plans.

  For information security problems identified, we initiated response plans, isolated affected systems and networks, and conducted system recovery based on the classification and priority of information events. Also, we regularly evaluated and improved emergency response procedures to adapt to changing security threats and environments.

- **Data security**

  The Company has formulated the Data Security Management Specification to ensure data security from various aspects such as data collection, transmission, storage, use, sharing, destruction, and to comprehensively improve our ability of data security protection.

Data collection	Collect data by techniques such as encrypted communication and dual authentication, and ensure the reliability, completeness and accuracy of data sources to prevent the data from being tampered with or falsified.
Data transmission	Use encryption technique to protect the confidentiality and integrity of data and prevent data from being stolen, tampered with or intercepted during the transmission.
Data storage	Encrypt and store the data by encryption technique to ensure the security of the data on the storage medium. At the same time, access control and authentication mechanisms are used to restrict access to data storage devices.
Data use	Establish access control mechanisms to restrict access to data and ensure that only authorized personnel can access and use the data. At the same time, monitor and audit the use of data to detect abnormal activities in time.
Data sharing	Establish data sharing protocol and mechanism to clarify the purpose and scope of data sharing and ensure that shared data is not accessed and used by unauthorized personnel. Use data desensitization and anonymization technology to protect the privacy of sensitive data.
Data destruction	When data is no longer needed, use specialized data destruction tools and methods, such as physical destruction, data wiping or encrypted destruction, to ensure that data cannot be recovered.

- **Customer Privacy Protection**
  The Company strictly abided by the requirements of the Provisions on the Protection of Personal Information of Telecommunications and Internet Users and other laws and regulations, and formulated the "Personal Information and Privacy Protection Policies of East Buy (《東方甄選個人信息及隱私保護政策》)". The Company avoided collecting and processing unrelated personal information, protected personal information supplied by users, and used the information only to the extent it was legal and compliant. The Company clearly informed the customer of the purpose of collecting information, and collected and used it with the customers' consent, and would not provide their personal information to third parties without the customer's consent. When working with third parties, we rigorously assessed and monitored the security of partners to prevent the leakage and misuse of customer information; We respected the rights of our customers, including the right to access, correct, delete and restrict the processing of personal information. In addition, the Company strengthened the training of employees on privacy protection, and supervised and managed the privacy protection behavior of employees.

  In FY2023, there were no lawsuits against the Company for invasion of customer privacy.

2. GREEN DEVELOPMENT AND RESPONDING TO CLIMATE CHANGE

2.1 management of emissions

In the course of the Company's operations,we are in strict compliance with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution (revised in 2020) and the Directory of National Hazardous Wastes (Version 2021) (《國家危險廢物名錄》(2021 年版)) and other national laws, regulations and policy requirements. We support the national "Dual Carbon Strategy", and set targets for reducing greenhouse gases and hazardous and non-hazardous waste emissions,formulate reduction initiatives,strictly control its own carbon emissions, so as to realize its own low carbon operation. We strictly control waste emissions and make waste emissions management an important part of environmental management, promote green and sustainable development.

During the reporting period, the Group was not involved in any major incidents of violation of laws and regulations in connection with environmental and ecological issues.

• Management of greenhouse gas emissions	Our greenhouse gas emissions mainly arise from the daily use of electricity by offices, outsourced heat used for office heating and indirect greenhouse gas emissions from business travel. The Group does not own or control any direct emission sources such as vehicles, generators and gas cookers which consume natural gas and liquefied petroleum gas, and nor does it use fuels such as coal, gasoline, diesel, natural gas, etc. Hence, there is no direct greenhouse gas emissions. We have taken multiple measures to reduce indirect greenhouse gas emissions during our operations: – Put up labels for property's air conditioners and self-built air conditioners to prevent different types of air conditioners in the same area from being used simultaneously. – We reduce the use of freon refrigeration equipment and switch to air-cooled and water-cooled air conditioners. – We proactively promote working from home by organizing video conferences and teleconferences. – Lower the need of business travel by employees and thereby reduced greenhouse gas emissions generated from the employees' business travel. In addition, we encourage employees to take public transport.
• Management of wastewater discharge.	Our wastewater discharge only involves domestic sewage produced from day-to-day office operation, which we are not authorized to directly deal with and falls under the centralized management of municipal governments. On the other hand, we enhance the management of water resources in offices to minimize waste and actively implement water-saving measures to reduce the generation and discharge of sewage.

• Management of discharge of hazardous wastes	The hazardous wastes generated during our operations mainly includes all kinds of obsolete electronic equipment arising from the day-to-day operation of offices, including servers, computer system units, monitors and laptop computers, toner cartridges and ink cartridges used for printers, as well as used lamps and batteries generated from daily consumables. We take the following measures to manage hazardous waste generated during our operations: – Refill the used toner cartridge for secondary use to reduce the use of the toner cartridge. – Waste electronic equipment such as waste lamps, batteries, toner cartridges, etc., should be stored in designated places, and obvious signs should be set up in the storage places. In addition, purchase rechargeable batteries that can be recycled to reduce the generation of hazardous waste. – Dangerous wastes are handed over to a third-party destruction agency for processing. – Improve the repeated utilization of office equipment, for computers that are used for more than 5 years, they are distributed again for reuse in departments that have a low usage rate and do not require office equipment with high performance.
• Management of discharge of non-hazardous wastes	The non-hazardous waste generated is mainly office wastepaper and general household waste generated in the daily office operations. We hand over packaging materials, waste cartons, wastepaper, etc., to the property management company for centralized processing. For general household waste, we strictly follow the regulations and manage it in a separated manner. We take the following measures to reduce the amount of non-hazardous waste generated during our operations: – Promote directly potable water at each work area and reduces the use of disposable paper cups and plastic bottles. – Set up a location to collect used cardboards and recycle them as appropriate.

Key performance table — Emissions:

Indicators	Unit	FY2023	FY2022[1]	FY2021
Office sewage discharge	(m^3)	**4,982.50**	7,772.53	11,006.38
Scope 2: Greenhouse gas Emission from indirect sources	(tCO_2e)	**1,022.17**	1,034.47	2,490.41
Total greenhouse gas emission	(tCO_2e)	**1,022.17**	1,034.47	2,490.41
Greenhouse gas emission per capita	(tCO_2e/person)	**0.52**	0.34	0.22
Generation of hazardous waste[2]	(kg)	**265[3]**	35,656	3,797
Generation of hazardous waste per capita	(kg/person)	**0.13**	11.69	0.33
Generation of non-hazardous waste[4]	(kg)	**171,352.92**	–	–
Generation of non-hazardous waste per capita	(kg/person)	**87.20**	–	–

Indicators and targets:

Scope 3: Business trip and commuting emission reduction target	Starting from FY2021, we gradually increased the utilization rate of the online meeting system and reduced employee trip for meetings.
Hazardous waste reduction target	Improve the rate of reuse of electronic equipment and carry out compliant disposal of hazardous waste.
Non-hazardous waste reduction target	Taking FY2021 as the base year, by FY2025, the replacement rate of printer cartridges will reach 80%. Centralize the use of office supplies in stock, reduce the purchase of non-essential office supplies, and enhance the recycling of resources.

1 Due to the large staff changes at the beginning and end of FY2022, in order to make the data of per capita of environmental indicators more reasonable, we use the denominator calculation of the total number of Xuncheng employees (beginning of the period + end of the period)/2 for the calculation of per capita indicators for FY2022. We use the denominator calculation of the total number of employees for the calculation of per capita indicators for FY2023.

2 Hazardous waste mainly includes monitors, laptops, microcomputers (hosts), servers, printers, waste toner cartridges, and other waste electronic equipment.

3 In FY2023, we reused assets recovered due to the "double reduction" policy, so the generation of hazardous waste was significantly reduced.

4 The non-hazardous waste mainly includes household waste.

2.2 Energy conservation and consumption reduction management

In strict compliance with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other national laws, regulations and policies, the Company formulated the "Office Environment Management Standards. The Company promoted energy-saving workplace, low-carbon office, and recycling actions to provide employees with a comfortable and convenient office environment and achieve efficient recycling of resources. The resources involved in the use of the Company are mainly electricity used in daily office operations, purchased heat used in office space heating, an d water resource s from municipal water supply sources.

During the reporting period, the Group was not involved in any major events of violation of laws during the use of energy and water resources.

• Electricity conservation	–	We replace and use the high-efficiency energy-saving lamps and eliminate ordinary incandescent bulbs; reasonably adjust and control the switching time of lighting in public areas to reduce ineffective power consumption.
	–	We use the air conditioner reasonably; we do not turn on the air conditioner under normal weather in spring and autumn. We formulate the air conditioner opening standards in summer and winter, as well as upper and lower limits of cooling/heating temperature, and air conditioner idling when no one is in the room is strictly forbidden.
	–	We reduce the power consumption and standby energy consumption of electronic office equipment, reasonably turn on and use electrical equipment such as computers, printers, copiers, scanners, and fax machines, and turn off the power when off work to prevent standby of electronic office equipment.
	–	Our leased data centers strictly implement the Guiding Opinions of the Three Departments on Strengthening the Construction of Green Data Centers (《三部門關於加強綠色數據中心建設的指導意見》) of the Ministry of Industry and Information Technology, adopt energy-saving refrigeration equipment and other technical methods to save energy, and build green data centers.
	–	Put up labels for property's air conditioners and self-built air conditioners to prevent different types of air conditioners in the same area from being used simultaneously.

• Water conservation	–	We strengthen the daily inspection, maintenance and management of water equipment, and deal with water leakage in a timely manner to prevent the waste of water resources caused by equipment damage.
	–	We prepare tea buckets in offices, so that part of the wastewater can be utilized for a second time.
	–	We put up water conservation slogans in office area, toilets, pantries, etc. to enhance the water saving awareness of employees.
• Paper conservation	–	For daily office documents, we give priority to the promotion of paperless office, set up a second-hand paper recycling area and recommend the use of second-hand paper for printing.
	–	The delivery picking is changed to online paperless picking, and the inventory lists will be changed to online inventory lists after the completion of system optimization, without paper printing.

Key performance table — Use of resources:

Indicators	Unit	FY2023	FY2022[5]	FY2021
Total electricity consumption	('0,000 kWh)	**179.23**	178.05	339.72
Consumption of purchased heat	(million kJ)	**0**	0	1,575
Comprehensive energy consumption	(tce)	**220.28**	218.82	471.27
Comprehensive energy consumption per capita	(kgce/person)	**112.10**	71.75	41.05
Total water consumption	(tonne)	**4,982.50**	7,772.53	12,948.68
Water consumption per capita	(tonne/person)	**2.54**	2.55	1.13
Paper consumption of packaging materials[6]	(tonne)	**4,136.87**	1.65	33.22

5 Due to the large staff changes at the beginning and end of FY2022, in order to make the data of per capita of environmental indicators more reasonable, we use the denominator calculation of the total number of Xuncheng employees (beginning of the period + end of the period)/2 for the calculation of per capita indicators for FY2022. We use the denominator calculation of the total number of employees for the calculation of per capita indicators for FY2023.

6 In FY2023, due to the strategic transformation of the Company, the statistical coverage of paper consumption of packaging materials was changed from the paper consumption of the office to the outer packaging paper consumption of the Company's private label products.

Indicators and targets:

Target for electricity usage reduction	We intensify the innovation and promotion of energy-saving technologies, use LED energy-saving lamps in all office areas, regulate the usage time and temperature of air conditioners in office areas, to further reduce corporate energy consumption.
Target for water usage reduction	We strengthen the daily inspection, maintenance and management of water equipment, and deal with water leakage in a timely manner to prevent the waste of water resources caused by equipment damage. Raise employees' awareness of water conservation and further improve water usage efficiency.

2.3 Responding to Climate Change

Responding to climate change is a due obligation of high-quality development and green development. China has announced its climate ambition of "carbon peak and carbon neutral" in 2020. East Buy highly recognized the importance of low-carbon development, increased energy-saving renovation efforts, carried out climate risk and opportunity identification, improved its ability to cope with climate change, and fulfilled its ecological and environmental responsibilities together with upstream and downstream enterprises.

- **Governance**
  The Company has established a top-down ESG management system of "Board of Directors – Management – Executive level". The board of directors supervises and guides the Company's work relating to climate change, reviews the objectives relating to climate change and listens to the reports of the management on climate change matters; the Investor Relations Department is responsible for systematically promoting the Company's low-carbon work, identifying the risks and opportunities arising from climate change and managing the objectives relating to climate change; and each department is responsible for the implementation of the emission reduction objectives and the emission reduction measures.

- **Analysis of the risks and opportunities arising from climate change**

Type of risk		Response strategy
Transformation risk	Technology risk	• Rational planning for the reduction and gradual replacement of high energy-consuming and high-emission products. • Optimize services and operating models to reduce the impact of production or distribution processes on the climate.
	Market risk	• Incorporate energy consumption factors into product optimization plans to reduce product energy consumption. • Obtain information on prices from supplier companies on a timely manner, and actively optimize products to reduce cost pressure.
	Reputation risk	• Actively abide by the relevant policies and requirements of sustainable development to protect the Company's reputation. • Attach importance to the sustainability of supply chain sectors and strengthen the identification and management of climate risk factors in each sector.
Physical risk	Acute risk	• Based on the frequency and scale of extreme weather in the region, strengthen building safety assessment and inspection, and formulate relevant emergency plans.
	Chronic risk	• Timely monitor the time spent on cooling equipment and evaluate the cost impact of increased energy consumption.

Type of Opportunity	Description of Opportunities
Products and services	• Vigorously promoting the development of green product business, and innovating and developing low-carbon products such as plant-based products can effectively improve the Company's competitive position in the industry.
Resource and energy consumption	• Energy conservation and emission reduction, water resource management and waste management through green operation can directly reduce the Company's operating costs in the medium and long term.
Energy use	• Production costs can be reduced quickly by increasing the use of clean energy sources such as wind and solar power.

3. LEADING IN QUALITY, AND ADHERING TO SCIENCE & TECHNOLOGY INNOVATION

3.1 Building Quality Live Streaming Platform

The Company established an e-commerce platform East Buy, striving to creating a live streaming shopping platform. The platform strictly complies with a series of relevant laws and regulations, such as *Provisions on the Administration of Internet Live-Streaming Services* (《互聯網直播服務管理規定》) and *Law of People's Republic of China on Product Quality*(《中華人民共和國產品質量法》).We follow the "customer-focused"strategy, provide unique and pleasant shopping experience to customers through creative live-streaming activities and quality services and sharing of our extensive knowledge and culture, to provide better, healthy and quality life to every customer.

- **Responsible marketing**

  The Group strictly complies with the *Advertising Law of the People's Republic of China*(《中華人民共和國廣告法》), the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*(《中華人民共和國消費者權益保護法》), the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》)and other laws and regulations, uniformly designs various promotional materials, reasonably regulates advertising and publicity, and eliminates false publicity. During the process of live streaming, we actively provide customers with product prices, discounts, preferential time; properly promote the usage and function of products, never make exaggerated advertisements; display the production date, validity period, testing report, return policy etc. of the products in the product details.

- **Customer Service**

  The Company has always been focusing on customers and established membership system. We understand customers' needs through various channels such as mini program customer service, APP customer service, communities, WeCom, SMS, and communicate with customers to widely understand users' opinions and explore solutions. Meanwhile, we have established after-sales services and customer complaint mechanism, through which customers can provide their feedbacks through mini program customer service and APP service. In order to further regulate and improve the handling methods and efficiency of customers' problems, we have formulated General Rules for Handling After-Sales Disputes(《售後爭議處理總則》) to classify the complaints and conduct special follow-up and resolution, ensuring timely response.

  In addition, we have established strategic cooperation with leading logistics and warehousing companies, such as S.F. Express Co., Ltd. and JD Logistics, Inc., to deeply optimize warehousing, logistics and distribution services, and cooperated with leading logistics companies to establish warehouses nationwide in ten cities including Beijing, Guangzhou, Zhengzhou, Suzhou, Hangzhou, Shenyang, Chengdu, Wuhan, Tianjin, Xi'an and delivery under normal temperature covers 99% areas nationwide, cold chain delivery covers 92% areas nationwide, achieving shorter delivery time and striving to improve consumers' experience.

3.2 Creation of Excellent Products

The Company continuously pursues excellent products and innovation, implements the work related to product quality assurance, improves the quality of private label products with scientific and strict quality management standards to provide excellent products to consumers.

- **Quality and Food Safety Standards**
  We adhere to the vision of "Enable people to eat safe and reliable high-quality agricultural products at every meal and enjoy a healthy and quality life", comply with the laws and regulations such as *Food Safety Law of People's Republic of China*(《中華人民共和國食品安全法》), *Law of People's Republic of China on Product Quality*(《中華人民共和國產品質量法》), *Regulation on Food Recall Management*(《食品召回管理規定》), formulate systems such as Self-supply Product Management System(《自營產品管理制度》), Food Safety Management System(《食品安全管理制度》), covering the entire life cycle of products from selection to obsolete.

- **Quality Management and Control**
  In terms of private label products, we have full control over the entire chain from product development to sales service, managing and monitoring the whole life circle of products with refinement of quality control. Currently, East Buy's on-sale private label products already cover Wuchang Rice and other primary agricultural products, blueberry syrup and other processed food of more than 80 varieties.

Product selection	• In the selection stage, products must meet the concept of East Buy, and we assess the production equipment, safe production links and quality assurance of product manufacturers. • It is required that no major problems related to food safety have occurred in the past, and a quality inspection report may be issued. • Use higher quality raw materials, for example, the blueberry syrup selected by East Buy is made with wild blueberries from the Daxing'anling, which are richer in anthocyanins; East Buy's "nuts of the day", which are packets of mixed nuts selected by East Buy, also contain more nutritious pecan nuts, dried cherries and dried wild blueberries, offering higher nutrition value. • Based on the principle of "less addition, zero addition" (try not to use additives and must choose safer additives when using them), repeatedly test the sample to determine the product formulas, and finally make the selection.

Product Production	•	Determine the acceptance standards for raw materials, self-finished product and finished products, and the quality control and product managers and two-party organizations follow up the production, and conduct production review according to the Product Technology Standard Book(《產品技術標準書》).
	•	Shoot and record the production process and conduct strict raw materials traceability.
Product inspection	•	Conduct product inspection with frequency far higher than the industry average, cooperate with domestic first-class quality inspection agencies, manage the quality inspection process of each product. In FY2023, the acceptance rate of private label products reached 100%.
	•	For pesticide residues, drug and chemical residues, antibiotics, microbes and other items, strictly follow the product requirements of East Buy.
After Sales	•	Conduct regular assessment on relevant personnels. Respond timely to the feedbacks on product quality problems from users within an average of two minutes. In the current fiscal year, the customer response rate was 100% and the platform complaint rate was zero.
	•	Take the initiative to recall products with quality problems, carry out our product inspection, trace production links and follow up the rectification. Analyze the reasons for the negative feedbacks of each product per week and optimize and upgrade the product according to the evaluation.

Wuchang Rice traceability

Dried Salted Yellow Croaker Traceability

- **Product Nutrition and Health**

  In order to promote nutrition and health, the Company has established Nutrition Research Institute to carry out research on food nutrition and health, enhance relevant standards, promote the research and manufacture of nutritional and healthy food and strengthen control on the nutritional elements of products.

  We have expanded the type of healthy raw materials products. Combined with the market demand for natural food, nutrition, sugar reduction and other health attributes, we have developed a series of NFC fruit and vegetable juice, cereal drinks,etc. with natural and healthy fruits, vegetables, grains as the main raw materials; We have determined the product development standards of "clean ingredients table", and have "reduced" the ingredients of our products to minimise the use of additives and eliminate the use of additives that are harmful to the human body; We have developed a series of plant-based food based on the principles of environmental friendly, vegetarianism and sustainable development.

Case: research and development of Rosa Roxburghii Tratt compound juice bubble water (刺梨複合果汁氣泡水)

Rosa Roxburghii Tratt juice (刺梨原汁) is rich in nutrition, but the taste is hard to accept by the public. Through extensive experiments and studies, we screened natural health raw materials for coordination, and did not add food additives such as sweeteners, pigments, emulsifiers, and successfully developed Rosa Roxburghii Tratt compound juice bubble water (刺梨複合果汁氣泡水). While retaining the nutritional and health properties of Rosa Roxburghii Tratt, we have also enhanced the overall taste of the product and maximised the protection of clean labels.

- **Green Product Management**

  The Company examines the environmental impacts of products from the perspective of entire life cycle, and researches on green and low-carbon products based on market demands and business development demands. We construct a green product management system from product research and development, raw materials selection, production of products to sales and use of products to minimize the eco-environmental impacts.

Product research and development	• In order to reduce the use of chemical raw materials in the production process, we continue to optimize product ingredients. We reduce the use of additives during the production process to provide green products with cleaner ingredients and fewer agricultural residues. • From the perspective of resource conservation and low-carbon environmental protection, we research and develop plant-based products to help people transfer to healthier diets and reduce the impacts on environment of global food chain.

Raw materials selection	•	Give priority to the choice of agricultural cultivation bases with rich natural resources and choice of raw materials with organic certification.
	•	We strictly screen suppliers, control the agricultural residues and additions from the source, reduce resource consumption and safeguard the green health of merchandise bought by consumers. Fruit and vegetable suppliers are required to support daily pesticide residue inspection. Domestic suppliers are able to provide seasonal third-party inspection reports for their products. Imported fruits suppliers are required to provide customs declaration and corresponding health inspection report.
	•	It is required that the source of raw materials can be traced and its destination can be tracked, to realize minimizing environmental pollution and eco-environmental impacts during the entire process of product production.
Product production	•	It is necessary to strictly monitor environment for plants, and the production shall not result in eco-burden, some facilities and equipment use clean energy such as solar energy.
	•	Optimize production technology, send out low-carbon initiatives to suppliers and OEMs and collaborate to promote low-carbon manufacturing. During the process of storage and distribution, the surrounding environment of suppliers must meet relevant requirements.
	•	Simplify the packaging decoration of products, reduce porosity and avoid over-packaging. For example, use corrugated box, which has characters of strong degradation, recycling and reduction of biotic cross-pollution to minimize the environmental impacts.
Sales and use of products	•	Shorten shipping time, reduce the carbon emission during the transportation process, and establish high efficient, low carbon logistic system. In addition, we use recyclable paper for logistic box to reduce resource consumption.

- **Brand Education Services**

  As a leading online education service provider in China, the Group strictly follows the requirements of laws and regulations such as the Law for Promoting Private Education of the People's Republic of China, the Opinions of the General Office of the State Council on Regulating the Development of After-School Tutoring Institutions, to strengthen the management of the teaching platform, improve the quality of teaching and provide quality curriculum, and strive to provide first-rate educational services to all students.

  The Group has always insisted on taking teaching products and teaching quality as its core. We have developed systems such as "Course Preparation Standards for Teachers" and "Trial Lecture and Course Preparation Framework for Teachers" to further standardize and clarify the standards and requirements for teachers' lectures and improve the quality of course services.

  – In terms of education training system, we not only adopt general teaching method for training, but also add on-line product training, small class 1v1 teaching training. Combined with the training system of Cambridge University, we innovate the entire teaching methods and teach practices locally.

  – In terms of course quality, we have a professional course R&D team, which consistently polish the quality of teach content under "course selection-course preparation-course polishing-course recording-course evaluation" and insist to provide best teaching content.

  In terms of teachers' quality, we have established strict and comprehensive selection and recruitment standards of teachers and comprehensive assessment system from professional level to classroom effects, and built diversified training pipelines; We have created a talent reserve training path to provide guarantee for the Company's talents reserve; We have been equipped with teach quality supervision to ensure high quality teachers resource and teaching quality. In addition, we have established a "disciplines supervision" team and promoted a "workshop" teaching and research and training model to improve the efficiency and effects of teachers training.

3.3 Promoting Technology Innovation

Driven by technology innovation, the Company has set up innovation reward mechanism to provide recognition and rewards such as bonuses and promotion, and provide supports of funds and equipment to R&D team; We attach high importance to talents reserve and cultivation, regularly hold innovation sharing sessions to encourage employees to submit innovative products or solutions; We build innovation platform, and the Company creates open innovation communication activities, and opens to the outside innovators, collaborates with consumers, food experts and innovative entrepreneurs to mutually promote innovation in the field of food.

- **Digital Transformation**

  The Company actively promotes "Agriculture Development by Digital Economy and Electronic Commerce (數商興農)", fully utilizes e-commerce live-streaming, and creates internet brands of agricultural products, to promote the integrated development of farmers professional cooperative, large-scale growers, agricultural products processing enterprises with industries such as online merchants brokers, logistics and distribution teams, and promote the development of industries such as e-commerce business, rural tourism, cuisine and homestay.

Launch traceability live-streaming	We innovate methods of live-streaming and launch origins traceability live-streaming. The livestreamers lead the audience to the origins and plants of self-managed products, bring consumers "visible assurance(看得見的放心)". Users can enjoy the beautiful rivers and mountains of our motherland and local humanities and cultures through the live streaming room.
R&D of East Buy APP	Self-R&D East Buy APP, the platform provides one-stop shopping experience including directing sourcing, strict quality control and considerate after sale services, allowing users to enjoy a cost-effective, healthy life style.

Case: naval oranges traceability live streaming (臍橙溯源直播)

In May 2023, the CEO of East Buy Dongfang Xiaosun (東方小孫) and livestreamer Dundun (頓頓) conducted a fresh traceability live streaming at the origin of Zigui Naval Oranges alongside the Three Gorges of the Yangtze River. In order to directly reflect the landscape of Yangtze River, this navel oranges traceability special show initiated the live streaming by way of "River Cruise (乘船遊江)". With the movement of camera, the peaks and wetlands along the Yangtze River emerged in a way of scrolls. Subsequently, during the breaks of live streaming, East Buy also invited local residents to perform Yangtze River songs, with loud and strong tunes to show the image of boatman in the past one hundred years, enabling more people to resonate with the songs created in the working process in the context of Yangtze River culture. In addition, the camera also showed the gardens of Zigui naval oranges, so that consumers can see the fresh fruits from origins through screens.

- **Technology Research and Cooperation**

  East Buy utilizes its own professional background, communicates and cooperates with universities, science and research institutes, carries out activities such as technology communication, to lay the foundation for product R&D and upgrading.

  We actively participate in the FBIF Food and Beverage Innovation Forum to understand industry forward-looking information, penetrate on the market trends of industry, and study and determine the development direction of industry; We invite senior practitioners in the field of food to share experience and brainstorming, mutually discuss in deep the thoughts and direction on the innovative development of food industry in the scenario of new consumption while embracing the new direction, new opportunities, new demands of high quality development of food industry.

3.4 Intellectual property protection

The Company attaches great importance to the protection of intellectual property rights and strictly follows relevant laws and regulations such as the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Opinions on Strengthening the Protection of Intellectual Property. We have a complete system of internal control of intellectual property rights, including Confidentiality Classification System, Trademark Management Measures, Administrative Measures of Technology Contracts of the Company, Intellectual Property Confidentiality Agreement, Intellectual Property Management System, Intellectual Property Reward and Punishment System, Copyright Management Measures and Patent Management Measures.

In addition, we signed the Agency Agreement on Network Infringement Governance and Rights Protection Service with brand management agency to monitor and manage the infringement information of the network owned by the Company, we established the procedures for discovering and executing the infringement of intellectual property rights to promptly detect and monitor the infringement of intellectual property rights and protect the intellectual property rights of the Company.

Key performance table — Product responsibilities:

Indicators	Unit	FY2023	FY2022	FY2021
Number of customer complaints from education business	(case)	**460**	289	725
Percentage of customer complaints being handled from education business	(%)	**100**	100	100
Service satisfaction from education business	(%)	**95**	97	99
Number of self-managed products and livestreaming E-commerce customer complaints	(case)	**1,975**	5	–
Percentage of self-managed products and livestreaming E-commerce customer complaints being handled	(%)	**100**	100	–
Service satisfaction of self-managed products and livestreaming E-commerce customers	(%)	**99**	98	–
Number of members of the R&D team	(person)	**224**	149	737
R&D expense	(RMB million)	**109**	196	444
Percentage of R&D expense over operating income	(%)	**2**	22	31
Number of patent application	(case)	**0**	0	1

4. INSISTING ON THE "HUMAN-BASED" PHILOSOPHY AND SUPPORTING EMPLOYEES' DEVELOPMENT

4.1 Protecting employees' rights and benefit

The Company strictly implements the requirements of national laws and regulations such as the Labour Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China, clearly proposes to promote equal opportunities and employee diversity and other requirements, formulates sound employment management measures, and continuously optimizes the rules and regulations related to employee rights and interests to protect the rights and interests of employees in all aspects such as equal employment, reasonable remuneration, rest and leave, and create an equal, diversified, safe and comfortable workplace environment.

- **Equal employment and diversification**
  The Company strictly follows the requirements of the Labour Law of the People's Republic of China and internally formulates the Recruitment Management System to unify and standardize the staff recruitment process, so as to avoid employment discrimination. The Company respects the background of each employee, treats employees of different nationalities, races, ethnicity, genders, religions and cultural backgrounds fairly, adheres to the principles of diversity, co-fusion and meritocracy in recruitment to recruit talents widely, and has zero tolerance for any discrimination in the recruitment process, to ensure fair recruitment and introduction of outstanding talents, and cultivate a diversified talent teams.

- **Employees' rights and benefits protection**
  In accordance with the requirements of national laws and regulations, the Company developed the Salary and Benefits Management System, the Leave and Attendance Management System and other company systems to reasonably regulate employee salaries, working hours and various benefit policies. We established a remuneration structure that is fair and conducive to employee's development, ensured employees' rest and leave and enriched the types of welfare and benefits, to enhance employees' sense of gain.

Remuneration system	• Establish a remuneration structure with basic salary as the main body, equal pay for equal work as the principle, allowances, performance bonuses, annual bonus, etc. as supplement, and set up multilevel employees' salary hierarchy. Implement a broadband system for every level of salary, comprehensively consider various factors such as employees' ability and experience to determine employees' hierarchy and salaries, and regularly review employees' salary hierarchy and remuneration, and make regular salary adjustments to ensure the competitiveness of employees' salary standards in the market.

Working hours management	•	Standard working hour system is implemented, and an irregular working hours system and a comprehensive working hour system are set up according to employees' needs; employees can apply for payment or leave as the return on overtime work.
	•	Statutory holidays such as paid annual leave, marriage leave, bereavement leave, sick leave, personal leave, maternity leave, medical leave, parental leave and nursing leave are established for employees in accordance with the law.
Employee benefits	•	We make contributions to "five social insurances and one housing provident fund" for employees that have entered into labour contracts with us in accordance with the law, pay all social insurance premiums in full on time, and provide supplementary medical insurance to ensure their labour rights and benefits. Employees can also purchase insurance policies for their children at a discount
	•	We provide employees with benefits such as transportation allowance, meal allowance and communication allowance, gift distribution on traditional holidays, among others.

- **No child labour or forced labour**

  The Company strictly complies with the domestic and overseas laws and conventions, respects and upholds internationally recognised human rights, and consciously resists any acts of disregarding and violation of human rights. It is firmly prohibited to hire child labour and forced labour. We strictly abide by relevant laws such as the State Council's Provisions on Prohibition of Child Labour, the Labour Law of the People's Republic of China. We strictly review the employees' information during recruitment, employment, induction and other processes, requiring the applicants to provide their valid personal identity certificates to avoid potential risks.

  The Company enters into, performs, alters, rescinds or terminates labour contracts in accordance with the laws, ensures that the entire process is completed based one qual negotiation and voluntariness, and the labour contracts are strictly implemented without forced labour through distraining worker certificates, wages and other properties. At the same time, we have developed the Leave and Attendance Management System to provide lawful and reasonable regulation for working hours, and strictly review overtime work, ensure employees' right to rest, not encouraging for overtime work.

  During the reporting period, the Company's labour contract signing rate was 100%, and there was no child labour or forced labour or other act within the Group in breach of national laws, regulations and rules or those of our location of operations. A total of 5 labour arbitration cases occurred.

Key performance table — Employment[7]

Indicators	Unit	FY2023	FY2022	FY2021
Total number of employees	(person)	**1,965**	1,300	11,481
Number of employees by type of employment				
Full-time	(person)	**1,479**	910	6,437
Part-time	(person)	**486**	390	5,044
Number of employees by age group				
Below 30	(person)	**1,276**	783	9,442
30-50	(person)	**688**	516	2,030
Above 50	(person)	**1**	1	9
Number of employees by gender				
Male	(person)	**861**	494	3,670
Female	(person)	**1,104**	806	7,811
Number of employees by province				
Beijing	(person)	**1,941**	1,235	3,811
Tianjin	(person)	**0**	1	253
Shandong	(person)	**1**	2	526
Hubei	(person)	**0**	5	598
Shaanxi	(person)	**0**	6	838
Henan	(person)	**0**	4	788
Other	(person)	**23**	47	4,667
Number and percentage of employees by title				
Employees	(person)	**1,403**	967	10,172
Supervisor and manager	(person)	**520**	293	1,230
Controller and above	(person)	**42**	40	79

7 The employees of the Company include full-time and part-time employees in the business lines such as private label products and livestreaming, college educati on (college test preparation, overseas test preparation) and institutional customers.

Labour arbitration cases: 3 cases are employee lawsuits caused by the Company's termination of pre-school and K-12 business, and arbitration mediation has been completed; one arbitration award is against the employee; one case is under arbitration.

Key performance table — Employee turnover rate[8]

Indicators	Unit	FY2023	FY2022
Turnover rate by gender			
Male	(%)	**28**	73
Female	(%)	**27**	75
Turnover rate by age group			
Below 30	(%)	**26**	69
30-50	(%)	**30**	97
Above 50	(%)	**0**	0
Turnover rate by geographical region			
Beijing	(%)	**26**	59
Shanghai	(%)	**67**[9]	40
Other regions	(%)	**65**	91

4.2 Personal growth and development of staff

The Company pays attention to the growth and development of employees. By virtue of the improved human resources system and related regulations, the Company actively builds a platform for employees' growth, provides sufficient resources and designs a clear career development path for employees to exert the maximum potential of employees.

- **Staff training**
  The Company attaches importance to career development and personal growth of talents and provides employees with all-round resource support. The Company continues to build a learning organization atmosphere with the establishment of the learning and sharing mechanism within the Company's business departments and help employees quickly improve the depth of business knowledge and skills development through a variety of topics sharing, to create the "independent sharing and learning" work atmosphere. The Company established a livestreamer book corner, the learning resources of which consists of the books voluntarily donated by employees led by the CEO. The Group organizes weekly reading attendance and sharing activities, to create a good environment for independent learning and mutual learning.

8 The employees of the Company include full-time and part-time employees in the business lines such as private label products and livestreaming, college education (college test preparation, overseas test preparation) and institutional customers.

9 Due to the adjustment of institutional customers business, staff turnovers increased in Shanghai region.

The Company is committed to providing each employee with personal growth planning, systematically optimizing the talent management system, compiling and revising the Training Management System and Administrative Measures for New Employee Training, among other regulations, to establish an all-round, multi-level talent cultivation system, and providing pre-job, on-job, transfer and promotion training in a full process for both management team and staff.. The Company continues to innovate career development boosters such as tutor training system, online learning platform, and retraining program to satisfy the learning needs of employees for enhancement of their professional knowledge and basic vocational skills, to achieve long-term capacity enhancement and short-term capacity breakthrough, and encourage employees to choose the appropriate development path according to their own circumstances so as to realize their self-worth and promote the development of the Company.

Leadership training	Through integrating the executives coach, team coach, co-creation workshops and offline training programs, and 1V1 tutoring to enhance the comprehensive capabilities of key management personnel in confronting external challenges, formulating strategic direction and leading teams.
Management training	Provide management team with training on managerial ability, personal culturing, leadership art, CEIBS programs and others through overseas assignments, visits, study tours, reading share, etc., to enhance the sustainable development of various business units, and facilitate the establishment of an excellent leadership team of the Company.
General force training	Regular practical training coveres all staffs of the Company. Adopt the training form of combining internal training and external training to enrich the training course of professional skills & knowledge, general skills and knowledge and practicing qualification, so that employees will have a fast understanding of the Company's products and business operations, increase their working efficiency; carry out personal further education and training, and organize professional qualification and other training by means of qualification, examination, industrial meeting, seminar and others.
Trainings for new employees	Carry out a tutor program to conduct a "1V1 match" between experienced and knowledgeable employees and new employees, to provide induction training, vocational training, on-the-job training, for new employees through interview training, outdoor expansion, online training, cultural sand table, cultural development and others, to fully facilitate newcomers to adapt to the new working environment, accelerate the adaptation to their workplace role changes and fit into the corporate culture. Meanwhile, encourage the two parties to conduct open communication and givebacks, achieving mutual grow up.

- **Cultivation of livestreamer**

  The livestreamer team of East Buy upholds the principles of "sincerity, openness, equality and truthfulness" to carry out various tasks. In terms of livestreamer cultivation, we set up a training mechanism to develop "1V1" training programs and growth paths for new livestreamers according to their specific styles and design personalized content, which will form a livestreamer style with the characteristics of "East Buy"; collective training will be held such as topic training, live oral broadcast rules training, basic training for operational assistants, knowledge of advertising law and other laws and regulations, to enhance the business knowledge and livestreaming ability of the livestreamers; in addition, the Company regularly organizes borderless sharing for livestreamers to promote mutual learning and improvement; in order to smoothen the career development path for the livestreamers, we have built a clear promotion channel from the assistant livestreamer to the super livestreamer (livestreamer tutor), so that livestreamers have a more specific and clear career development goals.

- **Staff appraisal and promotion**

  The Company is committed to offering a smooth career path for staff, providing staff with clear assessment and promotion plans, and encouraging employees' growth in the principles of legality, fairness, competition, incentive, cost-effective and transparency. The Company set up a dual-channel career development system — management and discipline. The management category is mainly responsible for administrative management while the discipline category is mainly responsible for performing specialized technology.

  To help staff seek their own career path, the Company set up shift mechanism to help improve the overall ability of employees while assisting in their development. The Company conducts staff performance appraisals on an annual basis, assesses the achievement of performance targets for the positions in which our staff are employed, and set different assessment priorities for each position according to the type of position.

Key performance table — Development and training[10]:

Indicators	Unit	FY2023	FY2022	FY2021
Percentage of employees trained by gender				
Male	(%)	95	94	96
Female	(%)	95	94	99
Percentage of employees trained by rank				
Staff	(%)	94	93	100
Supervisor and manager	(%)	96	98	64
Controller and above	(%)	100	100	100
Employee training				
Total number of employee training sessions	(session)	68	45	1,049
Total number of trained employees	(person-time)	10,916	10,890	52,629
Average training hours per employee	(hour/person)	7	8	23
Average training hours of employees by gender				
Male	(hour/person)	7	6	29
Female	(hour/person)	8	8	29
Average training hours of employees by rank				
Staff	(hour/person)	7	8	25
Supervisor and manager	(hour/person)	9	5	8
Controller and above	(hour/person)	13	5	12

10 Calculation of the percentage of employees trained: (number of employees trained in each category/number of employees in each category)*100%.

4.3 Staff health and safety

Adhering to the principle of "human-based", the Company actively cares for employees, regards the well-being of employees as the source of the Company's development, actively establishes a harmonious labor-capital relation, and enhances employees' sense of belonging and identity through substantial care and guarantee.

- **Staff health**

  The Company adheres to the management principle of "prevention as the mainstay, combining prevention and treatment", standardizes and institutionalizes occupational health management, and takes the initiative to control the potential factors of occupational disease hazards for employees. We strictly comply with the Civil Code, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and other laws and regulations that have a significant impact on the health of our employees. We continuously improve our occupational health management system, regulate overtime work management, establish multi-level medical security, and make every effort to protect the health and safety of our employees by relying on structured safety management and the construction of a safety culture.

  The Company continues to implement the relevant provisions of the Staff Handbook regarding personal attacks and maintains a zero-tolerance attitude toward any form of violation that causes physical or mental harm to others, such as threats, abuses, intimidation, libel, maltreat, insultation, sexual harassment, malicious sarcasm, or physical conflicts, etc., and imposes punishments such as termination of the labor contract and compensation according to the severity of the situation.

Staff occupational health	• the Company effectively protects the health and rest rights of staff and does not encourage employees to work overtime. In case of overtime work, the Company will offer the same length of time off or overtime payment in accordance with the law. • In FY2023, staff will be reimbursed for the second time after medical check-ups, with a reimbursement rate of 90%. • Staff pay commercial insurance in a timely manner in the month of joining the company, and the coverage rate of commercial insurance reaches 100%; We have purchased commercial medical insurance for our staff to mitigate the financial burden of sick staff.

Staff safety	•	Any act that may pose a risk to staff safety is strictly prohibited.
	•	Set up a safety working group in every department with an accountability system.
	•	In company level, set up the emergency response coordination group and the safety work supervision group on a standing basis, led by the CEO of the Company, to take charge of serious accident and emergency coordination, accountable for safety management and supervision.
	•	HR and Administration Department is the safety work governing and supervisory body of the Company, responsible for conducting safety management publicity and training, directing and supervising other departments to carry out safety management and establish the safety management emergency plan; Team members of each branch office shall maintain communication with local government and office area property management company, and cooperate with local infrastructure safety inspection, maintenance and relevant rehearsal.
	•	Clarify to all staffs the categories of items and activities which are potentially harmful to public health and safety, regularly conduct fire safety inspections and housing safety inspections to identify and eliminate potential safety hazards in a timely manner.
	•	Strengthen safety publicity and education and training activities, hold regular safety drills of fire and disaster prevention, safe operation of equipment, first aid methods and practices,to help employees to get familiar with safety management system, grasp first aid knowledge and enhance their safety awareness and emergency response capability.
	•	Propose flexible working hours or off-peak commuting in rainstorm or other extreme weather conditions.

Key performance table — Health and safety:

Indicators	Unit	FY2023	FY2022	FY2021
Number of people suffered from work-related fatalities	(person)	**0**	0	0
Number of days lost due to work-related injury	(day)	**50**	125	23

- **Staff care**

  The Company always bear the needs of employees in mind, attach importance to the true feedback of employees, and give full play to the key role of communication meetings and other open channels in strengthening the democratic supervision of enterprise employees. Based on health and fun, the Company takes care of employees, regularly carries out diversified employee care activities, creates a work development environment that is equal, sincere, fully sharing, united and harmonious, and enhances employees' sense of belonging, growth, and cohesion.

Staff communication	• Open channels of communication: set up staff feedback mailbox, staff satisfaction questionnaire, etc, encourage employees to raise questions, share ideas and suggestions. Make staff feel caring, and timely solve possible difficulties. • Organize meetings of the Company and department regularly: hold business communication meetings at the Company's level, internal departmental report meetings, management communication meetings quarterly. • Dynamic sharing: publish the electronic internal journal, share company and department trends, so that employees can keep abreast of the developments of the Company. • Publicize the case of role model to establish the power of example, and achievement of staff growth.
Staff care	• Set up the gym: to promote the physical and mental health of staff, we renovate the gym inside the Company and purchase fitness equipment to help staff relax during rest hours. • Care for female employees: provide lactation rooms, refrigerators and other convenient facilities for breastfeeding employees; provision of rest benefits for women on Women's Day.

Holidays celebration	• Prepare holiday gifts for employees on traditional Chinese festivals such as Spring Festival, Dragon Boat Festival and Mid-Autumn Festival. • Organize activities in distinguished festivals such as Children's Day and Women's Day, organize activities such as enjoying lanterns, guess lantern riddles, and winning gifts, to help staff feel the joy of homes while having a pleasure in traditional Chinese culture.

- **Cultural & sports activities**

  The Company actively carries out various cultural and sports activities, supports staff to balance work and life, regularly organizes group building activities of departmental staff, such as Gubeishui Town group building, mountain climbing competition, one-day tour of Universal Cinema; regularly organizes small sports competitions, such as competition of treadmill sprint running, rope skipping competition, to enrich staff life and release pressure; organize live streamers group dinners irregularly to accelerate the integration of new live streamers, enhance mutual understanding of new and old live streamers and strengthen team cohesion.

Case: "Selection of the Good and Embrace Sunshine Together (甄選美好，共贏陽光)"Group Building Activity

On 26 September 2022, under the leadership of Teacher YU Minhong and CEO SUN Dongxu, with the theme of "Selection of the Good and Embrace Sunshine Together(甄選美好，共贏陽光)", East Buy organized group building activity at the Company's level. All staff actively participated the orienteering which was full of vigour and challenges and creative artistic performances with enthusiasm. We encouraged staff to show themselves and actively integrate into the team and enhance team collaboration and mutual understanding, stimulated staff to mutually fulfil corporate responsibility and values with stronger zest and united attitude.

5. JOIN HANDS WITH PARTNERS TO CREATE INDUSTRY VALUE

5.1 Responsible procurement

The Company continues to improve the supplier management system, improve the supplier procurement system, regulate the behavior of suppliers, take integrity and compliance as the bottom line of business cooperation, conduct ESG risk assessment of suppliers, and reduce the environmental and social risks of the supply chain.

- **Full process management of suppliers**
  We formulate policies such as the Code of Conduct for East Buy Suppliers and Explanation of East Buy Product Selection Standards and conduct strict assessment and management of suppliers. In addition, in the process of supplier introduction, we clearly require suppliers to have the certification of HACCP or ISO 22000 system, focus on the environmental protection of the supply chain and the disclosure and disclosure of social duties information, and promote effective cooperation and information sharing between the brand and the Company, so as to achieve sustainable management of the supply chain.

Supplier selection	• Conduct supplier qualification review and conduct preliminary screening of qualified suppliers based on the comparison of various qualifications and data information. • Create a supplier list by multi-dimensional filtering, compare supplier supply volume and production capacity, and comprehensively sorts suppliers for each category. • Suppliers are screened through a list of supplier environmental and social standards to ensure that the supplier's performance meets or exceeds the requirements of the laws and regulations of the places in which they operate. • The ESG performance of suppliers is regularly reviewed, and suppliers with significant risks are not considered.

Supplier daily management	•	Create supplier files and update them in real time.
	•	Perform statistical analysis on supplier performance, delivery, abnormal conditions, etc., and provide feedbacks to suppliers to urge their improvement and enhancement.
	•	For third-party products, suppliers are subject to regular and random sampling inspections, and third-party suppliers are introduced to carry out quality checks. Once problems are detected, the products will be removed immediately.
	•	For self-managed products, quality plans are formulated jointly with suppliers to effectively enhance suppliers' capabilities in product design, manufacturing processes, quality control and technical assistance.
Supplier rectification and elimination	•	In-depth understanding of suppliers' production status, business reputation, delivery capability, etc. to eliminate unqualified suppliers.
	•	In the event of any negative impact on the environment in the operation of the supplier, the co-operation will be suspended immediately, and the supplier will be advised to rectify the situation and provide capacity building, and the co-operation will be resumed after adjustments have been made and reassessed.

- **Supplier Environmental and Social Risk Management**

  We attach importance to the environmental and social risk management of our supply chain and have established an environmental and social assessment and investigation mechanism for suppliers in accordance with management systems such as ISO14001 and EMAS standards, and have determined an assessment process for evaluating the actual and potential significant impact of our supply chain on the environment, to examine, among other things, restrictions on the substance content of products, wastewater and solid waste, gas emissions, environment feasibility reports and resource conservation.

  For environmental risks of suppliers, we require suppliers to comply with our environmental requirements, and carry out grading and classification of suppliers' environmental protection systems. For social risks of suppliers, we require suppliers to be responsible for their shareholders, customers and other stakeholders, actively participate in social welfare, accept supervision, guidance or management from relevant departments, and consciously accept the supervision of public opinion.

  In addition, we regularly evaluate and review the supplier's fulfilment of environmental and social responsibilities by means of self-inspection or entrusting a third-party organization and use the review results as an important basis for supplier selection, order increase, reward and punishment.

Supplier environmental protection level classification

Grade A (low risk supplier)	Suppliers with a well-established environmental protection system, their products meet the requirements of environmental protection and have stable quality: eligible for long-term and in-depth cooperation.
Grade B (low to medium risk supplier)	Suppliers with a relatively established environmental protection system, are able to provide products that meet the requirements of environmental protection and have stable quality: eligible for in-depth cooperation.
Grade C (medium risk supplier)	Suppliers with a relatively established environmental protection system yet targeted improvements shall be made, are able to provide products that meet the requirements of environmental protection and have relatively stable quality: may be eligible for cooperation.
Grade D (high risk supplier)	Suppliers without an established environmental protection system: not eligible for cooperation.

- **Supplier empowerment training**
  We promote and implement the Code of Conduct for East Buy Suppliers, Explanation of East Buy Product Selection Standards and Explanation of the Use of Electronic Signing Platform to suppliers to help them improve their overall strength and efficiency. To improve the environmental and social risk management of suppliers, active measures are taken to encourage suppliers to prevent, mitigate and remediate actual and potentially significant negative environmental and social impacts.

- **Sustainable supply chain creation**

  We are concerned about the human rights of our suppliers' laborers and require that their working hours comply with the statutory maximum working hours norm. Our suppliers should set the wages of their employees in accordance with national laws and pay them wages and benefits for their daily work or overtime work in accordance with the law. We should not employ illegal and involuntary labour, such as forced, bonded or indentured laborers, and adopt reasonable procedures to confirm that their subcontractors and suppliers do not engage in such acts. In FY2023, we continued to expand our social value by increasing employee wage levels through negotiating employee wages with our suppliers when sourcing black pork directly.

  In addition, in the procurement process, we consider the impact of products on the environment, and take factors such as the conservation of raw materials in the production process of suppliers, the reuse of waste materials and packaging, the transformation of defective products, and the recycling of products after consumption as one of the important bases for selecting suppliers. We adopt a differentiated strategy for different types of suppliers:

  – **Primary agricultural products:** we pay attention to the production and planting process of agricultural products to ensure that the products are healthy and harmless, achieve quality control of agricultural products through testing, thereby ensuring that the selected agricultural products in the planting process can achieve minimize or even zero pollution to the environment.

  – **Processed foods and other products:** we conduct on-site visits and inspections of suppliers' production processes and production procedures to control the implementation of environmental management in the process, thereby meeting our requirements for environmental protection.

  – **Food packaging:** we are concerned about the packaging materials of food and realize environmental protection.

  – **Logistics and transportation:** we pay attention to the pollutant emissions brought by the transportation process and choose the optimal logistics transportation.

Key performance table — Supply chain management[11]:

Indicators	Unit	FY2023
Third-party product suppliers		
Total number of suppliers	(quantity)	10,211
Number of suppliers by geographical region		
Guangdong	(quantity)	1,742
Zhejiang	(quantity)	1,587
Shanghai	(quantity)	991
Beijing	(quantity)	728
Shandong	(quantity)	694
Jiangsu	(quantity)	607
Fujian	(quantity)	488
Sichuan	(quantity)	354
Yunnan	(quantity)	302
Henan	(quantity)	300
Other regions	(quantity)	2,418
Number of suppliers where the practices are being implemented	(quantity)	10,211
Annual evaluation rate of best practices implemented over suppliers	(%)	100
Private labels product suppliers		
Total number of suppliers	(quantity)	120
Number of suppliers by geographical region		
Shandong	(quantity)	17
Guangdong	(quantity)	14
Fujian	(quantity)	14
Jiangsu	(quantity)	11
Anhui	(quantity)	9
Zhejiang	(quantity)	9
Other regions	(quantity)	46
Number of suppliers where the practices are being implemented	(quantity)	120
Annual evaluation rate of best practices implemented over suppliers	(%)	100%

11 In FY2023, due to the development of the Company's business, the calibre of the statistics on the number of suppliers has changed compared with previous years, and the suppliers were divided by third-party products and private labels products for separate statistics. Third-party product suppliers are those that have opened shops in Douyin, and those that East Buy has worked with through the live streaming room.

5.2 Industry ecological construction

The Company is committed to promoting industry exchanges, promoting industry empowerment, and realizing the coordinated development of the industry chain.

Case: East Buy's first participation in the China International Fair for Trade in Services (" CIFTIS")

In September 2022, East Buy made its first debut on the CIFTIS. We have "switched" the live streaming room to the CIFTIS exhibition site, to show high-quality, cost-effective private labels products, and set up private labels product booths to exhibit more than 10 popular products and the latest products, and co-operated with more excellent partners through the CIFTIS to provide consumers with more and better products and services.

Case: investing in upstream agricultural products industry chain by utilising advantageous resources

In January 2023, East Buy invested RMB17.52 million for the expansion of the private labels sausage factory of East Buy. After the expansion of the factory, it mainly produces and supplies pure meat sausage products for East Buy. The investment in the construction of a private labels product production factory is not only conducive to enhancing the production, research and development, quality control and supply capabilities of its private labels products, but also helps the Company to give full play to its own resource advantages and increase its control capabilities on the supply chain side.

In the future, we will invest in more excellent suppliers through equity investment, help suppliers to increase investment in research and development, advanced production lines, raw material control capabilities, and improve the quality of private labels products, raw material quality, process, etc. through the investment of more resources.

6. TAKING RESPONSIBILITY FOR SHARING A BETTER SOCIETY

6.1 Promote high social value content

East Buy focuses on the unique style of "Knowledge Live (知識直播)", which is based on knowledge and cultural explanations, and constantly improves the value of the platform's content to create a high-quality content ecosystem. We promote the concept of reading and healthy living for all people, and invite cultural experts from all walks of life to the live streaming room to promote the construction of high-value content in science, culture, and art.

6.2 Carrying forward traditional culture

East Buy has been actively promoting non-heritage culture. Since June 2021, the Company has organised a number of special events in which it has promoted more than 50 outstanding local non-heritage cultures, including Yunnan Peacock Dance (雲南孔雀舞), Hainan Puppetry(海南木偶戲) and Shandong Drums(山東大鼓). We have stepped up our co-operation with local governments in Beijing, Heilongjiang, Shaanxi, Guizhou, Ningxia, Shandong and Hainan, and organised a number of outside live streaming events to promote our quality products and the local customs and culture to the public.

In addition, through the "Follow East Buy to see the World (東方甄選看世界)" account, we adopted the way of the entire outside live streaming to take everyone to enjoy the beautiful scenery and the great rivers of the motherland. We combined cultural output with live-streaming sales to satisfy users' expectations of "seeing the world", and at the same time recommend high-quality, excellent-service cultural and tourism products, as well as local characteristics of agricultural and by-products to users.

Case: follow East Buy to see Shanxi, help Shanxi culture and tourism integration development

In May 2023, the "Follow East Buy to see the World (東方甄選看世界)" was introduced to Shanxi, where the host explained the local history and culture of Shanxi, so that the national netizens can immerse themselves in the charm of traditional culture. After the special performance on the first day, East Buy team also launched a five-day "cultural tourism live streaming" in Shanxi, and successively travelled to Datong, Xinzhou, Shuozhou and other places to deeply introduce the Yungang Grottoes(雲岡石窟), Hengshan Mountain(恒山), Xuankong Temple(懸空寺), Wooden Pagoda of Ying County (應縣木塔) and other cultural treasures of Shanxi, and recommended Shanxi local cultural tourism products and local agricultural products, etc., to continue to help cultural dissemination and experience.

6.3 Contribute to the revitalization of the rural areas

Under the national strategy of rural revitalization, DONG FANG ZHEN XUAN has been invited by governments at all levels to promote the sales of local specialty products in various provinces and cities and strive to create social value. We have deeply traced the source of our products and cooperated with local agricultural enterprises to help them open up sales channels; we will give full play to the advantages of our platform and integrate resources to support agricultural development; and we will select high-quality agricultural products to provide consumers with healthy, delicious, high-quality, cost-effective products.

With the original intention of helping farmers, we have actively undertaken social responsibilities, such as promoting the "Pinggu Peach(平谷大桃)" to help Pinggu fruit growers open up sales; we have assisted in the sale of organic wild blueberry syrup and organic wild cranberry syrup to promote the development of berry industry in Daxing'anling Prefecture and bring more employment opportunities to local pickers; we have launched livestreaming shows of "Yunnan Fine goods Specialty (雲南好物專場)" to promote local agricultural products, DONG FANG ZHEN XUAN "Yunnan Fine goods Specialty" has recommend about 260 Yunnan agricultural products, the total sales of which exceeding RMB100 million.

Picking blueberries

Blueberry syrup

6.4 Carry out public welfare campaigns

In order to better serve the healthy growth of young people, DONG FANG ZHEN XUAN has set up the " DONG FANG ZHEN XUAN Public Welfare Fund (東方甄選公益基金)" under the China Guanghua Foundation, which is directly under the Communist Youth League. This special fund is mainly used to support public welfare projects focusing on youth and rural revitalization, as well as donations for earthquake relief.

Case: "DONG FANG ZHEN XUAN Library (東方甄選圖書室)" project has empowered the youth and supported them in growing

After the "9•5 Luding Earthquake," in order to support the earthquake relief work, New Oriental and DONG FANG ZHEN XUAN chose to donate RMB5 million to the China Guanghua Foundation under the Central Committee of the Communist Youth League, to help the post-disaster reconstruction. After on-the-spot investigation by both parties, in order to better serve the growth of the youth at the grass-roots level, the funds were determined to be used for the " DONG FANG ZHEN XUAN Library " project, and 14 " DONG FANG ZHEN XUAN • Reading Space" libraries were built in the earthquake-affected counties, such as Shimian, Luding, Kangding, and Xide, to provide local young people with a more diversified reading experience.

Key performance table — Community Investment:

Indicators	Unit	FY2023	FY2022	FY2021
Number of public welfare campaigns	(session)	**361**	216	1,715
Investment in public welfare campaigns	(RMB million)	**2**	–	–
Number of staff participating in public welfare campaigns	(times/person)	**2,239**	2,308	7,968
Hours spent by staff in participating in public welfare campaigns	(hours)	**409**	273	1,715

ESG INDICATOR INDEX

No.	Indicator Description	Section
A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste.	2.1
	A1.1 The types of emissions and respective emissions data.	2.1
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1
	A1.5 Description of emission target(s) set and steps taken to achieve them.	2.1
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	2.1
A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	2.2
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	2.2

No.	Indicator Description	Section
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2.2
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	2.2
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	2.2
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2.2
A3 The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	3.2
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.2
A4 Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	2.3
	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	2.3
B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1

No.	Indicator Description	Section
	B1.1 Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	4.1
	B1.2 Employee turnover rate by gender, age group and geographical region.	4.1
B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.3
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years, including the reporting year.	4.3
	B2.2 Lost days due to work injury.	4.3
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.3
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.2
	B3.2 The average training hours completed per employee by gender and employee category.	4.2

No.	Indicator Description	Section
B4 Labour Standards	General Disclosure	4.1
	Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	4.1
	B4.2 Description of steps taken to eliminate such practices when discovered.	4.1
B5 Supply Chain Management	General Disclosure	5.1, 5.2
	Policies on managing environmental and social risks of the supply chain.	
	B5.1 Number of suppliers by geographical region	5.1
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.1
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1

No.	Indicator Description	Section
B6 Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1, 3.2, 3.3
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.2
	B6.2 Number of products and service related complaints received and how they are dealt with.	3.1, 3.2
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	3.4
	B6.4 Description of quality assurance process and recall procedures.	3.2
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	1.3
B7 Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.1, 1.2
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.1

No.	Indicator Description	Section
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.1
	B7.3 Description of anti-corruption training provided to directors and staff.	1.1
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.1, 6.2, 6.3, 6.4
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1, 6.2, 6.3, 6.4
	B8.2 Resources contributed (e.g. money or time) to the focus area.	6.4

Deloitte. 德勤

TO THE SHAREHOLDERS OF EAST BUY HOLDING LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of East Buy Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 132 to 228 which comprise the consolidated statement of financial position as at 31 May 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 May 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of sales of products	
We have identified recognition of revenue generated from sales of products as a key audit matter as we spent significant efforts on auditing the occurrence and accuracy of the revenue due to the magnitude of the revenue amount and the significant volume of revenue transactions. As stated in Note 5 to the consolidated financial statements, the revenue of sales of products amounted to RMB2,634 million which represented 58% of the total revenues of the Group for the year ended 31 May 2023. Revenue from sales of products was mainly derived from the e-commerce platforms. In relation to the products sold during the livestreaming, when the Group obtains control of the goods before that goods are transferred to a customer, the Group acts as a principal and recognises revenue in the gross amount of consideration to which the Group expects to be entitled in exchange for the specified good transferred. Revenue is recognised when the customer receives the goods, at which time, the customer obtains control of such goods.	Our procedures in relation to the revenue recognition from sales of products included: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls which govern such revenue recognition; • Understanding the terms and arrangements of the contract with customers and assessing whether the management of the Group recognised the revenue in accordance with the Group's accounting policy and when the Group's performance obligations are satisfactorily fulfilled; • Performing detailed procedures to reconcile the revenue recognised with cash collections recorded in the e-commerce platforms and cash receipts; and on sample basis, to test the occurrence of the revenue recognition by checking the supporting documents, such as products delivery notes and/or evidence of the customers' acknowledgement of receipt of the products on the e-commerce platforms; and • Recalculating the revenue recognised for accuracy by using computer-assisted audit techniques.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is To Kim Lai, Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2023

	Notes	2023 RMB'000	2022 RMB'000
Continuing operations			
Revenue	5	4,509,849	600,526
Cost of revenue		(2,555,080)	(209,674)
Gross profit		1,954,769	390,852
Other income, gains and losses	7	117,151	70,665
Impairment losses recognised under expected credit loss model, net	20	(799)	(2,635)
Selling and marketing expenses		(620,271)	(270,113)
Research and development expenses		(109,467)	(64,427)
Administrative expenses		(154,216)	(214,146)
Share of results of associates	17	(12,764)	3,085
Finance costs		(1,689)	(2,580)
Profit/(loss) before tax		1,172,714	(89,299)
Income tax (expense)/credit	8	(201,428)	18,305
Profit/(loss) for the year from continuing operations		971,286	(70,994)
Discontinued operations			
Loss for the year from discontinued operations	9	–	(462,970)
Profit/(loss) for the year	10	971,286	(533,964)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		(243)	–
Profit/(loss) and total comprehensive income(expense) for the year		971,043	(533,964)
Profit/(loss) for the year attributable to owners of the Company			
– from continuing operations		971,286	(70,984)
– from discontinued operations		–	(462,970)
		971,286	(533,954)
Loss for the year attributable to non-controlling interests			
– from continuing operations		–	(10)
		–	(10)
		971,286	(533,964)

	Notes	2023 RMB'000	2022 RMB'000
Profit/(loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**971,043**	(533,954)
Non-controlling interests		**–**	(10)
		971,043	(533,964)
Profit/(loss) and total comprehensive income (expense) for the year attributable to owners of the Company			
– from continuing operations		**971,043**	(70,984)
– from discontinued operations		**–**	(462,970)
		971,043	(533,954)
Earnings/(loss) per share			
From continuing and discontinued operations			
– Basic (RMB)	13	**0.97**	(0.53)
– Diluted (RMB)		**0.91**	(0.53)
From continuing operations			
– Basic (RMB)	13	**0.97**	(0.07)
– Diluted (RMB)		**0.91**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MAY 2023

	Notes	At 31 May 2023 RMB'000	2022 RMB'000
Non-current Assets			
Property and equipment	15	34,057	34,409
Right-of-use assets	16	54,389	48,107
Interests in associates	17	138,423	178,151
Financial assets at fair value through profit or loss	18	102,576	99,429
Deferred tax assets	30	83,265	–
Deposits for acquisition of property and equipment		569	72
Refundable rental deposits		2,743	7,744
		416,022	367,912
Current Assets			
Inventories	19	140,952	4,633
Trade and other receivables	20	218,972	37,568
Prepayments	22	77,308	60,198
Financial assets at fair value through profit or loss	18	1,037,402	359,049
Term deposits	23	796,895	682,588
Restricted bank deposits		250	–
Cash and cash equivalents	23	1,165,137	547,445
		3,436,916	1,691,481
Current Liabilities			
Lease liabilities	28	33,074	27,529
Contract liabilities	24	253,522	163,240
Refund liabilities	25	27,665	13,926
Trade payables	26	335,263	23,598
Accrued expenses and other payables	27	336,248	163,236
Income tax payables		43,057	1,798
		1,028,829	393,327
Net current assets		2,408,087	1,298,154
Total assets less current liabilities		2,824,109	1,666,066

	Notes	At 31 May 2023 RMB'000	2022 RMB'000
Capital and Reserves			
Share capital	29	**131**	129
Reserves		**2,803,677**	1,640,879
Equity attributable to owners of the Company		**2,803,808**	1,641,008
Total equity		**2,803,808**	1,641,008
Non-current Liabilities			
Deferred tax liabilities	30	**2,379**	3,818
Lease liabilities	28	**17,922**	21,240
		20,301	25,058
Net assets		**2,803,808**	1,641,008

The consolidated financial statements on pages 132 to 228 were approved and authorised for issue by the board of directors of the Company (the "**Directors**") on 25 August 2023 and are signed on its behalf by:

Sun Dongxu
Director

Yin Qiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory reserve[i] RMB'000	Translation reserve RMB'000	Share-based payments reserve RMB'000	Other reserves[ii] RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 June 2021	129	4,020,049	23,978	220	436,852	(140,767)	(2,331,589)	2,008,872	–	2,008,872
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(533,954)	(533,954)	(10)	(533,964)
Recognition of equity-settled share-based payments (Note 31)	–	–	–	–	164,969	–	–	164,969	–	164,969
Exercise of share options (Note 29)	–	1,628	–	–	(507)	–	–	1,121	–	1,121
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	10	10
Forfeiture and cancellation of share options (Note 31)	–	–	–	–	(446,837)	–	446,837	–	–	–
Changes in equity for the year	–	1,628	–	–	(282,375)	–	446,837	166,090	10	166,100
At 31 May 2022	129	4,021,677	23,978	220	154,477	(140,767)	(2,418,706)	1,641,008	–	1,641,008
Profit for the year	–	–	–	–	–	–	971,286	971,286	–	971,286
Other comprehensive expense for the year	–	–	–	(243)	–	–	–	(243)	–	(243)
Profit and total comprehensive (expense) income for the year	–	–	–	(243)	–	–	971,286	971,043	–	971,043
Recognition of equity-settled share-based payments (Note 31)	–	–	–	–	103,667	–	–	103,667	–	103,667
Exercise of share options (Note 29)	2	127,818	–	–	(39,730)	–	–	88,090	–	88,090
Transfer to statutory reserve	–	–	73,714	–	–	–	(73,714)	–	–	–
Changes in equity for the year	2	127,818	73,714	–	63,937	–	(73,714)	191,757	–	191,757
At 31 May 2023	131	4,149,495	97,692	(23)	218,414	(140,767)	(1,521,134)	2,803,808	–	2,803,808

Notes:

(i) In accordance with the articles of association of all subsidiaries established in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to set aside 10% of their profit after tax as per statutory financial statements determined under the PRC laws and regulations for the statutory surplus reserve fund until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners of the subsidiaries. The statutory reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.

(ii) Other reserves represent (a) the difference between the amount by which the non-controlling interests are adjusted and the consideration to acquire additional interests in subsidiaries; and (b) the difference between the capital contribution from non-controlling interests and its respective share of the carrying amounts of the net assets of a subsidiary.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit/(loss) before tax		
– from continuing operations	1,172,714	(89,299)
– from discontinued operations	–	(462,970)
	1,172,714	(552,269)
Adjustments for:		
Depreciation of property and equipment	18,010	35,131
Depreciation of right-of-use assets	27,726	54,107
Loss on disposal of property and equipment	749	45,784
Impairment losses recognised under expected credit loss model, net	799	2,635
Impairment loss on interests in associates	26,941	–
Share-based compensation expenses	103,667	164,969
Interest income from bank balances	(11,945)	(2,471)
Interest income from term deposits	(20,321)	(8,361)
Interest income from rental deposits	(385)	(606)
Finance costs	1,689	6,671
Gain on early termination of lease contracts	(1,126)	(18,617)
Net foreign exchange gain	(78,681)	(46,868)
Gain on fair value changes of financial assets at fair value through profit or loss	(2,123)	(9,119)
Share of results of associates	12,764	(3,085)
Operating cash flows before movements in working capital	1,250,478	(332,099)
Increase in inventories	(136,319)	(4,633)
Increase in trade and other receivables	(182,203)	(18,303)
Increase in prepayments	(16,979)	(5,838)
Increase (decrease) in contract liabilities	90,282	(234,221)
Increase (decrease) in refund liabilities	13,739	(79,367)
Increase (decrease) in trade payables	311,665	(19,311)
Increase (decrease) in accrued expenses and other payables	166,695	(228,566)
Cash from (used in) operating activities	1,497,358	(922,338)
Income tax paid	(244,873)	(171)
Interest received	11,945	4,441
NET CASH FROM (USED IN) OPERATING ACTIVITIES	1,264,430	(918,068)

	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	**1,707,320**	2,366,030
Purchases of financial assets at fair value through profit or loss	**(2,386,697)**	(2,068,476)
Proceeds on disposal of property and equipment	**240**	9,616
Interest received from term deposits	**14,295**	5,476
Purchases of property and equipment	**(12,827)**	(20,333)
Proceeds from early termination of lease contracts	**–**	196
Payments for rental deposits	**(4,524)**	(3,495)
Refund of rental deposits	**9,883**	18,519
Placement of term deposits	**(1,300,887)**	(654,335)
Withdrawal of term deposits	**1,235,901**	320,432
Placement of restricted bank deposits	**(250)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(737,546)**	(26,370)
FINANCING ACTIVITIES		
Proceeds from issuance of shares upon exercise of share options	**88,090**	1,121
Repayments of lease liabilities	**(32,446)**	(46,529)
Capital contribution from non-controlling interests	**–**	10
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**55,644**	(45,398)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**582,528**	(989,836)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**547,445**	1,519,564
Effect of exchange rate changes	**35,164**	17,717
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,165,137**	547,445

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

East Buy Holding Limited (formerly known as "Koolearn Technology Holding Limited") (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 7 February 2018 under the Companies law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company and its subsidiaries (collectively referred to as the "Group") are disclosed in the section headed "Corporate Information" in the annual report. New Oriental Education & Technology Group Inc ("New Oriental Group"), incorporated in the Cayman Islands, is the ultimate controlling shareholder of the Company.

The Company is an investment holding company. The principal activities of the Group are providing online education services to pre-school children, primary and middle school students (such businesses were discontinued during the year ended 31 May 2022 (Note 9)), college students and other occupational people in the PRC. The Group provides education and related services to institutional customers such as public libraries and universities in the PRC. The Group also operates livestreaming e-commerce business for sales of private label products to individual customers and provision of commission services.

The shares of the Company have been listed on the Stock Exchange with effect from 28 March 2019 (the "Listing" and "Listing Date").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

On 24 July 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the PRC jointly issued the "Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (compulsory education includes primary school education of six years and middle school education of three years, together as the "Compulsory Stage Education")" (the "Opinion"). The Opinion has a material adverse impact on the Group's after-school tutoring services relating to academic subjects in the PRC's Compulsory Stage Education, which is part of the Group's K12 education business. In order to fully comply with the Opinion, the Group ceased its K12 and pre-school businesses during the year ended 31 May 2022,which was presented as a discontinued operation in the Group's annual consolidated financial statements for the year ended 31 May 2022.

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Basis of preparation of consolidated financial statements

Contractual Arrangements

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the value-added telecommunications services carried out by the Group, the Group conducts a substantial portion of the business through Beijing New Oriental Xuncheng Network Technology Inc. ("Beijing Xuncheng"), Beijing Kuxue Huisi Network Technology Co., Ltd. ("Kuxue Huisi") and Beijing Dongfang Youbo Network Technology Co., Ltd. ("Dongfang Youbo") (Note 39) (together the "Consolidated Affiliated Entities") in the PRC. On 10 May 2018, the wholly-owned subsidiary of the Company, Beijing Dexin Dongfang Network Technology Co., Inc. ("Dexin Dongfang") has entered into the contractual arrangements (the "Contractual Arrangements") with the Consolidated Affiliated Entities and their respective equity holders, which enable Dexin Dongfang and the Company to:

- expose, or has rights, to variable returns from its involvement with the Consolidated Affiliated Entities and has ability to affect those returns through its power over the Consolidated Affiliated Entities;

- exercise equity holders' controlling voting rights of the Consolidated Affiliated Entities;

- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Dexin Dongfang;

- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under the PRC laws. Dexin Dongfang may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dexin Dongfang; and

- obtain a pledge over the entire equity interest of the Beijing Xuncheng from their equity holders as collateral security for all of Beijing Xuncheng's and Kuxue Huisi's payments due to Dexin Dongfang and to secure performance of Beijing Xuncheng's and Kuxue Huisi's obligations under the Contractual Arrangements.

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Basis of preparation of consolidated financial statements (Continued)

Contractual Arrangements (Continued)

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries for accounting purpose. The Company consolidated the assets, liabilities, revenue, income and expenses of the Consolidated Affiliated Entities upon the completion of the reorganisation on 10 May 2018.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 June 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

Application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS16	Lease Liability in a Sale and Leaseback[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1	Non-current Liabilities with Covenants[4]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[4]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules[2]
Amendments to IAS 21	Lack of Exchangeability[5]

1 Effective for annual periods beginning on or 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2023 (except for IAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments)

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or 1 January 2024

5 Effective for annual periods beginning on or 1 January 2025

The directors of the Company (the "Directors") anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment,* leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9 *Financial instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The Group measures the progress towards complete satisfaction of a performance obligation based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group primarily offers pre-recorded or live online education courses to individual students. The Group also provides pre-recorded online education packages to institutional customers and sales products to individual customers and others through live broadcast.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

Pre-recorded online course services provided to students (revenue recognised over time)

For pre-recorded online course services, the Group earns revenue by providing the pre-recorded online course services to customers (individual students) during the service period for a fixed fee, customers can access the pre-recorded online courses at any time during the service period. The service period is determined from the date of the purchase till the due date of the course as specified in the course order; for other courses without a due date the service period is specified in the course order.

During the service period, the Group also provides a range of other complementary services to enhance the customers' satisfaction of the service provided, which may include lecture notes, homework correction, online study groups, online mock exams, and online question and answer section. The Directors have assessed that these complementary services provided are not distinct and are combined with the pre-recorded online course as single performance obligation. This is because customers cannot benefit from these complementary services on its own.

The Directors have determined that the performance obligation of providing pre-recorded online courses is satisfied over time as customers simultaneously receive and consume the benefits of the prerecorded online courses throughout the service period.

Output method is used when determining progress towards complete satisfaction of the performance obligation of the pre-recorded online courses and revenue is recognised on a straight line basis during the service period.

Under the Group's standard contract terms for pre-recorded online course services, customers have a right to full refund within 7 days from the date the course is provided. The Group estimates the refund liabilities by considering the historical experience. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for sales in which no revenue has yet been recognised.

Live online course services provided to students (revenue recognised over time)

For live online course services, the Group earns revenue by providing the live online courses to customers (individual students) according to a predetermined live schedule during the service period for a fixed fee. The service period is determined from the date of the purchase till the due date of the course as specified in the course order.

During the service period, the Group also provides a range of other complementary services to enhance the customers' satisfaction of the service provided, which may include lecture notes, homework correction, online study groups, online mock exams, and online question and answer section. The Directors have assessed these complementary services provided are not distinct and are combined with the live online courses as one performance obligation. This is because customers cannot benefit from these complementary services on its own.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

Live online course services provided to students (revenue recognised over time) (Continued)

During the service period, the Group also provides playback function on some of the live online courses to enhance customers' experience of the service provided. The Directors have assessed that the playback function of the live online courses is a separate performance obligation as customers can benefit from the playback function on its own and the playback function is separately identifiable from other obligations in the contract.

The Directors estimate the stand-alone selling price of each of the performance obligations based on the expected cost of satisfying each of the performance obligations to the Group and add an estimated margin for each of the performance obligation, as the stand-alone selling price is not observable directly.

The Directors have determined that the performance obligation of both the live online courses and the playback function is satisfied over time as customers simultaneously receive and consume the benefits of both performance obligations.

Output method is used when determining progress towards complete satisfaction of both performance obligations. For live online courses, it is recognised proportionally when each scheduled live is performed. For the playback function, it is recognised on a straight line basis during the service period.

Under the Group's standard contract terms for live online course services, customers have a right to full refund before the start of the second scheduled live broadcasting. The Group estimates the refund liabilities by considering the historical experience. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for sales in which no revenue has yet been recognised.

Pre-recorded online education package services to institutional customers (revenue recognised over time)

For pre-recorded online education package services, the Group provides customised pre-recorded online education packages to customers (institutional customers) during the service period for a fixed fee.

During the service period, the Group also provides annual updates on the packages to make the content of the packages update. The Directors have assessed that the annual updates provided are not distinct and are combined with the pre-recorded online education packages as a single performance obligation. This is because the customers cannot benefit from the annual updates on its own.

The Directors have determining that the performance obligation of the pre-recorded online education packages is satisfied over time as customers simultaneously receive and consume the benefits of the pre-recorded online education packages throughout the effective course period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

Pre-recorded online education package services to institutional customers (revenue recognised over time) (Continued)

Output method is used when determine progress towards complete satisfaction of the performance obligation of the pre-recorded online education packages and revenue is recognised on a straight line basis during the effective course period.

Sales of pre-recorded online education packages to institutional customers are not refundable once the package is purchased by the customer.

Revenue from sales of online testing package (revenue recognised at a point in time)

The Group purchases online testing package from third party and then sells this package to customers. The Group recognises revenue from sales of online testing package at a point in time when the password of the online testing package is passed to customers. The Group purchases a fixed number of the online testing package before the online testing package is sold to customers, and therefore the Group controls the online testing package before it is sold. The Group considers that the Group is acting as a principal in the transaction and recognises revenue from sales of online testing package on a gross basis.

Sales of online testing package are not refundable once it is purchased by the customer.

Livestreaming e-commerce for sales of products to individual customers (revenue recognised at a point in time)

For livestreaming e-commerce, the Group conducts live broadcast on the e-commerce platforms, where by hosts of the live broadcast introduce and recommend products to viewers who can order products during the live broadcast.

In relation to the products sold during the livestreaming, when the Group obtains control of the good before that good is transferred to a customer, the Group acts as a principal and recognises revenue in the gross amount of consideration to which the Group expects to be entitled in exchange for the specified good transferred. Revenue is recognised when the customer receives the good, at which time, the customer obtains control of such good. When the Group, as a promoter, provides promotion services about the specified goods to the merchants in the form of live broadcast on the e-commerce platforms, the Group acts as an agent. The Group charges commissions on the sales of the specified goods completed through the e-commence platform based on agreed commission rates. Commission revenue is recognised at a point in time upon the customers purchase merchants' products through the e-commence platforms.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Membership program

The Group operates a membership program through which customers can earn membership points from qualified purchases. The membership points can be used to redeem coupons that can be applied against amounts owed to the Group in future purchases. The membership points awarded are accounted for as a separate performance obligation and the transaction price is allocated between the products sold and the membership points awarded on a relative stand-alone selling price basis. The standalone selling price of each award membership point is estimated based on the right to be given when the award membership points are redeemed by the customers as evidenced by the Group's historical experience. The amount allocated to the award membership points is deferred as contract liability and recognised as revenue when the customers apply the coupons redeemed in future purchases.

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases for buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in items of historical cost in foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred

Retirement benefit costs

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options/Share awards granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When share awards granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

When share options are cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Group immediately recognises the cancellation of share options as an acceleration of vesting as share based payment expenses and the relevant amount recognised in share-based payments reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property and equipment

Property and equipment other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property and equipment and right-of use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment and right-of-use assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property and equipment and right-of use assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from contracts with customers.* Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, refundable rental deposits, restricted bank deposits, term deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. Except for certain debtors with significant balances, which are assessed for impairment individually, the remaining trade receivables are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast of future conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event; and

(c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings when available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade payables and accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs at the date at which the operation is abandoned.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities (see Note 1) in the PRC due to regulatory restrictions on foreign ownership of companies engaged in the online education business carried out by the Group. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assess whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After the assessment, the Directors conclude that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the Consolidated Affiliated Entities.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Dexin Dongfang, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC Laws and are legally enforceable as at 31 May 2023.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Fair value of financial assets at FVTPL

Investments in unlisted equity securities are classified as financial assets at FVTPL. The fair value of these unlisted equity securities are determined using the valuation techniques. Valuation techniques are certified by independent and recognised international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by valuers make the maximum use of market inputs and rely as little as possible on the Group's specific data. For the discounted cash flow model, it mainly involves estimates on revenue growth rate, weighted average cost of capital ("WACC") and discount for lack of marketability. As at 31 May 2023, the carrying amounts of the investments in unlisted equity securities classified as financial assets at FVTPL are RMB102,576,000 (2022: RMB99,429,000). Should any of the estimates be revised, it may lead to a material change to the fair value of the financial assets at FVTPL.

5. REVENUE

Disaggregation of revenue from contracts with customers from continuing operations

	Year ended 31 May	
	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
Over time	596,733	542,739
At a point in time	3,913,116	57,787
Total	4,509,849	600,526
Type of customer		
Customers and others for private label products and livestreaming e-commerce	3,880,909	24,580
Students for online education service	590,776	517,533
Institutional customers for online education service	38,164	58,413
Total	4,509,849	600,526
Type of revenue		
Sales of products	2,634,274	16,271
Service revenue and others	1,875,575	584,255
Total	4,509,849	600,526

All revenues of the Group from continuing operations were generated from private label products and livestreaming e-commerce, online education services, and other related services.

There were no adjustments or eliminations between the revenue from contracts with customers and the amount disclosed in the segment information.

6. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services provided.

Operating segments regarding the online education service targeted to the Compulsory Stage Education and the high school education ("K12 Education") and online education service targeted to pre-school children ("Pre-school Education") were discontinued in the year ended 31 May 2022. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 9.

Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows.

1. Private Label Products and Livestreaming E-Commerce (formerly known as "Livestreaming E-Commerce") – online live commerce with private label products sold to individual customers and provision of commission services.

2. College Education – online education service targeted to college and above students and adults.

3. Institutional Customers – online education service provided to institutional customers.

6. SEGMENT INFORMATION (Continued)

For the year ended 31 May 2023

Continuing operations

	Private Label Products and Livestreaming E-Commerce RMB'000	College Education RMB'000	Institutional Customers RMB'000	Total RMB'000
Revenue	3,880,909	590,776	38,164	4,509,849
Cost of revenue	(2,397,547)	(149,871)	(7,662)	(2,555,080)
Segment gross profit	1,483,362	440,905	30,502	1,954,769
Unallocated income and expenses:				
Other income, gains and losses				117,151
Impairment losses recognised under expected credit loss model, net				(799)
Selling and marketing expenses				(620,271)
Research and development expenses				(109,467)
Administrative expenses				(154,216)
Share of results of associates				(12,764)
Finance costs				(1,689)
Profit before tax				1,172,714

6. SEGMENT INFORMATION (Continued)

For the year ended 31 May 2022

Continuing operations

	Private Label Products and Livestreaming E-Commerce RMB'000	College Education RMB'000	Institutional Customers RMB'000	Total RMB'000
Revenue	24,580	517,533	58,413	600,526
Cost of revenue	(15,297)	(183,590)	(10,787)	(209,674)
Segment gross profit	9,283	333,943	47,626	390,852
Unallocated income and expenses:				
Other income, gains and losses				70,665
Impairment losses recognised under expected credit loss model, net				(2,635)
Selling and marketing expenses				(270,113)
Research and development expenses				(64,427)
Administrative expenses				(214,146)
Share of results of associates				3,085
Finance costs				(2,580)
Loss before tax				(89,299)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment gross profit is the measure reported to the CODM for the purposes of resources allocation and performance assessment. Segment gross profit is gross profit earned by each segment and other income, gains and losses, impairment losses recognised under ECL model, net, selling and marketing expenses, research and development expenses, administrative expenses, share of results of associates and finance costs are excluded from segment results.

Information of segment assets and liabilities and other segment information are not provided to the CODM for their review. Therefore, no analysis of the Group's assets and liabilities and other segment information by reportable and operating segments are presented.

The Company is domiciled in the PRC and all of the Group's revenues from continuing operations were generated from external customers in the PRC. The Group's non-current assets are all located in the PRC. Therefore, no geographical information is presented.

No service or product provided to a single customer exceeds 10% or more of the total revenue of the Group from continuing operations for the year ended 31 May 2023 (2022: Nil).

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 May	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Net foreign exchange gain	78,681	46,868
Interest income	32,651	11,066
Impairment loss on interests in associates (Note 17)	(26,941)	–
Government grants(i)	26,390	1,347
Additional value added tax ("VAT") input deduction(ii)	2,605	2,542
Gain on fair value changes of financial assets at FVTPL	2,123	9,119
Others	1,642	(277)
	117,151	70,665

Notes:

(i) Government grants amounted to RMB26,152,000 (2022: RMB1,244,000) have been recognised for the subsidies relating to its local municipal business development. The amounts have been recognised as other income, and there was no unfulfilled condition attached to these government grants in the year in which they were recognised.

(ii) Additional VAT input deduction amounted to RMB2,605,000 (2022: RMB2,542,000) was recognised in profit or loss due to the VAT reform. In accordance with VAT Reformation Article No.39, the Group is eligible for additional VAT credits by 15% of the current period creditable VAT input from 1 April 2019 to 31 December 2021. The implementation period was further extended to 31 December 2022 according to announcement No.11 by General Department of Taxation in 2022. In accordance with announcement No.1 by General Department of Taxation in 2023, the Group is eligible for additional deduction by 10% of the current period creditable VAT input from 1 January 2023 to 31 December 2023.

8. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 May	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Current tax:		
PRC enterprise income tax	**286,132**	1,969
Deferred tax (Note 30)	**(84,704)**	(20,274)
	201,428	(18,305)

The Company and Dong Fund Co., Ltd.(Note 39) were incorporated in the Cayman Islands. Both are tax exempted under the tax laws of the Cayman Islands, as no business is carried out in the Cayman Islands.

Under the two-tiered profits tax rates regime of Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Applicable tax rates of the Group's major subsidiaries are as follows.

Under the law of the PRC on enterprise income tax (the "EIT Law") and implementation regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the year ended 31 May 2023 (2022: 25%).

The Group's subsidiaries operating in the PRC are eligible for certain tax concessions. Under the EIT Law effective on 1 January 2008, the "High and New Technology Enterprise" (the "HNTE") status is valid for three years and qualifying entities can reapply for an additional three years provided their business operations continue to qualify for the new HNTE status. In 2020, Beijing Xuncheng renewed the certificate of the HNTE status and enjoy the preferential tax rate of 15% from calendar year 2020 to 2022. In 2020, Dexin Dongfang obtained the HNTE status and enjoy the preferential tax rate of 15% from calendar year 2020 to 2022. During the subsequent years, the tax authority will make reassessment on the those subsidiaries' HNTE status or other tax concessions.

According to the EIT Law, qualified research and development expenses can be deducted at 175% of such expenses for income tax deduction purpose upon approval from the relevant tax authority. The State Taxation Administration of the PRC announced in September 2022 that enterprises that currently apply 175% deduction in qualified research and development expenses would be entitled to claim 200% of their qualified research and development expenses as super deduction from 1 October 2022 to 31 December 2022, and the implementation period was subsequently extended until 31 December 2023 as announced in March 2023.

8. INCOME TAX EXPENSE/(CREDIT) (Continued)

The Group's subsidiaries operating in Hainan and Zhuhai are eligible for local tax concessions. According to the local tax policies, Hainan Haiyue Dongfang Network Technology Co., Ltd. and Zhuhai Chongsheng Heli Network Technology Co., Ltd., subsidiaries of the Group, meet the relevant criteria and can enjoy a preferential tax rate of 15% (2022: 15%).

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB810,855,000 (2022: RMB63,989,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expenses/(credit) for the year can be reconciled to profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 May	
	2023	2022
	RMB'000	RMB'000
Profit/(loss) before tax (from continuing operations)	**1,172,714**	(89,299)
Tax at applicable income tax rate of 25% (2022: 15%)	**293,179**	(13,395)
Tax effect of share of results of associates	**3,191**	(463)
Reversal of taxable temporary differences previously recognised	**–**	(18,801)
Tax effect of expenses not deductible for tax purposes	**180,688**	543
Tax effect of additional deduction on certain research and development expenses	**(16,612)**	(6,049)
Tax effect of tax losses and deductible temporary differences not recognised	**91,429**	57,156
Utilisation of tax losses and deductible temporary differences previously not recognised	**(324,255)**	(7,500)
Effect of different tax rates of PRC subsidiaries	**44,842**	(17,347)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(71,034)**	(12,449)
Income tax expense/(credit) for the year (relating to continuing operations)	**201,428**	(18,305)

Note:

The domestic tax rate of 25% (2022: 15%) which is the statutory tax rate of the PRC where the operation of the Group is substantially based for the year ended 31 May 2023 is used.

9. DISCONTINUED OPERATIONS

In order to fully comply with the Opinion, the Group ceased the K12 and pre-school businesses which were classified as discontinued operations in the Group's annual financial statements for the year ended 31 May 2022.

The results for the year ended 31 May 2022 from the discontinued K12 and pre-school operations are set out below.

	Year ended 31 May 2022 RMB'000
Revenue	298,009
Cost of revenue	(275,370)
Other income, gains and losses	(37,142)
Selling and marketing expenses	(234,731)
Research and development expenses	(131,510)
Administrative expenses	(78,135)
Finance costs	(4,091)
Loss before tax	(462,970)
Income tax expense	–
Loss for the year	(462,970)

9. DISCONTINUED OPERATIONS (Continued)

Loss for the year from discontinued operations has been arrived at after charging (crediting) the following items:

	Year ended 31 May 2022 RMB'000
Staff cost	
– Salaries, allowances and benefits in kind	555,301
– Retirement benefit scheme contributions	37,881
– Equity-settled share-based payments	(10,752)
Total staff cost	582,430
Depreciation of property and equipment	21,464
Depreciation of right-of-use assets	33,179
Loss on disposal of property and equipment	45,784
Gain on early termination of lease contracts	(18,617)
Expense of short-term leases	1,939

	Year ended 31 May 2022 RMB'000
Cash flows from discontinued operations	
Net cash outflows from operating activities	(923,580)
Net cash inflows from investing activities	8,295
Net cash outflows from financing activities	(28,533)

10. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year from continuing operations has been arrived at after charging the following items:

	Year ended 31 May	
	2023	2022
	RMB'000	RMB'000
Staff cost, including directors' and chief executive's remuneration		
– Salaries, allowances and benefits in kind	**593,091**	252,940
– Retirement benefit scheme contributions	**39,174**	24,504
– Equity-settled share-based payments	**103,667**	175,721
Total staff cost	**735,932**	453,165
Depreciation of property and equipment	**18,010**	13,667
Depreciation of right-of-use assets	**27,726**	20,928
Expense of short-term leases	**1,158**	1,223
Auditor's remuneration[i]	**4,250**	3,100

Note:

(i) During the year ended 31 May 2023, auditor's remuneration includes RMB3,250,000 (2022: RMB2,300,000) in relation to annual audit and RMB1,000,000 (2022: RMB800,000) in relation to interim review.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to directors and the chief executive for the year were as follows:

For the year ended 31 May 2023

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses[i] RMB'000	Equity-settled share-based payments RMB'000	Retirement benefits RMB'000	Director's fees RMB'000	Total RMB'000
Executive Directors and the Chief Executive						
Mr. Sun Dongxu[v]	906	4,250	11,174	61	–	16,391
Mr. Yin Qiang	565	600	3,550	51	–	4,766
Subtotal	1,471	4,850	14,724	112	–	21,157
Non-Executive Directors						
Mr. Yu Minhong[ii] & [iii]	–	–	9,661	–	–	9,661
Ms. Sun Chang	–	–	–	–	–	–
Mr. Wu Qiang[iii] & [vi]	–	–	326	–	–	326
Ms. Leung Yu Hua Catherine[iv]	–	–	–	–	–	–
Subtotal	–	–	9,987	–	–	9,987
Independent Non-Executive Directors						
Mr. Lin Zheying	–	–	–	–	120	120
Mr. Tong Sui Bau	–	–	–	–	120	120
Mr. Kwong Wai Sun Wilson	–	–	–	–	120	120
Subtotal	–	–	–	–	360	360
Total	1,471	4,850	24,711	112	360	31,504

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The emoluments paid or payable to directors and the chief executive for the year were as follows (Continued):

For the year ended 31 May 2022

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses[i] RMB'000	Equity-settled share-based payments RMB'000	Retirement benefits RMB'000	Director's fees RMB'000	Total RMB'000
Executive Directors and the Chief Executive						
Mr. Sun Dongxu[v]	1,010	800	8,626	54	–	10,490
Mr. Yin Qiang	641	555	5,742	54	–	6,992
Subtotal	1,651	1,355	14,368	108	–	17,482
Non-Executive Directors						
Mr. Yu Minhong[ii] & [iii]	–	–	10,875	–	–	10,875
Ms. Sun Chang	–	–	–	–	–	–
Mr. Wu Qiang[iii]	–	–	730	–	–	730
Ms. Leung Yu Hua Catherine[iv]	–	–	–	–	–	–
Subtotal	–	–	11,605	–	–	11,605
Independent Non-Executive Directors						
Mr. Lin Zheying	–	–	–	–	120	120
Mr. Tong Sui Bau	–	–	–	–	120	120
Mr. Kwong Wai Sun Wilson	–	–	–	–	120	120
Subtotal	–	–	–	–	360	360
Total	1,651	1,355	25,973	108	360	29,447

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

(i) Performance related bonuses for executive directors and the chief executive were determined based on certain financial and non-financial measures including: revenue, operating profit, employee turnover rate etc.

(ii) Mr. Yu Minhong serves as the chairman of the board of directors. He serves as the non-executive director of the Company.

(iii) Excluding the equity-settled share-based expenses, the directors' emoluments were paid by New Oriental Group during both years.

(iv) The emoluments of Ms. Leung Yu Hua Catherine was paid by Tencent Group (as defined in Note 38) during both years. Ms. Leung Yu Hua Catherine resigned on 26 August 2022.

(v) Mr. Sun Dongxu was appointed as the chief executive officer of the Company in January 2020.

(vi) Mr. Wu Qiang resigned on 26 August 2022.

The emoluments of the executive directors and the chief executive shown above were mainly for their management services rendered to the Company and the Group and were determined by the shareholders of the Group having regard to the performance of individuals and market trends.

The non-executive directors' emoluments shown above were for their services as directors of the Company. The independent non-executive directors' emoluments were for their services as independent directors of the Company.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during both years.

During the year ended 31 May 2023, 5,100,000 (2022: Nil) share awards under the share scheme of the Company were granted to certain directors of the Company in respect of their services provided to the Group. During the year ended 31 May 2022, 12,800,000 (2023: Nil) share options under the share option scheme of the Company were granted to certain directors of the Company in respect of their services provided to the Group.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 May 2023 include no directors (2022: Nil). Details of the remuneration for the year ended 31 May 2023 of the five highest paid employees (2022: five) who are neither a director nor the chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	7,448	3,411
Performance related bonuses	21,872	2,600
Equity-settled share-based expenses(i)	49,068	157,126
Retirement benefits	166	180
Total	78,554	163,317

Note:

(i) During the year ended 31 May 2022, equity-settled share-based expenses include RMB150,014,000 (2023: Nil) in relation to the cancellation of unvested share options of the Post-IPO Share Option I and Post-IPO Share Option II.

The number of the highest paid employees who are neither a director nor a chief executive of the Company whose remuneration fell within the following bands:

	2023 No. of employees	2022 No. of employees
Hong Kong dollar ("HK$")8,500,001 to HK$9,000,000	1	–
HK$10,500,001 to HK$11,000,000	1	–
HK$16,500,001 to HK$17,000,000	1	–
HK$18,500,001 to HK$19,000,000	1	–
HK$26,000,001 to HK$26,500,000	–	1
HK$27,500,001 to HK$28,000,000	–	1
HK$28,500,001 to HK$29,000,000	–	1
HK$34,000,001 to HK$34,500,000	1	–
HK$36,000,001 to HK$36,500,000	–	1
HK$71,500,001 to HK$72,000,000	–	1
Total	5	5

During the year ended 31 May 2023, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining of the Group or as compensation for loss of office (2022: Nil).

13. EARNINGS/(LOSS) PER SHARE

For continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operation attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
Earnings/(loss):		
Earnings/(loss) for the year attributable to owners of the Company	971,286	(533,954)
Less:		
Loss for the year from discontinued operations attributable to owners of the Company	–	(462,970)
Earnings/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share from continuing operations	971,286	(70,984)

	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	1,006,230,531	1,000,706,916
Effect of dilutive potential ordinary shares:		
Share options and share awards	58,271,111	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	1,064,501,642	1,000,706,916

The diluted loss per share for the year ended 31 May 2022 does not assume the exercise of the Company's share options since the assumed exercise of share options would result in a decrease in loss per share.

From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
Earnings/(loss):		
Earnings/(loss) for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings/(loss) per share	971,286	(533,954)

13. EARNINGS/(LOSS) PER SHARE (Continued)

From continuing and discontinued operations (Continued)

The denominators used to calculate earnings/(loss) per share of continuing and discontinued operations are the same as those detailed above for both basic and diluted earnings/(loss) per share.

From discontinued operations

During the year ended 31 May 2022, basic and diluted loss per share for the discontinued operations are both RMB0.46 per share based on the loss for the year from the discontinued operations of approximately RMB462,970,000 and the denominators detailed above for both basic and diluted loss per share.

14. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 May 2023 (2022: Nil), nor has any dividend been proposed since the end of the reporting period.

15. PROPERTY AND EQUIPMENT

	Electronic equipment RMB'000	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Construction in process RMB'000	Transportation equipment RMB'000	Total RMB'000
COST						
At 1 June 2021	133,443	101,645	23,179	2,183	–	260,450
Additions	7,064	3,987	337	–	–	11,388
Transfer upon completion	–	879	–	(879)	–	–
Disposals	(75,141)	(89,061)	(14,997)	(1,304)	–	(180,503)
At 31 May 2022	65,366	17,450	8,519	–	–	91,335
Additions	14,114	2,406	989	–	1,138	18,647
Disposals	(477)	(1,336)	(53)	–	–	(1,866)
At 31 May 2023	**79,003**	**18,520**	**9,455**	**–**	**1,138**	**108,116**
DEPRECIATION AND IMPAIRMENT						
At 1 June 2021	64,001	71,379	10,214	1,304	–	146,898
Provided for the year	19,446	13,709	1,976	–	–	35,131
Eliminated on disposals	(40,062)	(75,010)	(8,727)	(1,304)	–	(125,103)
At 31 May 2022	43,385	10,078	3,463	–	–	56,926
Provided for the year	12,430	3,943	1,574	–	63	18,010
Eliminated on disposals	(188)	(683)	(6)	–	–	(877)
At 31 May 2023	**55,627**	**13,338**	**5,031**	**–**	**63**	**74,059**
CARRYING VALUES						
At 31 May 2023	**23,376**	**5,182**	**4,424**	**–**	**1,075**	**34,057**
At 31 May 2022	21,981	7,372	5,056	–	–	34,409

The above items of property and equipment, other than construction in process, after taking into account their estimated residual value of 5% of the cost, except for the leasehold improvement of which the estimated residual value is nil, are depreciated on a straight-line basis with the following expected useful lives:

Electronic equipment	3 – 5 years
Furniture and fixtures	5 years
Leasehold improvement	shorter of the lease term or estimated useful lives
Transportation equipment	10 years

16. RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	RMB'000
Carrying amount:	
At 1 June 2021	302,622
Additions	28,283
Decreases due to terminations	(218,337)
Lease modifications	(10,354)
Depreciation charges	(54,107)
At 31 May 2022	48,107
Additions	40,017
Decreases due to terminations	(6,009)
Depreciation charges	(27,726)
At 31 May 2023	**54,389**
For the year ended 31 May 2022	
Expense relating to short-term leases	3,162
Total cash outflow for leases	49,691
For the year ended 31 May 2023	
Expense relating to short-term leases	**1,158**
Total cash outflow for leases	**33,604**

The Group leases buildings for its operations. Lease contracts were entered into for fixed terms of 1 year to 5 years. Lease terms were negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for buildings. As at 31 May 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

16. RIGHT-OF-USE ASSETS (Continued)

Extension and termination options

During the year ended 31 May 2023, certain lease contracts were early terminated by lessors or the Group. Upon early termination of lease contracts, penalties for terminating the lease was paid or received based on lease contracts, and the carrying amounts of lease liabilities and right-of-use assets of these leases were derecognised and related rental deposits were refunded. A net gain on early termination of lease contracts of RMB1,126,000 (2022: RMB18,617,000) was recognised in other income, gains and losses.

Leases committed

As at 31 May 2022, the Group entered into one new lease for building that has not yet commenced, with a non-cancellable period for 2 years, the total future undiscounted cash flows over the non-cancellable period amounted to RMB1,143,000 (2023: Nil).

17. INTERESTS IN ASSOCIATES

Details of the Group's investment in associates are as follows:

	2023 RMB'000	2022 RMB'000
Cost of investment in associates	172,470	172,470
Share of results and other comprehensive (expense)/income	(7,106)	5,681
Impairment loss	(26,941)	–
	138,423	178,151

17. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's associates at the end of the reporting period are as follows:

Name of entities	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group At 31 May 2023	2022	Proportion of voting rights held by the Group At 31 May 2023	2022	Principal activities
Beijing Shidai Yuntu Book Co., Ltd. ("Shidai Yuntu") (北京時代雲圖圖書有限責任公司)	PRC	Beijing	24.75%	24.75%	24.75%	24.75%	Publisher of teaching materials
Beijing Edutainment World Education Technology Co., Ltd. ("Edutainment World") (b)	PRC	Beijing	22.77%	22.77%	22.77%	22.77%	Education business
Tianjin Xuncheng Shangyue Education and Technology Ltd. (天津迅程尚悦教育科技有限公司)	PRC	Tianjin	49.00%	49.00%	49.00%	49.00%	Education consulting
Huoerguosi Oriental New Venture Equity Investment Partnership (L.P.) (霍爾果斯東方新創股權投資合夥企業(有限合夥))	PRC	Huoerguosi	49.00%	49.00%	49.00%	49.00%	Equity investment fund
Hone KTHL SMA, L.P. ("Hone") (a)	USA	Delaware	100.00%	100.00%	100.00%	100.00%	Equity investment fund

Notes:

(a) Hone is a limited partnership established on 28 December 2018, of which the primary purpose is to invest in education industry related business. The Group is the sole limited partner of Hone and holds 100% of the partnership interest, and an independent third party is the sole general partner which also controls the investment committee of Hone. Under the limited partnership agreement, the Group has power to approve or refuse investment opportunities proposed by the investment committee, but does not have power over any other decisions of Hone, including but not limited to, decision over disposal of investments held by Hone and power to remove the general partner. The Directors considered that the Group has significant influence over Hone and it was therefore classified as an associate of the Group.

(b) Edutainment World is a company which focuses on education industry related business, selling intelligent teaching hardware and software and laboratory supplies to public schools and providing vocational training to students. Prior to 5 April 2022, the Group's investment in Edutainment World's preferred shares with redemption rights and liquidation preference were recognised as financial assets at FVTPL. On 5 April 2022, the Group entered into a new shareholder agreement which replaces the original investment agreements with Edutainment World and its other shareholders, according to which, certain preferred rights including redemption rights and liquidation preference were removed. The management of the Group concludes that such preferred shares are in-substance ordinary shares under the new shareholder agreement and accounted for the investment in Educational World as investment in associate using equity method considering that the Group can also exercise significant influence over Edutainment World.

17. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of Edutainment World

	2023 RMB'000	2022 RMB'000
Current assets	148,701	168,135
Non-current assets	86,621	92,047
Current liabilities	(98,482)	(84,507)
Non-current liabilities	–	(12,328)
Net assets	136,840	163,347

	2023 RMB'000	From 5 April 2022 to 31 May 2022 RMB'000
Revenue	63,173	12,979
Loss and total comprehensive expense for the period	(26,507)	(3,592)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements is as below:

	2023 RMB'000	2022 RMB'000
Net assets of Edutainment World	136,840	163,347
Proportion of the Group's ownership interest in Edutainment World	22.77%	22.77%
The Group's share of net assets of Edutainment World	31,158	37,194
Goodwill[(a)]	64,787	64,787
Impairment loss[(b)]	(26,941)	–
Carrying amount of the Group's interest in Edutainment World	69,004	101,981

Notes:

(a) For the investment in Edutainment World, the excess of the cost of the investment over the Group's share of the fair value of the identifiable assets and liabilities of the investee on acquisition was recognised as goodwill, which has been included within the carrying amount of the investment.

(b) Edutainment World has incurred material loss and its performance is worse than expected for the year ended 31 May 2023, management of the Group concluded there was indication for impairment and conducted impairment assessment on its investment in Edutainment World. Recoverable amount of investment in Edutainment World has been determined based on fair value by using the income approach with assistance of external valuation specialist. During the year ended 31 May 2023, management of the Group determines that an impairment loss of RMB26,941,000 was recognised (2022: Nil).

17. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2023 RMB'000	2022 RMB'000
The Group's share of (loss)/profit	(6,728)	3,903
The Group's share of total comprehensive (expense)/income	(6,728)	3,903
Aggregate carrying amount of the Group's interests in these associates	69,419	76,170

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Non-current assets		
Financial assets at FVTPL		
– Unlisted equity investments(i)(ii)	102,576	99,429
Current assets		
Financial assets at FVTPL		
– Wealth management products(iii)	1,037,402	359,049

Notes:

(i) The unlisted equity investments as at 31 May 2023 are the Group's investments in ordinary shares with preferential rights of Oriental Selection (Henan) Food Technology Co., Ltd. ("Henan Oriental") and preferred shares of EEO Education Technology Co., Ltd. ("EEO") incorporated in the PRC and the Cayman Islands respectively. The major assumptions used in the valuation for investments in these unlisted entities are set out in Note 37. On 5 April 2022, the investment in Edutainment World was transferred from financial assets at FVTPL to investment in associate as detailed in Note 17.

(ii) On 18 January 2023, Dongfang Optimization (Beijing) Technology Co., Ltd., one of the Company's subsidiaries, invested 30% ordinary shares with preferential rights in Henan Oriental, a grilled sausages producer, for a total cash consideration of RMB17,527,000. With the preferential rights, the Group has the right to require and demand the investee to redeem all of the shares held by the Group at a guaranteed predetermined fixed amount upon certain redemption events which are out of control of the investee. Hence, the investment is accounted for under IFRS 9 and measured at financial assets at FVTPL.

(iii) Wealth management products are purchased from various banks with expected rate of return ranging from 2.17% to 3.00 % (2022: 2.25 % to 3.55 %) per annum, and maturity period ranging from 1 day to 180 days (2022: 1 day to 60 days). The principals and returns of these wealth management products are not guaranteed.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

During the year ended 31 May 2023, the Group did not make any sales to EEO and Henan Oriental (2022: Nil).

During the year ended 31 May 2023, the Group did not made any purchases from EEO (2022: RMB4,638,000) and Henan Oriental.

19. INVENTORIES

	2023 RMB'000	2022 RMB'000
Products	114,688	4,600
Products in transit	26,264	33
	140,952	4,633

20. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	48,381	25,884
Less: allowance for credit losses	(10,454)	(11,315)
	37,927	14,569
Other receivables:		
Receivables from third-party payment platforms	131,640	15,134
Receivable for government subsidy	26,152	–
Rental deposits[(i)]	7,738	194
Deductible input on VAT	6,448	3,069
Institutional customers business deposits	3,366	3,018
Advances to employees	2,118	739
Others	3,583	845
	181,045	22,999
Trade and other receivables	218,972	37,568

Note:

(i) The rental deposits represent refundable rental deposits that are due within one year.

20. TRADE AND OTHER RECEIVABLES (Continued)

Settlement related to private label products and livestreaming e-commerce and college education

Customers of private label products and livestreaming e-commerce usually pay in advance through the third-party platform and customers of college education usually settle the prepaid packages by cash or pay through third-party payment platforms. For payment through third-party payment platforms, the third-party payment platforms normally settle the amounts received, net of handling charges, within one month after the trade date. The receivables from third-party payment platforms include payments that are not yet settled by third-party payment platforms.

The Directors are of the opinion that the credit risks of these receivables are minimal as these are from creditworthy third-party payment platforms with no history of defaults. No impairment is made for receivables from third-party payment platforms.

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date:

	2023 RMB'000	2022 RMB'000
1-90 days	2,530	11,749
91-180 days	953	921
181 days -1 year	33,995	1,503
1-2 years	449	396
	37,927	14,569

Before accepting new customers, the Group assesses the potential customers' credit quality and defines credit limits for each individual customer. Recoverability of the existing customers is reviewed by the management of the Group regularly.

As at 31 May 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB45,840,000 (2022: RMB13,072,000) which are past due. Out of the past due balance, RMB34,503,000 (2022: RMB1,948,000) has been past due 90 days or more and is not considered as default as there has not been a significant change in the credit standing of the debtors. The Group did not hold any collateral over these receivables.

Included in trade receivables, RMB1,843,000 as at 31 May 2023 (2022: RMB3,069,000) were amounts due from related parties (details as set out in Note 38), which were aged 1-90 days based on the invoice date.

20. TRADE AND OTHER RECEIVABLES (Continued)

Settlement related to private label products and livestreaming e-commerce and college education (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach for the year:

	ECL (not credit-impaired) RMB'000	ECL (credit-impaired) RMB'000	Total RMB'000
At 1 June 2021	109	9,336	9,445
Changes due to financial instruments recognised as at 1 June 2021:			
Transfer to credit impaired	(9)	9	–
Impairment losses (reversed) recognised, net	(39)	2,651	2,612
Write-offs	–	(765)	(765)
New financial assets originated	23	–	23
At 31 May 2022	84	11,231	11,315
Changes due to financial instruments recognised as at 1 June 2022:			
Transfer to credit impaired	(28)	28	–
Impairment losses (reversed) recognised, net	(12)	474	462
Write-offs	–	(1,660)	(1,660)
New financial assets originated	148	189	337
At 31 May 2023	**192**	**10,262**	**10,454**

Details of impairment assessment of trade and other receivables are set out in Note 21.

21. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that the Group's counterparties default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables. At the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets measured at amortised cost as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses historical credit loss experience to rate its customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

21. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

The Group's internal credit risk grading assessment, which is applicable for financial assets at amortised cost excluding trade receivables, comprises the following categories:

Categories	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts or aged within 90 days	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition or aged over 90 days but less than 2 years	Lifetime ECL – not credit – impaired
In default	There is evidence indicating the asset is credit-impaired or aged over 2 years	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For trade receivables, the Group has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime ECL. The Group determined ECL on these items by using a provision matrix, estimated based on the financial quality of the debtors, historical credit loss experience based on the past due status of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the reporting date. In addition, debtors with gross carrying amounts of RMB39,710,000 as at 31 May 2023 (2022: RMB7,984,000) were assessed individually.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. During the year ended 31 May 2023, trade receivables with carrying amount of RMB1,660,000 had been written off (2022: RMB765,000).

The following details the risk portfolio of trade receivables arising from institutional customers, based on the Group's provision matrix. As the Group's historical credit loss experience showed significantly different loss patterns for different customer portfolio (including normal risk, low risk type and credit-impaired), the provision for loss allowance was further distinguished between the Group's customer portfolio of different risk type.

Low risk type customers	Represent the universities, public libraries, related parties and video streaming providers and agents
Normal risk type customers	Represent the universities and public libraries with overdue history
Credit-impaired customers	Represent customers that have occurred defaults with lower collectability

21. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

At 31 May 2023

	Expected credit loss rate %	Gross carrying amount RMB'000	Credit loss allowance RMB'000
Low risk type customers			
Trade receivables	**0.20**	**5,018**	**10**
Normal risk type customers			
Trade receivables	**9.20**	**704**	**64**
Credit-impaired customers			
Trade receivables	**100.00**	**2,949**	**2,949**

At 31 May 2022

	Expected credit loss rate %	Gross carrying amount RMB'000	Credit loss allowance RMB'000
Low risk type customers			
Trade receivables	0.25	13,981	34
Normal risk type customers			
Trade receivables	7.39	672	50
Credit-impaired customers			
Trade receivables	100.00	3,247	3,247

21. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For both years, the Group concluded the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

As at 31 May 2023, the Group provided RMB3,023,000 (2022: RMB3,331,000) impairment allowance for trade receivables based on the provision matrix and impairment allowance of RMB7,431,000 (2022: RMB7,984,000) were made based on individual assessment.

There has been no change in the estimation technique or significant assumptions made during both years.

22. PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Prepayments to suppliers	25,537	27,891
Prepaid teachers' commission fee and course fee	15,311	11,620
Prepaid marketing expenses	8,646	3,924
Prepaid courseware production costs	8,352	9,835
Prepayments for packing materials	5,174	–
Prepaid office system fee	4,242	2,727
Prepaid property fee	2,487	2
Prepaid rental expense	1,046	293
Others	6,513	3,906
	77,308	60,198

Included in prepayments, RMB5,000 (2022: RMB110,000) were amounts due from related parties (details as set out in Note 38) as at 31 May 2023.

23. CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

Cash and cash equivalents

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.00% to 3.90% (2022: 0.00% to 2.25%) per annum as at 31 May 2023.

Cash and cash equivalents that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
HK$	424,415	426,752
United States dollars ("US$")	15,596	79,760

Term deposits

Term deposits represent fixed term deposits with commercial banks with an original maturity of over three months but within one year. As at 31 May 2023, term deposits carry fixed rate from 2.00% to 5.51% (2022: 1.15%) per annum.

Term deposits that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
HK$	796,895	682,588

24. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Contract liabilities in relation to:		
Students for online education service	168,903	139,595
Institutional customers for online education service	25,423	23,645
Membership points	58,741	–
Others	455	–
	253,522	163,240

The following table shows how much of the revenue recognised for the year relates to carried-forward contract liabilities.

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
Students for online education service	129,567	358,717
Institutional customers for online education service	23,003	28,423
Total	152,570	387,140

The following table shows the unsatisfied contracts at the end of the reporting period and the expected timing of recognising revenue.

	2023 RMB'000	2022 RMB'000
Expected to be recognised within one year:		
Students for online education service	158,750	129,567
Institutional customers for online education service	25,423	23,003
Membership points	58,741	–
Others	455	–
Expected to be recognised over one year:		
Students for online education service	10,153	10,028
Institutional customers for online education service	–	642
Total	253,522	163,240

25. REFUND LIABILITIES

	2023 RMB'000	2022 RMB'000
Refund liabilities		
Arising from right of refund	**27,665**	13,926

The refund liabilities relate to customers' right of refund prepaid course fee or course fee where related service is already provided. The Group uses its historical experience to estimate returns on a portfolio level using the expected value method.

26. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	2023 RMB'000	2022 RMB'000
1-90 days	**237,918**	11,900
91-180 days	**88,553**	2,503
181 days-1 year	**4,786**	5,629
1 year-2 years	**2,374**	3,316
>2 years	**1,632**	250
	335,263	23,598

Included in trade payables, RMB9,140,000 as at 31 May 2023 (2022: RMB7,600,000) were amounts due to related parties (details as set out in Note 38), among which RMB2,685,000 (2022: RMB5,978,000) were aged 1-90 days, RMB2,346,000 (2022: RMB929,000) were aged 91-180 days, RMB3,759,000 (2022: RMB525,000) were aged 181 days-1 year, RMB250,000 (2022: RMB100,000) were aged 1 year-2 years, RMB100,000 (2022: RMB68,000) were aged over 2 years based on the invoice date.

27. ACCRUED EXPENSES AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Accrued payroll and welfare	173,709	48,604
Accrued teachers' commission fees and course fees	35,757	37,752
Accrued office expenses	26,357	11,452
Accrued marketing expenses	26,266	30,685
Other tax payables	23,750	2,815
Advance payments received from students	10,136	8,767
Payables for property and equipment	7,682	1,365
Advance payments received from sales agents	6,455	4,247
Accrued storage expenses	4,708	–
Refundable individual income tax	4,487	3,688
Refundable business deposits received from sales agents	3,341	4,547
Social insurance expenses payable	2,612	1,659
Others	10,988	7,655
	336,248	163,236

Included in accrued expenses and other payables, RMB13,330,000 as at 31 May 2023 (2022: RMB13,948,000) were amounts due to related parties (details as set out in Note 38).

28. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	33,074	27,529
Within a period of more than one year but not more than two years	14,528	21,240
Within a period of more than two years but not more than five years	3,394	–
	50,996	48,769
Less: Amount due for settlement with 12 months shown under current liabilities	33,074	27,529
Amount due for settlement after 12 months shown under non-current liabilities	17,922	21,240

The weighted average incremental borrowing rates applied to lease liabilities range from 4.2% to 4.7% (2022: from 4.2% to 4.7%) per annum.

29. SHARE CAPITAL

Details of the movements of share capital of the Company are as follows:

Issued and fully paid	Number of ordinary shares	Par value per ordinary share		Share capital	
		US$	RMB	US$	RMB
At 1 June 2021	1,000,570,602			20,011	128,688
Exercise of share options[(i)]	153,500	0.00002	0.00013	3	20
At 31 May 2022	1,000,724,102			20,014	128,708
Exercise of share options[(i)]	13,142,608	0.00002	0.00014	263	1,862
At 31 May 2023	**1,013,866,710**			**20,277**	**130,570**

Note:

(i) In the current year, as a result of exercise of share options, 13,142,608 ordinary shares (2022: 153,500 ordinary shares) were issued by the Company. Upon the exercise of share options, RMB127,818,000 (2022: RMB1,628,000) was credited to share premium and RMB39,730,000 (2022: RMB507,000) was debited to share-based payments reserve during the current year.

30. DEFERRED TAX ASSETS AND LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**83,265**	–
Deferred tax liabilities	**(2,379)**	(3,818)
	80,886	(3,818)

30. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The following are the deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	Accrued expenses RMB'000	Provision for credit losses RMB'000	Changes in value of financial assets at FVTPL RMB'000	tax losses RMB'000	Total RMB'000
At 1 June 2021	–	–	(24,092)	–	(24,092)
Credited to profit or loss	–	–	20,274	–	20,274
At 31 May 2022	–	–	(3,818)	–	(3,818)
Credited (charged) to profit or loss	32,090	1,580	(977)	52,011	84,704
At 31 May 2023	**32,090**	**1,580**	**(4,795)**	**52,011**	**80,886**

As at 31 May 2023, the Group has deductible temporary differences of RMB1,339,602,000 (2022: RMB1,233,930,000). No deferred tax assets have been recognised in relation to such deductible temporary differences as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

As at 31 May 2023, the Group has unused tax losses of RMB1,709,991,000 (2022: RMB2,569,062,000), which are available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB343,661,000 (2022: nil) of such losses. No deferred tax assets have been recognised in respect of the remaining approximately RMB1,366,330,000 (2022: RMB2,569,062,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,103,051,000 (2022: RMB2,458,300,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2023 RMB'000	2022 RMB'000
2023	**–**	17,408
2024	**–**	52,726
2025	**23,304**	466,702
2026	**674,195**	1,203,184
2027	**403,541**	718,280
2028	**2,011**	–
	1,103,051	2,458,300

31. SHARE-BASED PAYMENT TRANSACTIONS

The table below sets forth share-based payments for share options and share awards:

	2023 RMB'000	2022 RMB'000
Share options	41,160	164,969
Share awards	62,507	–
	103,667	164,969

Pre-IPO Share Option Scheme

On 13 July 2018, the Directors approved an employee's share option plan (the "Pre-IPO Share Option Scheme"). The details of the Pre-IPO Share Option Scheme are as follows:

Eligibility:
Any director, employee, contractor or affiliate of the Group (including nominees and/or trustees of any employee benefit trusts established for them) who the Directors consider, in its sole discretion, to have contributed or will contribute to the Group.

Maximum number of shares:
The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time must not exceed 47,836,985 representing approximately 5.23% of the total number of shares in issue immediately before the date of the commencement of dealings in the shares on the Stock Exchange (without taking into account any shares that may be issued upon the Listing and any over-allotment option).

Grant of options:
On and subject to the terms of the Pre-IPO Share Option Scheme, the Directors shall be entitled (but shall not be bound) at any time within the scheme period to make an offer to any participant, as the Directors may in its absolute discretion select, to take up an option pursuant to which such participant may, during the option period, subscribe for such number of shares as the Directors may determine at the subscription price as defined in the scheme. The offer shall specify the terms on which the option is to be granted. Such terms may include, but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Directors such other terms either on a case by case basis or generally.

On 6 March 2019, pursuant to the list of grantees and respective numbers of options approved by the Directors, the Company granted a total of 47,836,985 options to 144 grantees, including the directors, senior management of the Company and other employees of the Group.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Pre-IPO Share Option Scheme (Continued)

Grant of options (Continued):

Details of the share options under the Pre-IPO Share Option Scheme held by grantees are set out below:

Number of shares underlying the share options	Grant date	Exercise period	Exercise price (HK$)	Grant date average fair value (RMB)	Vesting dates
47,836,985	6 March 2019	From the Listing Date to the six anniversary of the Listing Date	8.88	3.50	25% vested on the Listing Date, 25% vested on the first anniversary of the Listing Date, 25% vested on the second anniversary of the Listing Date, 25% vested on the third anniversary of the Listing Date

The estimated fair value of the share options granted on 6 March 2019 was RMB169,656,000.

The movements of share options under the Pre-IPO Share Option Scheme are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Outstanding as at 1 June 2021	36,902,985	8.88
Forfeited during the year	(837,500)	8.88
Exercised during the year	(153,500)	8.88
Outstanding as at 31 May 2022	35,911,985	8.88
Exercised during the year	(8,827,600)	8.88
Outstanding as at 31 May 2023	27,084,385	8.88
Exercisable as at 31 May 2022	35,911,985	
Exercisable as at 31 May 2023	27,084,385	

The Group recognised the total expense of RMB11,549,000 (2023: nil) for the year ended 31 May 2022 in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Pre-IPO Share Option Scheme (Continued)

Grant of options (Continued):
In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was RMB37.36 (2022: RMB8.80).

2019 Scheme

On 30 January 2019, the Directors approved an employee's share option plan (the 2019 Scheme (formerly known as "Post-IPO Share Option Scheme"). The details of the 2019 Scheme are as follows:

Eligibility:
Any director, employee, contractor or affiliate of the Group (including nominees and/or trustees of any employee benefit trusts established for them) who the Directors consider, in its sole discretion, to have contributed or will contribute to the Group.

Maximum number of shares:
The overall limit on the number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the 2019 Scheme and any other share option schemes of the Group (collectively, "All Share Option Schemes") must not exceed 30% of the Company's total issued share capital from time to time, and upon exercise of all options granted under All Share Option Schemes must not exceed 10% (being 91,395,910 shares) of the total number of share in issue on the Listing Date (being 913,959,102 shares).

Grant of options:
On and subject to the terms of the 2019 Scheme, the Directors shall be entitled (but shall not be bound) at any time within the scheme period to make an offer to any participant, as the Directors may in its absolute discretion select, to take up an option pursuant to which such participant may, during the option period, subscribe for such number of shares as Directors may determine at the subscription price as defined in the scheme. The offer shall specify the terms on which the option is to be granted. Such terms may include, but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Directors such other terms either on a case by case basis or generally.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2019 Scheme (Continued)

Post-IPO Share Option I

On 29 January 2020, pursuant to the list of grantees and respective numbers of options approved by the Directors, the Company granted a total of 40,000,000 options to 552 grantees, including the directors, senior management of the Company and other employees of the Group (the "Post-IPO Share Option I").

Details of the share options under the Post-IPO Share Option I held by grantees are set out below:

Number of shares underlying the share options	Grant date	Exercise period	Exercise price (HK$)	Grant date average fair value (RMB)	Vesting dates
40,000,000	29 January 2020	From the first anniversary to the 10 anniversary of the grant date	25.35	10.74	One third vested on the first anniversary of the grant date, one third vested on the second anniversary of the grant date, one third vested on the third anniversary of the grant date

The estimated fair value of the share options granted on 29 January 2020 was RMB429,734,000.

On 15 November 2021, the Company cancelled all of the unvested and vested but unexercised options of the Post-IPO Share Option I due to the sharp decrease of the Company's share price since the release of the Opinion, and accounted for the cancellation as an acceleration of vesting. Upon the cancellation, net share-based payment expense of RMB11,900,000 which otherwise would have been recognised for the services received over the remainder of the vesting period after considering the employee resignation was recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

The movements of share options under the Post-IPO Share Option I are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Outstanding as at 1 June 2021	29,541,815	25.35
Forfeited during the year	(10,088,192)	25.35
Cancelled during the year	(19,453,623)	25.35
Outstanding as at 31 May 2022 and 2023	–	

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2019 Scheme (Continued)

Post-IPO Share Option II

On 25 August 2020, pursuant to 2019 Scheme the Company further granted 25,000,000 options to 162 employees (the "Post-IPO Share Option II") for the purpose of providing incentives to employees. The details of the Post-IPO Share Option II are as follows:

Number of shares underlying the share options	Grant date	Exercise period	Exercise price (HK$)	Grant date average fair value (RMB)	Vesting dates
25,000,000	25 August 2020	From the first anniversary to the 10 anniversary	34.00	14.79	The Post-IPO Share Option II has two kind of vesting schedule: (1) 30% vested on the first anniversary of the grant date, 30% vested on the second anniversary of the grant date, 30% vested on the third anniversary of the grant date and 10% vested the fourth anniversary of the grant date; (2) 20% vested on the second anniversary of the grant date, 40% vested on the third anniversary of the grant date and 40% vested on the fourth anniversary of the grant date.

The estimated fair value of the share options granted on 25 August 2020 was RMB369,814,000.

On 15 November 2021, the Company cancelled all of the unvested and vested but unexercised options of the Post-IPO Share Option II. Upon cancellation, net share-based payment expense of RMB113,602,000 which otherwise would have been recognised for the services received over the remainder of the vesting period after considering the employee resignation was recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2019 Scheme (Continued)

Post-IPO Share Option II (Continued)

The movements of share options under the Post-IPO Share Option II are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Outstanding as at 1 June 2021	20,848,000	34.00
Forfeited during the year	(6,445,000)	34.00
Cancelled during the year	(14,403,000)	34.00
Outstanding as at 31 May 2022 and 2023	–	

Post-IPO Share Option III

On 15 November 2021, pursuant to the 2019 Scheme the Company further granted 48,441,590 options to 236 employees (the "Post-IPO Share Option III") for the purpose of providing incentives to directors and employees. The details of the Post-IPO Share Option III are as follows:

Number of shares underlying the share options	Grant date	Exercise period	Exercise price (HK$)	Grant date average fair value (RMB)	Vesting dates
48,441,590	15 November 2021	From the first anniversary to the 10 anniversary of the grant date	5.22	2.20	One third vested on the first anniversary of the grant date, one third vested on the second anniversary of the grant date and one third vested on the third anniversary of the grant date

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2019 Scheme (Continued)

Post-IPO Share Option III (Continued)

The movements of share options under the Post-IPO Share Option III are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Granted on 15 November 2021	48,441,590	5.22
Forfeited during the period	(2,447,497)	5.22
Outstanding as at 31 May 2022	45,994,093	5.22
Forfeited during the year	(1,216,275)	5.22
Exercised during the year	(4,315,008)	5.22
Outstanding as at 31 May 2023	40,462,810	5.22
Exercisable as at 31 May 2022	–	
Exercisable as at 31 May 2023	10,818,286	

The estimated fair value of the share options granted on 15 November 2021 was RMB106,571,000.

Fair value of share options under the Post-IPO Share Option III:

The Group has used the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date as the fair value of underlying ordinary shares of the Company. The binomial option-pricing model has been used to estimate the fair value of the Post-IPO Share Option III. Option valuation model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying shares, and changes in the subjective input assumptions can materially affect the fair value estimate of share options.

	15 November 2021 Post-IPO Share Option III
Weighted average share price	HK$5.22
Exercise price	HK$5.22
Expected volatility	61.10%
Expected life	10 years
Risk-free rate	1.63%
Expected dividend yield	0.00%

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2019 Scheme (Continued)

Post-IPO Share Option III (Continued)

The Group recognised the total expense of RMB41,160,000 (2022: RMB27,918,000) for the year ended 31 May 2023 in relation to Post-IPO Share Option III granted by the Company.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was RMB44.49.

2023 Scheme

On 9 March 2023, the Shareholders approved a new post-IPO share scheme (the "2023 Scheme"). The details of the 2023 Scheme are as follows:

Eligibility:

Eligible participants as determined by the board and/or any committee of the board or other person(s) to whom the board has delegated its authority (the "Scheme Administrator") from time to time shall be eligible to participate in the 2023 Scheme.

Maximum number of shares:

The total number of shares that may be issued pursuant to all awards to be granted under the 2023 Scheme and awards to be granted under any other share schemes of the Company is initially set at 10% of the shares in issue as at the adoption date of the 2023 Scheme, being 101,351,871 shares.

Grant of share awards

On 11 April 2023, pursuant to the 2023 Scheme the Company granted 30,459,000 share awards to 154 individuals including certain directors for the purpose of providing incentives to them. The issue price of each share underlying the share awards upon vesting is nil. Each grant has a total vesting period of 3 years from the date of grant, and shall vest according to the following schedule upon certain performance conditions are met:

(1) between 20% to 50% of the total share awards granted will vest on the first anniversary of the date of grant;

(2) between 20% to 50% of the total share awards granted will vest on the second anniversary of the date of grant; and

(3) between 20% to 50% of the total share awards granted will vest on the third anniversary of the date of grant.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2023 Scheme (Continued)

Grant of share awards (Continued)

The movement of share awards granted under the 2023 Scheme is summarised as follows:

	Number of share awards	Weighted average grant-date fair value (HK$)
Granted on 11 April 2023	30,459,000	29
Forfeited during the period	(145,000)	29
Outstanding as at 31 May 2023	30,314,000	

The fair value of the share awards granted was RMB775,132,000 based on the fair value of the ordinary shares of the Company on the date of grant.

The Group recognised total expense of RMB62,507,000 for the year ended 31 May 2023 in relation to the share awards granted under 2023 Scheme of the Company.

At the end of each reporting period, the Group revises its estimates of the number of share awards that are expected to vest based on all relevant non-market vesting conditions, with the impact of the revision to original estimates, if any, in profit or loss, along with a corresponding adjustment to equity.

32. RETIREMENT BENEFITS PLANS

Employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefit scheme.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income of RMB39,174,000 for the year ended 31 May 2023 (2022: RMB62,385,000), represent contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 May 2023, contributions of RMB3,969,000 (2022: RMB2,343,000) were due in respect of the year then ended, which had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period. No forfeited contribution is available as at 31 May 2023 (2022: Nil) to reduce the contribution payable in the future years.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in Note 28, net of cash and cash equivalents, restricted bank deposits, term deposits and equity attributable to owners of the Company, comprising share capital and reserves in the consolidated statement of changes in equity.

34. CATEGORIES OF FINANCIAL INSTRUMENTS

	At 31 May	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**2,149,279**	1,271,537
Financial assets at FVTPL	**1,139,978**	458,478
Financial liabilities		
Financial liabilities measured at amortised cost	**466,952**	133,756
Lease liabilities	**50,996**	48,769

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Total RMB'000
As at 1 June 2021	313,828	313,828
Financing cash flows	(46,529)	(46,529)
New leases entered/lease modified/lease terminated	(225,201)	(225,201)
Interest expenses	6,671	6,671
At 31 May 2022	48,769	48,769
Financing cash flows	(32,446)	(32,446)
New leases entered/lease modified/lease terminated	32,984	32,984
Interest expenses	1,689	1,689
At 31 May 2023	**50,996**	**50,996**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, cash and cash equivalents, restricted bank deposits, term deposits, refundable rental deposits, trade payables, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, other price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries and the Company have foreign currency denominated intra-group balances, term deposits and bank balances which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities and intra-group balances at the end of the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
Assets		
US$	2,279,192	2,171,307
HK$	1,980,208	1,815,551
	4,259,400	3,986,858
Liabilities		
US$	2,206,938	2,091,547
HK$	815,436	706,109
	3,022,374	2,797,656

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates. The sensitivity analysis also includes intra-group balances where the denomination of the balances is in a currency other than the functional currency of the group entities. A negative number below indicates a decrease in post-tax profit or an increase in post-tax loss, where RMB strengthens against the relevant foreign currency. For a weakening of RMB against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	2023 RMB'000	2022 RMB'000
US$	(12,194)	(11,985)
HK$	(59,620)	(55,882)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during both years.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (Note 23) and lease liabilities (Note 28). The Group is exposed to cash flow interest risk in relation to variable rate bank balances (Note 23), which carry prevailing market interest rates and investments in wealth management products (Note 18). The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The management of the Group considers the fluctuation in interest rates on bank balances and investments in wealth management products is insignificant. Therefore, no sensitivity analysis is presented.

Other price risk

The Group is exposed to other price risk through its investments in wealth management products and unlisted equity investments measured at FVTPL. Sensitivity analyses for unlisted equity investments with fair value measurement categorised within Level 3 were disclosed in Note 37. The management considers the other price risk of the Group on its investments in the wealth management products is limited as the maturity periods of these investments are short. Therefore, no sensitivity analysis is presented.

Credit risk and impairment assessment

The Group's maximum exposure to credit a risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets measured at amortised cost and investments in wealth management products at FVTPL as stated in the consolidated statement of financial position.

Except for investments in wealth management products at FVTPL, the Group performed impairment assessment for financial assets measured at amortised cost under ECL model. The Group's credit risk is primarily attributable to its trade and other receivables.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Credit risk and impairment assessment (Continued)

In order to minimise the credit risk on trade and other receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group performs impairment assessment under the ECL model on trade receivables individually or collectively based on provision matrix. The Group performs periodic individual assessment on ECL of other receivables. Details of impairment assessment of trade and other receivables are set out in Note 20 and Note 21.

The credit risk on cash and cash equivalents, restricted bank deposits and term deposits is limited because the counterparties are banks with high credit ratings. Trade and other receivables consist of a large number of customers or parties, the Group does not have any significant concentration of credit risk on trade and other receivables.

The Group has concentration of credit risk on term deposits as 54% of the total term deposits was due from one commercial bank as at 31 May 2023.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average incremental borrowing rates	On demand or within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 May 2023 RMB'000
As at 31 May 2023							
Trade payables	–	335,263	–	–	–	335,263	335,263
Accrued expenses and other payables	–	131,689	–	–	–	131,689	131,689
Lease liabilities	4.20%-4.70%	10,711	23,791	20,385	–	54,887	50,996
		477,663	23,791	20,385	–	521,839	517,948

	Weighted average incremental borrowing rates	On demand or within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 May 2022 RMB'000
As at 31 May 2022							
Trade payables	–	23,598	–	–	–	23,598	23,598
Accrued expenses and other payables	–	110,158	–	–	–	110,158	110,158
Lease liabilities	4.20%-4.70%	8,956	20,913	21,304	–	51,173	48,769
		142,712	20,913	21,304	–	184,929	182,525

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value hierarchy as at 31 May 2023

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Unlisted equity investments	**–**	**102,576**	**102,576**
Wealth management products	**1,037,402**	**–**	**1,037,402**

Fair value hierarchy as at 31 May 2022

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Unlisted equity investments	–	99,429	99,429
Wealth management products	359,049	–	359,049

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 May 2023 RMB'000	Fair value as at 31 May 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Wealth management products issued by banks classified as financial assets at FVTPL	Wealth management products issued by banks 1,037,402	Wealth management products issued by banks 359,049	Level 2	Discounted cash flow – future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.	N/A
Private equity investments classified as financial assets at FVTPL	5.61% equity investment in EEO which is engaged in development of computer platforms used in online education services 85,049	5.61% equity investment in EEO which is engaged in development of computer platforms used in online education services 99,429	Level 3	Income approach – in this approach the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate WACC.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries of 2% (2022:2%) (Note II). WACC determined using a capital asset pricing model is 25% (2022:25%) (Note III). Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries is 25% (2022:25%) (Note IV).
Private equity investments classified as financial assets at FVTPL	30% equity investment in Henan Oriental which is engaged in meat processing industry 17,527	N/A	Level 3	By reference to the fair value of the underlying assets (Note I)	Rate of newness of replacement cost is 97% (2022:Nil) (Note V)

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Notes:

Note I: Considering that Henan Oriental is in its early stage of establishment and has not yet entered the production stage, management of the Group considered that it is appropriate for assessing the fair value of the investment in Henan Oriental by reference to the fair value of the underlying assets of Henan Oriental.

Note II: An increase in the long-term revenue growth rates used in isolation would result in an increase in the fair value of the private equity investments, and vice versa. A 1% increase/decrease in the long-term revenue growth rates holding all other variables constant would increase/decrease the carrying amount of the private equity investments by RMB167,000 as at 31 May 2023 (2022: RMB260,000).

Note III: An increase in WACC used in isolation would result in a decrease in the fair value of the private equity investments, and vice versa. A 3% increase/decrease in WACC holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB1,068,000 as at 31 May 2023 (2022: RMB1,604,000).

Note IV: An increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value of the private equity investments, and vice versa. A 5% increase/decrease in the discount for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB5,670,000 as at 31 May 2023 (2022: RMB6,629,000).

Note V: An increase in rate of newness of replacement cost used in isolation would result in an increase in the value of the private equity investments, and vice versa. A 3% increase/decrease in the rate of newness of replacement cost holding all other variables constant would increase/decrease the carrying amount of the private equity investments by RMB198,000 as at 31 May 2023 (2022:N/A).

The following table represents the reconciliation of level 3 fair value measurements during the year.

	2023 RMB'000	2022 RMB'000
At the beginning of the year	99,429	207,497
Addition	17,527	–
Changes in fair value	(14,380)	(5,270)
Transfer	–	(102,798)
At the end of the year	102,576	99,429

The Directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values.

38. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Relationship	Nature of transactions	2023 RMB'000	2022 RMB'000
New Oriental Group	Controlling shareholder of the Company	Trade sales	31,456	18,780
		Trade purchases	47,222	40,717
Metropolis Holding (Tianjin) Co., Ltd. ("Metropolis Holding")	A company wholly owned by the chairman of the Directors	Interest expenses on lease liabilities	60	326
		Property management fee	174	1,300
Tencent Holdings Limited ("Tencent" and with its subsidiaries, "Tencent Group")[(a)]	Shareholder of the Company	Trade purchases	3,329	10,554
Shidai Yuntu	Associate of the Group	Trade purchases	5	1,595
Edutainment World[(b)]	Associate of the Group	Trade sales	1,354	1,281
		Trade purchases	27	1,206

38. RELATED PARTY TRANSACTIONS (Continued)

The following balances represent outstanding balance with related parties at the end of the reporting period:

	Nature of Balance	31/05/2023 RMB'000	31/05/2022 RMB'000
New Oriental Group	Trade and other receivables	2,977	1,629
	Prepayments	2	3
	Trade payables	8,804	5,500
	Accrued expenses and other payables	13,165	13,716
	Contract liabilities	205	–
Metropolis Holding	Leases liabilities	6,283	2,007
	Trade and other receivables	623	658
	Prepayments	3	24
	Accrued expenses and other payables	165	–
Tencent Group[(a)]	Prepayments	–	83
	Trade payables	–	1,769
	Accrued expenses and other payables	–	232
Shidai Yuntu	Trade payables	236	231
Edutainment World[(b)]	Trade and other receivables	797	1,447
	Trade payables	100	100

(a) On 15 June 2022 and 16 June 2022, Tencent reduced its shareholding in the Company and ceased to have significant influence over the Company. Tencent Group are no longer related parties of the Group since 16 June 2022.

(b) Edutainment World became an associate of the Group since April 2022 as detailed in Note 17.

38. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	6,681	3,366
Post-employment benefits	112	108
Share-based payments	24,711	25,973
	31,504	29,447

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company as at 31 May 2023 are set out below:

Name of subsidiaries	Place of incorporation/ registration/ operation and kind of legal entity	Date of incorporation/ establishment	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	
Subsidiaries directly and indirectly held:												
New Oriental Xuncheng Technology (HK) Limited	Hong Kong limited liability company	2 Mar 2018	HK$1	100	100	–	–	100	100	–	–	Investment holding
Dexin Dongfang	PRC limited liability company	21 Mar 2018	RMB350,000,000	–	–	100	100	–	–	100	100	Provision of software and technology services
Dong Fund(ii)	Cayman limited liability company	13 Aug 2018	US$1,000,000	–	100	–	–	–	100	–	–	Equity investment fund
Zhuhai Chongsheng Heli Network Technology Co., Ltd.	PRC limited liability company	23 Jul 2019	RMB52,000,000	–	–	100	100	–	–	100	100	Provision of software and technology services

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ registration/ operation and kind of legal entity	Date of incorporation/ establishment	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2023	2022	2023	2022	2023	2022	2023	2022	
				%	%	%	%	%	%	%	%	
Xi'An Ruiying Huishi Network Technology Co., Ltd.	PRC limited liability company	3 Apr 2020	RMB250,000,000	–	–	100	100	–	–	100	100	Provision of education advisory services
Wuhan Dongfang Youbo Network Technology Co., Ltd.	PRC limited liability company	17 Sep 2020	RMB50,000,000	–	–	100	100	–	–	100	100	Provision of software and technology services
Hainan Haiyue - Dongfang Network Technology Co., Ltd.	PRC limited liability company	13 Oct 2020	RMB50,000,000	–	–	100	100	–	–	100	100	Provision of education advisory services
Dongfang Youbo (HK) Education Limited	Hong Kong limited liability company	13 Aug 2020	HK$1	100	100	–	–	100	100	–	–	Provision of online education
New Oriental Wuyou Online (HK) Education & Technology Co., Ltd.	Hong Kong limited liability company	20 Aug 2020	HK$1	100	100	–	–	100	100	–	–	Provision of online education
Subsidiaries-structured entities(i):												
Beijing Xuncheng	PRC limited liability company	11 Mar 2005	RMB164,242,000	–	–	100	100	–	–	100	100	Provision of online education
Kuxue Huisi	PRC limited liability company	1 Feb 2013	RMB10,000,000	–	–	100	100	–	–	100	100	Provision of online education
Dongfang Youbo(iii)	PRC limited liability company	23 Jun 2016	RMB10,000,000	–	–	–	100	–	–	–	100	Provision of online education

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ registration/ operation and kind of legal entity	Date of incorporation/ establishment	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2023	2022	2023	2022	2023	2022	2023	2022	
				%	%	%	%	%	%	%	%	
Beijing Xinyuanfang Human Resources Service Co., Ltd.	PRC limited liability company	21 Oct 2021	RMB2,000,000	–	–	100	100	–	–	100	100	Provide human resources and related services
Dongfang Optimization (Beijing) Technology Co., Ltd.	PRC limited liability company	27 Oct 2021	RMB10,000,000	–	–	100	100	–	–	100	100	Engaged in e-commerce services
Nanjing Kuxueyanxuan Technology Co., LTD	PRC limited liability company	3 Dec 2021	RMB1,000,000	–	–	68	68	–	–	68	68	Engaged in e-commerce services
Oriental Selection (Beijing) Technology Co., LTD	PRC limited liability company	7 Dec 2021	RMB10,000,000	–	–	100	55	–	–	100	55	Engaged in e-commerce services

Notes:

(i) The Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with the equity holders of these structured entities, the Company through its legal owned subsidiary has power over these structured entities, has rights to variable returns from its involvement with these structured entities and has the ability to affect those returns through its power over these structured entities and is considered to have control over these structured entities. Consequently, the Company regards these structured entities as indirect subsidiaries of the Company.

(ii) Dong Fund completed its deregistration on 13 March 2023.

(iii) Dongfang Youbo completed its deregistration on 27 March 2023.

There are no statutory requirements for subsidiaries to issue statutory audited financial statements.

None of the subsidiaries had issued any debt securities as at 31 May 2023 (2022: None).

40. EVENT AFTER THE END OF THE REPORTING PERIOD

The Group has no significant event took place subsequent to the end of the reporting period that needs to be disclosed.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current Assets		
Amounts due from subsidiaries	2,560,310	2,502,850
Financial assets at fair value through profit or loss	85,049	–
Interests in subsidiaries	1,305,291	1,197,081
	3,950,650	3,699,931
Current Assets		
Term deposits (Note 23)	796,895	682,588
Cash and cash equivalents	179,623	16,649
	976,518	699,237
Current Liabilities		
Amounts due to subsidiaries	82,113	–
Accrued expenses and other payables	–	5,584
	82,113	5,584
Net current assets	894,405	693,653
Non-current Liabilities		
Deferred tax liabilities	2,379	–
Net assets	4,842,676	4,393,584
Capital and Reserves		
Share capital	131	129
Reserves	4,842,545	4,393,455
Total Equity	4,842,676	4,393,584

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The movement in the reserves of the Company is shown as follows:

	Share premium RMB'000	Share-based payments reserve RMB'000	(Accumulated losses) retained profits RMB'000	Total RMB'000
At 1 June 2021	3,855,807	436,852	(245,553)	4,047,106
Profit and total comprehensive income for the year	–	–	180,259	180,259
Recognition of equity-settled share-based payments	–	164,969	–	164,969
Exercise of share options	1,628	(507)	–	1,121
Forfeiture and cancellation of share options	–	(446,837)	446,837	–
Change in equity for the year	1,628	(282,375)	446,837	166,090
At 31 May 2022	3,857,435	154,477	381,543	4,393,455
Profit and total comprehensive income for the year	**–**	**–**	**257,335**	**257,335**
Recognition of equity-settled share-based payments	**–**	**103,667**	**–**	**103,667**
Exercise of share options	**127,818**	**(39,730)**	**–**	**88,088**
Change in equity for the year	**127,818**	**63,937**	**–**	**191,755**
At 31 May 2023	**3,985,253**	**218,414**	**638,878**	**4,842,545**

Unless otherwise stated or set out below, capitalised terms have the same meanings as those defined in the Prospectus (defined below).

"2019 Scheme"	the post-IPO share option scheme of the Company adopted in January 2019, the terms of which are summarised in Appendix IV to the Prospectus
"2022 EDU Framework Agreement"	a framework agreement dated 27 May 2022 between our Company (for itself and on behalf of the other members of our Group) and New Oriental (for itself and on behalf of the other members of the New Oriental Group) as described in "Continuing Connected Transactions — 2022 EDU Framework Agreement" in this report
"2023 Scheme"	the share incentive scheme of the Company adopted on 9 March 2023, a summary of the principal terms of which is set out in the Company's circular dated 21 February 2023
"Adjusted EBITDA/(LBIDTA)"	adjusted EBITDA/(LBIDTA) (or earnings/losses before interest, taxes, depreciation, and amortisation) represents profit/(loss) for the year plus income tax expense/(credit), share-based compensation expenses, finance costs, impairment losses recognised under expected credit loss model, net, depreciation of property and equipment, depreciation of right-of-use assets, less other income, gains and losses for the financial year
"Adjusted Profit/(Loss)"	for the year represents profit/(loss) for the year less loss on FVTPL – non-current plus share-based compensation expenses for the financial year
"ADS(s)"	representing the same number of underlying common shares of New Oriental
"APP"	software that causes a computer, smartphone, or electronic mobile device to perform tasks, specifically in our Company's context, it refers to a private label products and livestreaming e-commerce application
"Applicable Requirements"	Listing Rules requirements in respect of the Contractual Arrangements: (a) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules; (b) the requirement under Rule 14A.53 of the Listing Rules of setting an annual cap for the transactions; and (c) the requirement under Rule 14A.52 of the Listing Rules of limiting the terms of the Contractual Arrangements to three years or less, for as long as our Shares are listed on the Stock Exchange
"Articles of Association"	the third amended and restated articles of association of our Company adopted on 3 November 2022, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules

"Audit Committee"	the audit committee of the Board
"Auditor"	Deloitte Touche Tohmatsu
"Beijing Xuncheng" or "Operating Entity"	Beijing New Oriental Xuncheng Network Technology Inc. (北京新東方迅程網絡科技有限公司), a company established under the Laws of the PRC on 11 March 2005 and a Consolidated Affiliated Entity.
"Board"	the board of Directors
"Board Committees"	the Audit Committee, the Remuneration Committee and the Nomination Committee, collectively
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"Business Update Announcements"	the Company's announcements published on 25 October 2021 and 21 January 2022
"CCT Agreements"	Contractual Arrangements and each of our framework agreements in respect of our continuing connected transactions collectively
"Century Friendship"	Beijing Century Friendship Education Investment Co., Ltd., a company incorporated under the laws of the PRC on 19 July 2002 and a substantial shareholder of our Operating Entity
"Chairman"	Mr. YU Minhong, the chairman of the Board
"China" or "the PRC"	the People's Republic of China, and for the purposes of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Companies Ordinance"	*Companies Ordinance (Chapter 622 of the Laws of Hong Kong)*, as amended, supplemented or otherwise modified from time to time
"Company", "we", "us", or "our"	East Buy Holding Limited 東方甄選控股有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 7 February 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules

"continuing connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entity"	an entity controlled by the Company through the Contractual Arrangements; one or more of which is known as "Consolidated Affiliated Entities"
"Contractual Arrangements"	the series of contractual arrangements, as amended from time to time, entered into by and among our wholly-foreign owned entities, the Consolidated Affiliated Entities and the Previous Registered Shareholder and the Registered Shareholder (as the case may be), details of which are described in "Contractual Arrangements" of the Prospectus and "Directors' report" in this annual report
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to New Oriental
"Corporate Governance Code"	the *Corporate Governance Code*, Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"Daily Quotations Sheet"	the daily quotations sheet issued by the Stock Exchange
"Dexin Dongfang"	Beijing Dexin Dongfang Network Technology Co., Ltd. (北京德信東方網絡科技有限公司), a company incorporated under the Laws of the PRC on 21 March 2018 and a wholly-owned subsidiary of our Company
"Director(s)"	the director(s) of our Company
"Director Nomination Policy"	a director nomination policy adopted by our Company
"Diversity Policy"	a board diversity policy adopted by our Company
"Dividend Policy"	a dividend policy adopted by our Company
"Dongfang Youbo"	Beijing Dongfang Youbo Network Technology Co., Ltd. (北京東方優播網絡科技有限公司), a company incorporated under the Laws of the PRC on 23 June 2016 and a Consolidated Affiliated Entity
"Employee Participant(s)"	as defined in the 2023 Scheme rules, being an employee, director or officer of the Group on the date of grant
"First Bravo"	First Bravo Asia Limited, a company incorporated under the laws of the British Virgin Islands on 15 January 2018 and one of our Shareholders

"FVTPL"	fair value through profit or loss
"FY"	financial year ended 31 May
"Global Offering"	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus and set out in the section headed "Structure of the Global Offering" therein)
"GMV"	Gross merchandise volume
"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"	the Hong Kong Special Administrative Region of the People's Republic of China
"IELTS"	International English Language Testing System, an international standardised test for English language proficiency jointly owned by the British Council, IDP: IELTS Australia and Cambridge Assessment English
"IFRS(s)"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"K-12"	Kindergarten to Grade Twelve
"Koolearn"	an online education platform operating by our Group, including the website at http://www.koolearn.cn/and related apps
"Kuxue Huisi"	Beijing New Oriental Kuxue Huisi Network Technology Co., Ltd. (北京酷學慧思網絡科技有限公司), a company established under the Laws of the PRC in 1 February 2013 and a Consolidated Affiliated Entity

"Latest Practicable Date"	8 September 2023, being the latest practicable date to ascertain certain information set out in this annual report prior to its bulk printing
"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any government or regulatory authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions, whether at the city, provincial, state or federal level (as appropriate)
"Leci Internet"	Leci Internet Technology (Beijing) Company Limited
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	28 March 2019
"Listing Rules"	the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the *Model Code for Securities Transactions by Directors of Listed Issuers* set out in Listing Rules' Appendix 10 to the Main Board Listing Rules
"New Oriental"	New Oriental Education & Technology Group Inc., a company incorporated under the Laws of the Cayman Islands on 16 March 2006, the American depository shares of which are listed on the New York Stock Exchange under the symbol "EDU" and our Controlling Shareholder
"New Oriental China"	New Oriental Education & Technology Group Co., Ltd. (新東方教育科技集團有限公司), a company incorporated under the Laws of the PRC on 2 August 2001 and our Registered Shareholders
"New Oriental Group"	New Oriental and its subsidiaries from time to time (including its consolidated affiliated entities but excluding our Group)
"New Regulations"	the "Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education" published in July 2021 by the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council of the PRC and the related implementation rules, regulations and measures promulgated by competent authorities

"New Venture"	Huoerguosi Oriental New Venture Equity Investment Partnership) (L.P.) (霍爾果斯東方新創股權投資合夥企業有限合夥)
"Nomination Committee"	the nomination committee of the Board
"PRC Legal Adviser"	Tian Yuan Law Firm
"Pre-IPO Scheme"	share option scheme adopted by the Company on 13 July 2018 and subsequently amended on 29 September 2018
"Previous Period" or "FY2022"	the financial year ended 31 May 2022
"Previous Registered Shareholders"	New Oriental China, Linzhi Tencent Technology Co., Ltd. (林芝騰訊科技有限公司), and the Tianjin Limited Partnerships
"Prospectus"	the prospectus of the Company in relation to the Listing dated 15 March 2019
"Registered Shareholder"	New Oriental China
"Related Entity Participant(s)"	as defined in the 2023 Scheme rules, being an employee, director or office of a holding company of the Company (as defined in the SFO), a subsidiary of a holding company of the Company (as defined in the SFO) other than the Group, or an associate of the Company (as defined under the Listing Rules)
"Relevant VIE Entities"	Beijing Xuncheng and Kuxue Huisi
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period" or "FY2023"	the financial year ended 31 May 2023, or FY2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of China

"Service Provider Participant(s)"	as defined in the 2023 Scheme rules, being a person (including an entity) that falls under one of the sub-categories (i.e. (i) content creators, and (ii) consultants suppliers and service providers) and that provides services to the Group on a continuing basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the scheme administrator pursuant to the criteria as detailed in the 2023 Scheme rules
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	*Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company currently with a par value of US$0.00002 each
"Share Subscription"	the subscription of an aggregate of 59,432,000 Shares by New Oriental and Tigerstep for a subscription price of HK$30.00 per subscription share pursuant to the subscription agreement dated 8 September 2020, the further details of which are contained in the Company's circular dated 14 October 2020
"Shareholder(s)"	holder(s) of our Share(s)
"SKU"	stock-keeping units
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it in the Listing Rules and includes our Consolidated Affiliated Entities; one or more of which is known as "Subsidiaries"
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Tencent"	Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and a connected person of the Company

"Tianjin Limited Partnerships"	the limited partnerships that hold interests in our Operating Entity, namely Tianjin Xuncheng Yiyue Technology Partnership (L.P.) (指天津迅程壹月科技合夥企業(有限合夥)), Tianjin Xuncheng Luyue Technology Partnership (L.P.) (天津迅程陸月科技合夥企業(有限合夥), Tianjin Bayue Technology Partnership (L.P.) (天津迅程捌月科技合夥企業(有限合夥)), Tianjin Xuncheng Jiuyue Technology Partnership (L.P.) (天津迅程玖月科技合夥企業(有限合夥)), Tianjin Xuncheng Shiyue Technology Partnership (L.P.) (天津迅程拾月科技合夥企業(有限合夥)), Tianjin Xuncheng Shieryue Technology Partnership (L.P.) (天津迅程拾貳月科技合夥企業(有限合夥)), and Tianjin Xuncheng Shisanyue Technology Partnership (L.P.) (天津迅程拾叁月科技合夥企業(有限合夥))
"Tigerstep"	Tigerstep Developments Limited, a company incorporated under the Laws of the British Virgin Islands, and a connected person of the Company
"TOEFL"	Test of English as a Foreign Language, an international standardised test for English language proficiency designed and administered by the Educational Testing Service (or ETS)
"TPO"	TOEFL Practised Online, the official practise tests using authentic past test questions, from Education Testing Service, a private non-profit educational testing and assessment organisation, the maker of the TOEFL test
"United States" or "U.S."	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"WFOEs"	Dexing Dongfang and Zhuhai Chongsheng collectively
"Xi'an Ruiying"	Xi'an Ruiying Huishi Network Technology Co., Ltd. (西安睿盈慧師網絡科技有限公司)
"Xuncheng HK"	New Oriental Xuncheng Technology (HK) Limited 新東方迅程科技(香港)有限公司, a company incorporated under the Laws of Hong Kong on 2 March 2018 and a wholly-owned subsidiary of our Company
"Zhuhai Chongsheng"	Zhuhai Chongsheng Heli Network Technology Co., Ltd. (珠海崇勝合力網絡科技有限公司)

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