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)

2024
ANNUAL REPORT

EASTBUY
东方甄选

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YU Minhong (俞敏洪), *Chairman and chief executive officer (appointed as chief executive officer and re-designated as an executive Director on 16 December 2023)*
Mr. YIN Qiang (尹強), *Chief financial officer*
Mr. SUN Dongxu (孫東旭), *Chief executive officer (ceased to be chief executive officer and re-designated as a non-executive Director on 16 December 2023, and resigned as a non-executive Director on 22 December 2023)*

Non-executive Director

Ms. SUN Chang (孫暢)

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. KWONG Wai Sun Wilson
Mr. LIN Zheying

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

Level 18, South Wing
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

	FY2024			FY2023		
	Continuing RMB'000	Discontinued[1] RMB'000	Combined total RMB'000	Continuing RMB'000	Discontinued RMB'000	Combined total RMB'000
Revenue	6,525,551	547,013	7,072,564	3,880,909	628,940	4,509,849
Profit before tax[2]	433,725	1,588,354[2]	2,022,079	1,056,469	116,245	1,172,714
Profit for the year/period	249,145	1,470,363[2]	1,719,508	799,199	172,087	971,286
Profit for the year attributable to:						
– Owners of our Company	249,140	1,470,363[2]	1,719,503	799,199	172,087	971,286
– Non-controlling interests	5	–	5	–	–	–
Earnings per share						
– Basic (RMB)	0.24	1.44	1.68	0.80	0.17	0.97
– Diluted (RMB)	0.23	1.38	1.61	0.75	0.16	0.91
Non-IFRS measure: Adjusted profit[3] **for the year (unaudited)**	709,394	1,471,316[2]	2,180,710	916,107	173,226	1,089,333
Non-IFRS measure: Adjusted EBITDA[4] **(unaudited)**	773,760	130,830	904,590	1,080,776	126,678	1,207,454

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	RMB'000				
	FY2024	FY2023	FY2022	FY2021	FY2020
Revenue	7,072,564	4,509,849	898,535	1,418,655	1,080,587
Gross profit	2,119,008	1,954,769	413,491	412,208	493,086
Operating profit/(loss)	419,948	1,070,815	(579,571)	(1,480,227)	(881,185)
Profit/(loss) for the year	1,719,508	971,286	(533,964)	(1,658,392)	(758,239)
Profit/(loss) attributable to owners of our Company	1,719,503	971,286	(533,954)	(1,658,392)	(742,005)
Non-IFRS measure: Adjusted net profit/(loss) (unaudited)[1]	2,180,710	1,089,333	(363,725)	(1,322,557)	(658,022)

CONDENSED CONSOLIDATED BALANCE SHEET

	RMB'000				
	FY2024	FY2023	FY2022	FY2021	FY2020
Assets:					
Non-current assets	**377,632**	416,022	367,912	738,572	707,832
Current assets	**6,163,887**	3,436,916	1,691,481	2,546,746	2,341,412
Total assets	**6,541,519**	3,852,938	2,059,393	3,285,318	3,049,244
Equity and liabilities:					
Equity attributable to owners of our Company	**4,969,216**	2,803,808	1,641,008	2,008,872	1,863,700
Non-controlling interests	**405**	–	–	–	–
Total equity	**4,969,621**	2,803,808	1,641,008	2,008,872	1,863,700
Non-current liabilities	**58,999**	20,301	25,058	233,604	273,868
Current liabilities	**1,512,899**	1,028,829	393,327	1,042,842	911,676
Total liabilities	**1,571,898**	1,049,130	418,385	1,276,446	1,185,544
Total equity and liabilities	**6,541,519**	3,852,938	2,059,393	3,285,318	3,049,244

Notes:

(1) The discontinued figures in FY2024 was from 1 June 2023 to 29 February 2024. The disposal of education business was completed on 1 March 2024, on which date control of education businesses passed to the acquirer, New Oriental Group.

(2) It includes the gain on disposal of education business in FY2024. The gain on disposal of education business, net income tax expense was RMB1.3 billion.

(3) Adjusted Profit for the year represents profit for the year less loss on fair value changes of financial assets at FVTPL and add share-based compensation expenses and loss on disposal of a financial asset at FVTPL (non-current) for the financial year.

(4) Adjusted EBITDA (or earnings before interest, taxes, depreciation, and amortisation) represents profit for the year plus income tax expenses, 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 private label products and livestreaming e-commerce 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 brand, "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 and viewer with a better, healthier, and high-quality life.

Since 2021, we have expanded our businesses in private label products and livestreaming e-commerce and established "East Buy", which has become a well-known online platform for selling top-quality and good value for money agricultural and other products. Not only does the platform offer an alternative channel for farmers and local companies to sell 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 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 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 contribute long-term value to the relevant upstream and downstream industry.

Being consistent with our Company's history, we continue to stand by a "customer-centric" long-term development strategy. Through innovative livestreaming activities and providing premium services, we provide our customers with a unique and entertaining shopping experience that involves the sharing of knowledge, wisdom and Chinese culture and history. We have an established team of talented livestreamers and have adopted a multi-channel strategy to reach a wider consumer base. We have set up various livestreaming channels, including 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) on Douyin (抖音), which focus on different product categories to continually create positive, unique and interesting content to attract and retain user viewership, while at the same time, promote traditional Chinese culture and share knowledge with consumers. During FY2024, we have adopted a multi-platform strategy and sold our private label products on various platforms, such as Taobao (淘寶), Mini program (微信小程序) and our own APP. Our Company has also established a membership system which has provided members with unique and exclusive membership services and offered members with lower prices on a limited selection of nationally-branded and private label products in a wide range of merchandise categories on our own APP since October 2023. The "East Buy" brand has become increasingly prominent in the industry, quickly becoming synonymous with "quality, accessibility, and lifestyle culture" in China, particularly as related to agricultural and other daily necessities products, and thereby, our brand is gaining millions of loyal viewers/followers and returning customers.

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

	FY2024	FY2023
Key operating data		
GMV (RMB) (billion)[1]	14.3	10.0
Number of followers on Douyin (million)[2]	65.0	41.8
Number of paid orders on Douyin (million)	181.1	136.3

Notes:

(1) Include the paid GMV from all sales channels such as Douyin, Taobao and our own APP, etc.

(2) Include the number of followers from Time with Yuhui (與輝同行) on Douyin.

On 21 November 2023, the Company disposed of its education business in providing online learning and extracurricular education services in China with a portfolio of well-recognised brands known for high-quality content, with a notable specialty in online language learning and test preparation (the "**Education Business**") (comprising college education and institutional customers) (the "**Disposal**"). Following the Disposal, we have no current plans to operate online education business services. Please see our announcements dated 21 November 2023 (in which we first announced the Disposal) and 18 January 2024 (on the poll results from the extraordinary general meeting held to consider the Disposal) and our circular dated 28 December 2023 (the "**Disposal Circular**") for more information. Accordingly, during the Reporting Period, our Education Business represented a smaller percentage of our overall Group business.

BUSINESS DEVELOPMENTS

Our financial performance

We finished the FY2024 with a strong growth in GMV and revenue, demonstrating resilience of our business model and the potential of our private label products and livestreaming e-commerce business. Total net revenues from both the continuing and discontinued operations increased by 56.8% from RMB4.5 billion for FY2023 to RMB7.1 billion for FY2024. The net revenue from private label products and livestreaming e-commerce segment increased by 68.1% from RMB3.9 billion for FY2023 to RMB6.5 billion for FY2024. The adjusted net profit from both the continuing and discontinued operations was RMB2.2 billion for FY2024 as compared to RMB1.1 billion for FY2023. The adjusted net profit from the continuing operations was RMB709.4 million as compared to RMB916.1 million for FY2023.

The Company have continued to adopt the multi-platform, multi-matrix strategy to expand its reach for a wider consumer base and increase brand awareness and influence. While continuing enriching the products and services in livestreaming channels, we also opened online shop channels in different platforms e.g. Tmall, JD.com, Pinduoduo, Xiaohongshu. The Company's multi-channel strategy has driven the rapid growth of the private label products. In terms of livestreaming channels, the GMV of the Douyin account of "East Buy Private Label" (東方甄選自營產品) has exceeded RMB100 million for several consecutive months. We will add more than 10 vertical accounts on Douyin, and will gradually launch more livestreaming channels in the upcoming years. In the field of shelf E-commerce, East Buy's stores on Tmall, JD.com, Pinduoduo, Xiaohongshu and other platforms have also achieved steady growth.

Our own APP has also become the core channel for our private label products. During the Reporting Period, the Company launched an APP with both livestreaming model and shelf model. Marketing activities such as membership discounts, launch of exclusive new APP products and member cashback rewards have increased user stickiness and customer loyalty. The GMV of some of East Buy's most popular private label products on the APP has accounted for more than 40% of their GMV of the entire network.

We have established and will continue to promote our membership system in the APP. With our increasing number of customers and increasing repurchase rate, our membership plan has effectively provided customers with more favorable products and more comprehensive membership services. Members can enjoy membership discounts or coupons during the year and earn loyalty points that can be used to offset cash payments.

East Buy has always been adhering to its initial brand philosophy which focuses on "health, high quality and good value for money" (健康、高品質、高性價比). While maintaining our consumer-centric approach, East Buy has focused on identifying unmet consumer needs, establishing a differentiated positioning in the market, building a strong brand recognition, expanding market reach and visibility and striving for upgrades and improving our products, and continually broadening our product category and creating popular products.

During FY2024, we have continued to launch a larger variety of private label products. Since the launch of our first private label products in April 2022, East Buy has developed and launched 488 SKUs in private label products within two years, thereby expanding our product lines across multi-category (FY2023: 120 SKUs). We have expanded our product categories from the initial category of fresh food and snacks to a more diversified product range. As a rising star in the new fast moving consumer goods ("**FMCG**") sector, East Buy has successfully launched several private label products which are highly competitive in the market, and has achieved excellent performance and results. To date, the Company offers more than 100 private label products which are the top three products on the Douyin Hot Product List (抖音品類爆款榜單). For example, our popular private label grilled sausage achieved accumulated sales of 200 million units across the network, the fresh prickly pears juice products were sold out within tens of seconds after such product went online, and 50,000 bottles of lutein gummy were sold out before the commencement of the livestreaming event. Recently, we have readily adjusted our strategy in response to market changes and emphasized the "high cost performance" of our private label products to attract more new users while establishing trust in our users. We are pleased that our private label products have become a major growth driver and contributed approximately 40% of total GMV for FY2024, as compared to 30% for FY2023.

Our control of the supply chain is not only reflected in the top-tier manufacturers and high standards, but also lies in the in-depth layout and strategic investment in the entire supply chain. We have continued to increase our investment in the supply chain on the factory side. At present, we have invested in a sausage factory and strengthened the control over upstream supply chain. In addition, in terms of upstream raw material layout for deep processed food, due to the significant impact of fluctuations on the prices of raw materials for primary agricultural products, we plan to directly cooperate with raw material manufacturers through strategic investment or centralized procurement to gain upstream raw material price advantages, and ensure safe and stable supply of raw materials for our private label products. Taking black pork as an example, we have jointly established a new supply chain company and established deep cooperation with the raw material manufacturer to achieve significant cost optimization of raw materials.

Based on our existing warehouse network layout in 8 regional warehouses plus multiple provincial level warehouses, we also further upgraded our storage capacity and expanded our warehouse network in FY2024. As a result, deliveries under normal temperatures cover over 99% of China and cold chain deliveries cover over 97% of China. For express deliveries, we continued to cooperate with top logistics companies such as S.F. Holding Co., Ltd. and JD Logistics, Inc. and started to launch the hourly delivery service in Beijing recently, with 27 pre distribution warehouses and a coverage rate of 92% within the Fifth Ring Road area. The Beijing membership coverage rate is 73.5%, and the average fulfillment time for real-time orders in Beijing is 44 minutes, with a user satisfaction rate of 96.3%.

With the continuous strengthening of the Company's supply chain management capabilities and a richer product portfolio, we are able to expand our cooperation with more e-commerce platforms and build our product portfolio according to the needs of target consumers of different channels. This would ensure that consumers are provided with consistently high-quality products, brand experience and services through different channels.

Further, we have built a more comprehensive organisational 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 2024, the total number of personnel in our private label products and livestreaming e-commerce team reached 1,883, of which 1,318 are full time employees and 565 are part time employees. We also have 830 personnel dedicated to our supply chain and product team, of which 565 are full time and 265 are part time.

As a result of the above strategic implementation, our GMV for FY2024 increased by 43% to RMB14.3 billion. While the GMV from Douyin represented a large majority of our GMV, our GMV from APP represented 8.4% of total GMV. The total number of paid orders from our third-party products and our private label products on Douyin for FY2024 has increased to 181.1 million, from 136.3 million for FY2023.

FUTURE OUTLOOK BEYOND THE REPORTING PERIOD

Disposal of the Education Business

As mentioned above, on 21 November 2023, the Company disposed all of its Education Business to its parent company, New Oriental. This Disposal has been completed and the Company has no present plans to operate online education business services following the Disposal. The Disposal is part of a broader business re-delineation of our parent group (of which we form part), to enable our parent company to focus on offline-merge-online education and to enable our Group to become a pure-play private label and livestreaming e-commerce operator. This will allow us to consolidate and concentrate our management and financial resources towards growing this business, which has already seen rapid growth and become the majority revenue generator for our Group.

Future plans for the private label products and livestreaming e-commerce business

Our 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.

Going forward, we will focus our efforts in the following key areas:

(a) Thorough research and analysis prior to product offering

The Company will conduct thorough and extensive research and analysis of our products before allowing any product launch and product offering to the market. In particular, for each private label product, we will conduct in-depth analysis of the current market and industry conditions, the market capacity, technology trends, upstream and downstream raw material supply and demand, etc. Such analysis includes considering the sales performance of product categories being developed, understanding the sales trend, identifying the stage of development of the product in the industry, assessing relevant consumer purchasing power, observing changes in the market share of the top competing products in recent years, and exploring potential new opportunities. Based on our market research and analysis, the Group is able to clearly define the optimal market positioning of our products, which includes specifying the target consumer groups, outlining product's unique features, and setting the appropriate price range, etc.

(b) Consumer-centric is the key

In the development of popular products, East Buy is unwavering in its commitment to product excellence. The Company firmly believes that the product itself must be of excellent quality and possesses distinctive product strengths. The focus is on highlighting the unique features and outstanding product capabilities of the products, which allow them to differentiate from other competitors, and addressing the needs and pain points of consumers. The selling point of the product is not derived from the functions of the product alone, but are centered on the benefits, user needs and experiences of the consumers. This enables consumers to understand the tangible value they can gain from purchasing the product. For example, our private label potato chips are differentiated from other potato chips in the market as we have emphasized the health-conscious attributes to the product. These potato chips are not oil fried, contains no trans fats, and are conveniently packaged in a small and individual 20-gram portions. These unique selling points directly address consumer concerns about health and convenience, providing clear benefits that resonate with the target consumer group. In essence, the Company's approach in developing its private label products is deeply rooted in its commitment to product quality and by prioritizing on customer-centric differentiation over generic product features, the Company is able to create product offerings which stand out in the market and deliver genuine value to its customers.

(c) High-quality product development and quality control assurance

We strictly control the quality of each product offered by East Buy. For products from third parties, we strictly review their ingredient lists, inspection reports, company qualifications, product flavors, and user evaluations. For private label products, the certificate reports and raw material acceptance standards for each raw material and auxiliary material are subject to strict quality control review, verification and inspection. For example, with our meat products, the Company is able to trace the supply chain back from upstream farms and slaughterhouses, and all relevant data and documents (such as livestock disease prevention permit, animal quarantine certificates, factory inspection reports, feed/vaccines/medication records, etc.) are in order. For vegetable products, the Company conducts batch-by-batch pesticide residues testing to guarantee food safety for consumers. During the production process of our private label products, the Company maintains strict control over all aspects of the production cycle, from raw material unpacking, picking to feeding are all strictly monitored. Only finished products that pass third party inspection are approved for sale. In addition, the quality control team conducts unscheduled and unannounced spot checks and commissions third parties to conduct on-site inspections to ensure the safety and quality of our private label products. Through the aforementioned comprehensive quality control measures, East Buy is able to provide its customers with the assurance of safe and high quality products. This unwavering commitment to quality control is a key driver in establishing East Buy as a trusted household brand.

(d) Our diversified channels promote our sustainable growth, as livestreaming, online shelf and offline mode go hand in hand

East Buy will develop a series of appropriate marketing strategies and events in the future to effectively expand our reach to new consumer groups and better meet their needs. In FY2025, we will start to promote our private label products offline and carry out an extensive offline strategic cooperation with New Oriental. Leveraging the advantages of New Oriental's multiple locations, wide distribution, large foot traffic, high customer stickiness, we believe our diversified and healthy private label products will be widely accepted by more new customers and families in China. By adding offline product promotion video advertising spaces and smart vending cabinets and other channels at the New Oriental offline locations, the exposure of our products and APP will be increased. We plan to do pilot trial in Beijing in the second half of 2024 and gradually radiate to offline locations across the country in future.

(e) Upgrade and improve the system management of our products

East Buy has always adhered to a consumer-centric approach, constantly focusing on enhancing user experience. Our various teams work closely together to continually upgrade and improve our products ensuring that our products better adapt to market changes and enhance product competitiveness.

After the product launch, our operation team will optimize the title and main photos of the product according to the user's search habits and preferences, and in order to increase the exposure and appeal of our product, our team will also launch promotional activities such as members' days and advertising campaigns. Our supply team actively monitors the level of inventory in real time to avoid any stock shortages or oversupply. We will also continue to optimize inventory structure and improve inventory turnover rate. In terms of logistics, the nationwide coverage of normal temperature and cold chain logistics services reaches over 99% and 97%, respectively, ensuring that our products can be delivered to each consumer as quickly and safely as possible. The after-sales team has established a comprehensive after-sales system to promptly collect and handle customer complaints in a timely manner, conduct in-depth analysis of each complaint, identify the cause of the problem and formulate improvement measures, so as to improve the overall quality of our services and product offerings. Our product development team constantly monitors and considers after-sales feedback, and timely changes the product content based on market dynamics and changes in consumer needs.

(f) Optimize underperforming products and improve product health

The Company will carry out timely assessment on private label products with dissatisfactory sales and low gross profit margin, so as to ensure that the performance of such products will gradually improve. Such assessment includes the determination of whether these products are facing certain issues, such as unclear positioning, insufficient marketing, and/or inadequate after-sales services.

Based on the above assessment, the Company will then make subsequent adjustments to these underperforming products. After performing the above comprehensive review and analysis of the products, the Company believes that it can identify optimization opportunities, revitalize the product and extend the lifecycle of our private label products. That said, if the upgrades and adjustments made to underperforming products are unable to enhance sales and profitability of these products, the Company is of the view that it is necessary to streamline these unprofitable product lines and reduce operating costs, and concurrently, the Company will also consider launching new products to replace the underperforming ones.

In the future, East Buy will deeply develop and invest in its own brands, continue to launch high-quality products to meet consumer needs, and strive to become a leading "product and technology company".

REVENUE

Our revenue from continuing operations and discontinued operations increased by 56.8% from RMB4.5 billion for FY2023 to RMB7.1 billion for FY2024. Our revenue from continuing operations, which are all from private label products and livestreaming e-commerce segment increased by 68.1% from RMB3.9 billion for FY2023 to RMB6.5 billion for FY2024.

Private label products and livestreaming e-commerce business

Revenue from our private label products and livestreaming e-commerce segment increased by 68.1% from RMB3.9 billion for FY2023 to RMB6.5 billion for FY2024. This substantial growth was largely attributable to the multi-platform strategy on Douyin, Taobao and our own APP, diversified products categories and SKUs as well as the membership day promotions which was launched since December 2023.

College education

Revenue from our college education segment was RMB523.8 million from 1 June 2023 to 29 February 2024, as compared to RMB590.8 million for FY2023. The student enrolments in the college education segment decreased from 581 thousand for FY2023 to 334 thousand for FY2024.

Institutional customers

Revenue from our institutional customers was RMB23.2 million from 1 June 2023 to 29 February 2024, as compared to RMB38.2 million in FY2023.

COST OF REVENUE, GROSS PROFIT AND GROSS MARGIN

Our total cost of revenue from continuing operations increased by 101.6% from RMB2.4 billion in FY2023 to RMB4.8 billion for FY2024, primarily due to the increase in cost of inventories and shipping cost for private label products as a result of substantial growth in our business.

Our gross profit from continuing operations increased by 14.1% from RMB1.5 billion for FY2023 to RMB1.7 billion for FY2024. Our gross profit margin from continuing operations decreased from 38.2% for FY2023 to 25.9% for FY2024, primarily due to the promotion from member day activities and change in products mix as we sold more agriculture products which normally were low margin products.

Private label products and livestreaming e-commerce business

Cost of revenue for our private label products and livestreaming e-commerce segment was RMB4.8 billion for FY2024, compared to RMB2.4 billion for FY2023. Segment gross profit for our private label products and livestreaming e-commerce was RMB1.7 billion for FY2024, compared to RMB1.5 billion for FY2023, and the gross profit margin decreased from 38.2% for FY2023 to 25.9% for FY2024.

College education

Cost of revenue for our college education segment decreased by 21.5% from RMB149.9 million for FY2023 to RMB117.6 million from 1 June 2023 to 29 February 2024, primarily due to the decrease in staff costs.

Segment gross profit for our college education business decreased by 7.9% from RMB440.9 million for FY2023 to RMB406.2 million from 1 June 2023 to 29 February 2024, and the segment profit margin increased from 74.6% for FY2023 to 77.5% from 1 June 2023 to 29 February 2024. This was primarily due to strong recovery in market demand and less low-price entry courses offering as a result of strong brand exposure.

Institutional customers

Cost of revenue for services to institutional customers decreased by 68.9% from RMB7.7 million for FY2023 to RMB2.4 million from 1 June 2023 to 29 February 2024, and the gross profit margin increased from 79.9% for FY2023 to 89.7% from 1 June 2023 to 29 February 2024.

OTHER INCOME, GAINS AND LOSSES

Our other income, gains and losses from continuing operations increased by 21.7% from RMB113.4 million for FY2023 to RMB138.1 million for FY2024, primarily due to the increase in interest income from bank deposits.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses from continuing operations increased by 174.5% from RMB315.5 million for FY2023 to RMB866.1 million for FY2024, primarily due to the increase in staff costs in private label products and livestreaming business.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses from continuing operations increased by 101.6% from RMB65.3 million for FY2023 to RMB131.6 million for FY2024, primarily due to an increase in staff costs.

ADMINISTRATIVE EXPENSES

Our administrative expenses from continuing operations increased by 173.7% from RMB144.5 million for FY2023 to RMB395.6 million for FY2024, primarily due to the increase in staff cost and share-based compensation expenses.

SHARE OF RESULTS OF ASSOCIATES

Our share of profit of associates increased from a loss of RMB12.8 million for FY2023 to a gain of RMB3.8 million for FY2024, primarily due to the turnaround from loss to profit in Beijing Shidai Yuntu Book Co., Ltd. (北京時代雲圖圖書有限責任公司) and the change in Beijing Edutainment World Education Technology Co., Ltd. (北京寓科未來智能科技有限公司) as it ceased to be an associate of the Group from 1 June 2023.

INCOME TAX EXPENSES

Our income tax expenses from continuing operations were RMB184.6 million for FY2024, compared to RMB257.3 million for FY2023, primarily due to the decreased profit from the private label and livestreaming e-commerce business during the Reporting Period.

NET PROFIT FOR THE YEAR

As a result of the above, our net profit from continuing operations and discontinued operations increased from RMB971.3 million for FY2023 to RMB1.7 billion for FY2024. Our net profit from continuing operations decreased from RMB799.2 million for FY2023 to RMB249.1 million for FY2024.

NON-IFRS MEASURES

To supplement our financial information presented in accordance with IFRS, we also use Adjusted Profit for the year and Adjusted EBITDA 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 does 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 and Adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has 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 for the year represents profit for the year less loss on fair value changes of financial assets at FVTPL and add share-based compensation expenses and loss on disposal of a financial asset at FVTPL (non-current) for the year. We define Adjusted EBITDA as profit for the year plus income tax expense, 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 year.

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

	FY2024 RMB'000 (unaudited)	FY2023 RMB'000 (unaudited)
Reconciliation of profit for the year to Adjusted Profit for the year:		
Net profit from continuing operations for the year	249,145	799,199
Less:		
Loss on fair value changes of financial assets at FVTPL	(43,271)	(14,380)
Add:		
Share-based compensation expenses	416,955	102,528
Loss on disposal of a financial asset at FVTPL (non-current)	23	–
Adjusted Profit from continuing operations for the year	709,394	916,107

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

	FY2024 RMB'000 (unaudited)	FY2023 RMB'000 (unaudited)
Reconciliation of net profit from continuing operations for the year to Adjusted EBITDA		
Net profit	249,145	799,199
Add:		
Income tax expense	184,580	257,270
Share-based compensation expenses	416,955	102,528
Finance costs	2,159	1,462
Impairment losses recognised under expected credit loss model, net of reversal	4,713	750
Depreciation of property and equipment	20,328	16,699
Depreciation of right-of-use assets	33,957	16,285
Less:		
Other income, gains and losses	138,077	113,417
Adjusted EBITDA from continuing operations for the year	773,760	1,080,776

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 2020 Subscription. We had cash and cash equivalents of RMB2.3 billion as at 31 May 2024 compared to RMB1.2 billion as at 31 May 2023. We had term deposits of RMB1.1 billion as at 31 May 2024, compared to RMB796.9 million as at 31 May 2023. We also had financial assets (current) at FVTPL of RMB1.3 billion as at 31 May 2024, compared to RMB1.0 billion as at 31 May 2023. Thus, total monetary capital was RMB4.6 billion as at 31 May 2024. 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 2020 Subscription.

As at the end of FY2024, our gearing ratio was 24.0%, compared with 27.2% at the end of FY2023, calculated as total liabilities divided by total assets.

Cash flow

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

	FY2024 RMB'000	FY2023 RMB'000
Net cash from operating activities	**856,088**	1,264,430
Net cash from (used in) investing activities	**202,753**	(737,546)
Net cash (used in) from financing activities	**(14,768)**	55,644
Net increase in cash and cash equivalents	**1,044,073**	582,528
Cash and cash equivalents at the beginning of the financial year	**1,165,137**	547,445
Effect of exchange rate changes	**53,254**	35,164
Cash and cash equivalents at the end of the financial year	**2,262,464**	1,165,137

Net cash from operating activities

Our 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 FY2024 was RMB856.1 million. The difference between cash generated from operating activities before tax and interest of RMB992.7 million and the profit before tax of RMB2.0 billion was mainly due to: (i) a RMB1.48 billion of gain on disposal of Education Business; (ii) a RMB281.4 million increase in inventories and a RMB125.9 million increase in trade and other receivables due to the fast development of private label products; and (iii) excluding the effect of share based compensation expenses of RMB417.9 million.

Net cash from investing activities

Our net cash from investing activities in FY2024 was approximately RMB202.8 million, primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB3.0 billion, withdrawal of term deposits of RMB1.8 billion and net cash inflow on disposal of Education Business of RMB849.5 million, which was partially offset by purchases of financial assets at fair value through profit or loss of RMB3.2 billion and placement of term deposits of RMB2.1 billion.

Net cash used in financing activities

Our net cash used in financing activities in FY2024 was approximately RMB14.8 million, primarily attributable to repayments of lease liabilities of RMB43.1 million.

Capital expenditure

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

	FY2024 **RMB'000**	FY2023 RMB'000
Purchase of property and equipment	**35,858**	12,827

Our capital expenditures were primarily for purchases of property and equipment in FY2023 and FY2024, respectively. Our purchases of property and equipment were RMB12.8 million for FY2023 and and RMB35.9 million for FY2024, respectively.

Off-balance sheet commitments and arrangements

As at 31 May 2024, we had not entered into any off-balance sheet transactions.

Future plans for material investments and capital assets

As at 31 May 2024, we did not have any other foreseeable plans for material investments and capital assets.

Material acquisitions and/or disposals of subsidiaries and affiliated companies

Save as disclosed above, 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 2024, we had 1,318 full-time employees and 565 part-time employees (31 May 2023: 1,479 full-time employees and 486 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. In FY2024, the total number of employees decreased mainly due to the disposal of the Education Business.

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, including share-based compensation expense incurred by the Group for FY2024 was RMB1.4 billion, representing a year-on-year increase of 94.1% from RMB735.9 million for FY2023.

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 borrowings. 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 share subscriptions to fund our operations and expansion, therefore, we do not plan to incur any borrowing in the 12 months from the date of this report.

Pledge of assets

As at 31 May 2024, none of our Group's assets were pledged.

Contingent liabilities

As at 31 May 2024, we did not have any material contingent liabilities.

Property and equipment

Movements in our Group's property and equipment during FY2024 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 as at 31 May, 2024.

Reserves

As at the end of FY2024, 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

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

Name	Age	Position	Date of appointment
YU Minhong (俞敏洪)	61	Executive Director, *Chairman*[(1)], *Chief executive officer*	16 December 2023
YIN Qiang (尹強)	50	Executive Director, *Chief financial officer*	23 May 2018
SUN Chang (孫暢)	56	Non-executive Director	7 February 2018
TONG Sui Bau (董瑞豹)	53	Independent non-executive Director	15 March 2019
KWONG Wai Sun Wilson (鄺偉信)	58	Independent non-executive Director	15 March 2019
LIN Zheying (林哲瑩)	59	Independent non-executive Director	20 January 2020

Note:

(1) since 23 May 2018

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

Executive Directors

YU Minhong (俞敏洪) ("Mr. Yu")

Mr. Yu, aged 61, is an executive Director, our Company's chief executive officer, 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).

YIN Qiang (尹強) ("Mr. Yin")

Mr. Yin, aged 50, 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 (On 1 March 2024, the transfer of Xi'an Ruiying to New Oriental Group as part of the Education Disposal was completed), 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 Director

SUN Chang (孫暢) ("Ms. Sun")

Ms. Sun, aged 56, 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 53, 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 58, 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 (林哲瑩) ("Mr. Lin")

Mr. Lin, aged 59, 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, and a chairman of the board of Aerospace Times Feipeng Co., Ltd. since December 2020. 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 (as amended from time to time), 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 FY2024 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. Yu is our Company's chief executive officer and Mr. Yin is our Company's chief financial officer. Mr. Yu and Mr. Yin are also our executive Directors. See "– Executive Directors" 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 that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the last published interim report.

Our Board is pleased to present this Directors' report together with our Group's consolidated financial statements for FY2024.

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 online platform for selling top-quality and good value for money agricultural and other products. We have positioned ourselves as a private label products and livestreaming e-commerce 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 brand, "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 and viewer with a better, healthier, and high-quality life.

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 FY2024 and the date of this report are set out in "Events after the Reporting Period."

FINANCIAL RESULTS AND SUMMARY

Our Group's results for FY2024 are set out in the "Consolidated statement of profit or loss and other comprehensive income" at pages 148 to 149.

A summary of our Group's consolidated financial positions is set out at pages 150 to 151.

OUR MAJOR CUSTOMERS AND SUPPLIERS

During FY2024: (a) our Group's five largest customers accounted for approximately 0.36% of our total revenues, while the largest customer accounted for approximately 0.15% of our total revenues; and (b) our Group's top five suppliers accounted for approximately 17.96% of our total purchase amounts, while the largest supplier accounted for approximately 5.12% 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 FY2024 and up to the date of this annual report.

NET PROCEEDS FROM THE SHARE SUBSCRIPTION

2020 Subscription

The 2020 Subscription was completed on 24 December 2020 and raised approximately HK$1.783 billion in net proceeds. Subsequent to the 2020 Subscription, our Group had used the net proceeds from the 2020 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 to 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 FY2024 are summarised as follows:

HK$ million[1]	Unutilised amount as at 1 June 2023	**Utilised during FY2024**	Remaining amount
Sales and marketing	254.8	**4.4**	250.4
Technology infrastructure	3.9	**–**	3.9
Teachers and other business related staff	216.5	**110.9**	105.6
Working capital	202.6	**34.6**	168.0
Total	677.8	**149.9**	527.9

Notes:

(1) The amounts "utilised during FY2024" are based on the exchange rate of HK$1.09978: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 FY2024 are set out in Note 28 to the consolidated financial statements.

On 3 November 2023, our Shareholders granted to our Directors a general mandate to repurchase up to 10% of our then-total number of issued Shares. During FY2024, 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 (including sale of treasury shares) during FY2024. As of the end of FY2024, no treasury shares were held by the Company.

Debentures issued

Our Group did not issue any debentures during FY2024.

Equity-linked agreements

Except as disclosed in this annual report, no equity-linked agreement was entered into by our Group, or existed during FY2024.

Final dividends

Our Board does not recommend the distribution of a final dividend for FY2024 (FY2023: 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 FY2024.

DIRECTORS AND THEIR SERVICE CONTRACTS AND APPOINTMENT LETTERS

Directors and senior management

A list of Directors and senior managers and their biographical details are set out in "Directors and senior management" above.

The interests and short positions as at the end of FY2024 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 Director 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 FY2024 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

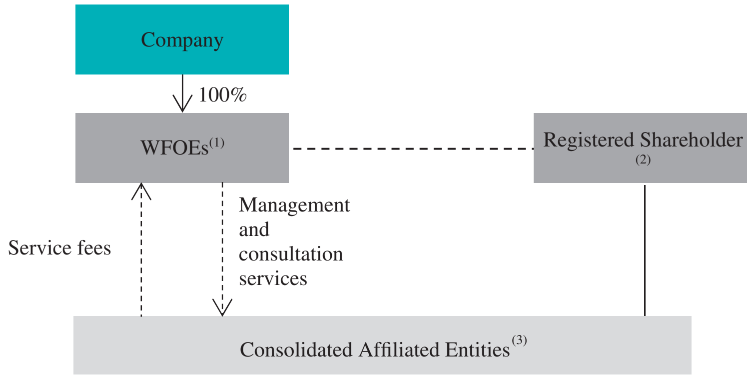
Overview

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.

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 RMB7,072,564 thousand (accounting for approximately 100% of the revenue of our Group over the Reporting Period), compared with RMB4,509,849 thousand in FY2023 (accounting for approximately 100% of the revenue of our Group in FY2023).

During FY2024, 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 and Hainan Haiyue (collectively, the WFOEs). On 1 March 2024, the transfer of Xi'an Ruiying (a WFOE prior to the Disposal) to New Oriental Group as part of the Education Disposal was completed.

(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.

(h) *Fourth Supplemental Agreement*

Dexin Dofang, Zhuhai Chongsheng, Xi'an Ruiying, Hainan Haiyue, Wuhan Dongfang, Beijing Xuncheng and its subsidiaries and New Oriental China entered into a fourth supplemental agreement on 7 March 2024, pursuant to which, from the dates on which the equity interests of Kuxue Huisi and Xi'an Ruiying were transferred to New Oriental China, and the date on which Wuhang Dongfang deregisters, each of Kuxue Huisi, Xi'an Ruiying and Wuhan Dongfang will 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, the second supplemental agreement and third supplemental agreement; and other parties to the contractual agreements, the supplemental agreement, the second supplemental agreement and third supplemental agreement shall continue to performance such agreements.

Reasons for our Contractual Arrangements

We operate online and mobile 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;

(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 FY2024:

2023 EDU Framework Agreement

On 25 August 2023, 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 2023 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 2023 EDU Framework Agreement is for a period from 25 August 2023 to 31 May 2024, and the terms of which were entered into on normal commercial terms. Further details of the 2023 EDU Framework Agreement are set out in the announcement of the Company dated 25 August 2023.

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 FY2024 were:

No.	Transaction	Annual cap for FY2024 (RMB million)	Annual transaction amount for FY2024 (RMB million)
1.	Advertising, marketing and promotional services		
	– received by our Group from the New Oriental Group	12.05	0.80
	– provided by our Group to the New Oriental Group	52.42	27.68
2.	Sub-licensing of TPO examination materials from our Group to the New Oriental Group	4.59	4.16
3.	Procurement of goods by our Group from the New Oriental Group	26.82	3.25
4.	Provision of goods from our Group to the New Oriental Group	47.57	37.24
5.	Online and offline educational resources		
	– received by our Group from the New Oriental Group	10.50	0.02
	– provided by our Group to the New Oriental Group	2.54	0.00

Reference is made to the announcement of the Company dated 23 August 2023 in relation to the renewal of continuing connected transactions (the "**August Announcement**"). Unless otherwise defined herein, capitalised term shall have the same meaning as set out in the August Announcement. In addition to the respective pricing policy for the promotional services and the provision of goods as set out in the August Announcement, pursuant to the EDU Framework Agreement,

- the transaction fees payable by the Group for the promotional services shall be agreed by both parties based market comparable rates, with reference to the price quotations that the Group obtained from at least one independent third party suppliers for comparable services; and

- the transaction fees receivable by the Group for provision of goods are based on the costs of acquisition/production, fees charged to third-party customers or fees charged for similar or comparable materials by third-party suppliers (if possible), depending on the product categories. For certain products, the transaction fees are based on market prices, the Group has a standard price list for the prices charged to third-party customers for certain product categories and the prices for these products will be set with reference to the said standard price. Where there are no such standard prices, the Group will from time to time review the prices for these products by comparing them against market prices chargeable by independent third party suppliers. Where there is no relevant market price, the transaction fees will be based on costs of acquisition/production plus an appropriate margin which would be determined with reference to, among others, the inflation rate and margin of similar goods charged to third party customers, and in any event would not be less favourable to the Group than that applied to similar transactions with independent third parties.

Tigerstep Framework Agreement

On 25 August 2023, 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 2023 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 2023 Tigerstep Framework Agreement is for a period from 25 August 2023 to 31 May 2026, and the terms of which were entered into on normal commercial terms. Further details of the 2023 Tigerstep Framework Agreement are set out in the announcement of the Company dated 25 August 2023.

The annual cap and actual transaction amounts for the above non-exempted continuing connected transaction for FY2024 were:

No.	Transaction	Annual cap for FY2024 (RMB million)	Annual transaction amount for FY2024 (RMB million)
1.	Property leasing from Tigerstep (and its subsidiaries) to our Group (more than one year in duration)	1.00	0.00
2.	Property leasing (less than one year in duration) and property management services from Tigerstep (and its subsidiaries) to our Group	1.00	0.17

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 FY2024 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 FY2024;

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 FY2024, 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 FY2024.

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 FY2024.

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 FY2024.

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 FY2024.

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 FY2024.

EVENTS AFTER THE REPORTING PERIOD

On 25 July 2024, the Company announced that Mr. Dong Yuhui ("**Mr. Dong**") tendered his resignation and departed from the Group as an employee and a member of senior management of Time with Yuhui (Beijing) Technology Ltd (與輝同行(北京)科技有限公司, the "**Target Company**"), a subsidiary of Beijing Xuncheng after amicable discussions between the Group and Mr. Dong. Mr. Yu, the chief executive officer of the Company, obtained the approval from the Board and the Remuneration Committee to distribute the undistributed profits from the Target Company to Mr. Dong to reward Mr. Dong's significant contribution to the success of the Target Company. As reflected in the report of the valuation of the market value of the equity interests of the Target Company as of 30 June 2024 prepared by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, and the announcement of the Company dated 25 July 2024 (the "**Disposal Announcement**"), the unaudited net profit of the Target Company amounted to approximately RMB141 million (reflected in the valuation report as "other payables"), and out of such amount, approximately RMB129 million can be distributed to Mr. Dong. The difference of approximately RMB12 million is required to be retained at the Target Company in accordance with applicable PRC laws. For details, please refer to the Disposal Announcement.

On even date, Beijing Xuncheng entered into a disposal agreement with Mr. Dong and the Target Company (the "**Time with Yuhui Disposal**"), pursuant to which Beijing Xuncheng's 100% equity interest in the Target Company was transferred to Mr. Dong at a consideration of RMB76,585 thousand. As at the Latest Practicable Date, the Target Company has ceased to be a consolidated affiliated company of the Group. There are no other side arrangements, agreements, understanding or undertakings among the Company, Mr. Yu and Mr. Dong regarding the Time with Yuhui Disposal. For further details of the Time with Yuhui Disposal, please refer to the Disposal Announcement.

Save as disclosed in this report, no significant events affecting our Company have occurred since the end of the Reporting Period to the date of this report.

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, 1 November 2024. The register of members of our Company will be closed from Tuesday, 29 October 2024 to Friday, 1 November 2024 (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, 28 October 2024.

By the order of our Board
YU Minhong
Chairman

Hong Kong
23 August 2024

DISCLOSURE OF INTERESTS

Directors and Chief Executives

As at the end of FY2024, the interests and short positions of our Directors and chief executives (being those as at the end of FY2024) 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. Yu[2]	Beneficial owner		24,195,285	2.35%
	Interest in a controlled corporation	Tigerstep	28,682,832	2.78%
Ms. Sun[3]	Beneficial owner		30,000	0.00%
	Interest in a controlled corporation	First Bravo	151,000	0.01%
Mr. Yin[4]	Beneficial owner		4,700,000	0.46%

Notes:

(1) The percentages are calculated based on our Company's total number of issued shares, being 1,031,251,556 Shares, as at 31 May 2024.

(2) 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) 1,005,000 underlying Shares for the share awards granted but not yet vested to Mr. Yu under the 2023 Scheme, (iii) 28,682,832 Shares held through Tigerstep; and (iv) 495,000 Shares held by Mr. Yu. Tigerstep is wholly owned by Mr. Yu. Through a trust arrangement, Mr. Yu, together with his family, holds beneficial interest in Tigerstep.

(3) These interests comprise: (i) 30,000 underlying Shares for the share awards granted to Ms. Sun under the 2023 Scheme and (ii) 151,000 Shares held through First Bravo. 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.

(4) 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; (ii) 360,000 underlying Shares for the share awards granted but not yet vested to Mr. Yin under the 2023 Scheme; and (iii) 240,000 Shares held by Mr. Yin.

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	199,072,160	11.6%

Note:

(1) According to the best knowledge of our Directors, this interest represents: (i) 165,235,000 common shares held by Tigerstep, a company wholly-owned by Mr. Yu, and (ii) 3,383,716 ADSs, which consist of 3,315,054 ADSs held by Tigerstep and 68,662 ADSs held by Mr. Yu. The percentage is calculated based on New Oriental's total number of issued shares as at 31 May 2024. 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	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.

(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 holds 99% equity interest in Century Friendship, which in turn, holds the entire equity interests in New Oriental China. Under the SFO, Mr. Yu is deemed to be interested in all of New Oriental China's interests in New Venture

Substantial shareholders

As at the end of FY2024, 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	589,585,500	57.17%

Note:

(1) The percentages are calculated based on our Company's total number of issued shares, being 1,031,251,556 Shares, as at 31 May 2024.

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.

30,000 new Shares, representing approximately 0.00% 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 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, 2023, options to subscribe for an aggregate of 27,084,385 underlying Shares remained outstanding. During the Reporting Period, 1,143,500 options under the Pre-IPO Scheme had been exercised and no options had been cancelled or lapsed. As at 31 May 2024 and the Latest Practicable Date, options to subscribe for an aggregate of 25,940,885 underlying Shares and 25,940,885 underlying Shares (representing approximately 2.52% 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 seven 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 2023	Exercised during FY2024	Cancelled during FY2024	Lapsed during FY2024	Outstanding as at end of FY2024	Weighted average closing price of Shares immediately before the date of exercise during FY2024 (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[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	4,139,000	Nil	Nil	Nil	4,139,000	Nil
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[2]	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	4,150,100	1,143,500	Nil	Nil	3,006,600	25.57
Total					27,084,385	1,143,500	Nil	Nil	25,940,885	

Notes:

(1) Mr. Sun resigned from our Board on 22 December 2023 and continues to be a connected person of the Company (as a former Director who was on the Board within the past 12 months).

(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 Pre-IPO Scheme are set out in Note 30 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 2023, an aggregate of 40,462,810 options remain outstanding under the 2019 Scheme. During the Reporting Period, 3,942,676 options under the 2019 Scheme had been exercised, 1,519,999 options had been cancelled, 516,189 options had lapsed. As at 31 May 2024 and the Latest Practicable Date, an aggregate of 34,483,946 options and 34,228,269 options (representing approximately 3.32% of our total issued share capital as of the Latest Practicable Date) remain outstanding under the 2019 Scheme, respectively.

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 30 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:

						Number of options					
Name or category of grantee	Role	Date of grant	Vesting period	Exercise Period	Exercise price (HK$)	Outstanding as at 1 June 2023	Exercised during FY2024	Cancelled during FY2024	Lapsed during FY2024	Outstanding as at end of FY2024	Weighted average closing price of Shares immediately before the date of exercise during FY2024 (HK$)
Mr. Yu[1]	Executive Director, chief executive officer 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	6,000,000	Nil
Mr. Yin	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	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Mr. Sun[2]		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	4,500,000	Nil	Nil	Nil	4,500,000	Nil
Other grantees in category											
Employee participants[3]		15 November 2021			5.22	27,962,810	3,942,676	1,519,999	516,189	21,983,946	27.04
Total						40,462,810	3,942,676	1,519,999	516,189	34,483,946	

Notes:

(1) Mr. Yu has been redesignated as an executive Director on 16 December 2023.

(2) Mr. Sun resigned as Director on 22 December 2023.

(3) 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 30 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**").

As at 1 June 2023, 101,351,871 new Shares were available for issue under the Scheme Mandate. During the Reporting Period, 12,298,670 new Shares were issued. Therefore, as at 31 May 2024, 89,053,201 and 2,027,037 new Shares were available for issue under the Scheme Mandate and the Service Provider Sublimit, respectively. As at the Latest Practicable Date, 89,053,201 new Shares (representing 8.63% of our total issued share capital as of the Latest Practicable Date) were available for issue under the Scheme Mandate.

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. As at 1 June 2023, 70,976,871 Shares were available for grant under the 2023 Scheme. During the Reporting Period, 30,000 Shares underlying awards were granted under the 2023 Scheme, no share awards had been cancelled and 399,000 share awards had lapsed. It follows that, as at 31 May 2024, there were 71,406,871 Shares available for grant 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 nine 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$)	Unvested as at 1 June 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at end of FY2024	Closing price of the Shares immediately before the date of grant during the Reporting Period (HK$)	Fair value[1] of the share awards at the date of grant during the Reporting Period (HK$)	Weighted average closing price of Shares immediately before the date of vesting during the period (HK$)	Performance targets of the share awards granted during the period
Mr. Yu[2]	Executive Director, chief executive officer 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	1,500,000	Nil	495,000	Nil	Nil	1,005,000	Nil	Nil	16.34	Nil
Mr. Yin	Executive Director	11 April 2023	A total vesting period of 3 years from the date of grant[3]		Nil	600,000	Nil	240,000	Nil	Nil	360,000	Nil	Nil	16.34	Nil
Ms. Sun	Non-executive Director	28 November 2023	One-third of the share awards shall vest on each anniversary of the date of grant		Nil	Nil	30,000	Nil	Nil	Nil	30,000	30.65	30.25	Nil	See note 4
Mr. Sun[5]		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		Nil	3,000,000	Nil	990,000	Nil	Nil	2,010,000	Nil	Nil	16.34	Nil
Other grantees in category															
Employee Participants[6]		11 April 2023	A total vesting period of 3 years from the date of grant[4]		Nil	25,214,000	Nil	10,573,670	Nil	399,000	14,241,330	Nil	Nil	16.34	Nil
Total						30,314,000	30,000	12,298,670	Nil	399,000	17,646,330				

Notes:

(1) 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 30 to the consolidated financial statements.

(2) Mr. Yu has been redesignated as an executive Director on 16 December 2023.

(3) 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.

(4) upon each vesting date, the portion of share awards eligible to vest will actually vest if Ms. Sun actively engages in the work of the Board, provides valuable input and advice, and ensures the effective and efficient functioning of the Board during the one year period prior to the vesting date. The scheme administrator may determine whether eligible but not actually vested share awards may vest based on factors including the overall financial position and operating conditions of the Group on each vesting date.

(5) Mr. Sun resigned as Director on 22 December 2023.

(6) 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 30 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 except for the following deviation:

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of the Chairman of the Board and the chief executive should be segregated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not have separate Chairman of the Board and chief executive officer, and Mr. Yu Minhong, our executive Director, currently performs these two roles (since his redesignation as an executive Director and appointment as chief executive officer on 16 December 2023). Details are set out in section headed "Chairman and Chief Executive".

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 C3 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 FY2024.

OUR BOARD

As at the Latest Practicable Date, our Board consists of six Directors, comprising two executive Directors, one non-executive Director 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 21 to 24 for the biographical information of our Directors.

During FY2024, 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.

Chairman and Chief Executive

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company does not have separate Chairman of the Board and chief executive officer, and Mr. Yu Minhong, our executive Director, currently performs these two roles (since his redesignation as an executive Director and appointment as chief executive officer on 16 December 2023). The Board believes that vesting the roles of both Chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

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.

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 Association, 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 FY2024, each of our Directors, namely Mr. Yu, Mr. Yin, Ms. Sun, Mr. Lin, Mr. Tong and 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 FY2024 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. Yu	7/7	–	–	1/1	2/3
Mr. Yin	7/7	–	–	–	3/3
Mr. Sun Dongxu ("**Mr. Sun**") *(resigned on 22 December 2023)*	5/7	–	–	–	2/3
Ms. Sun	7/7	–	2/2	–	2/3
Mr. Lin	7/7	3/3	2/2	1/1	3/3
Mr. Tong	7/7	3/3	2/2	1/1	3/3
Mr. Kwong	7/7	3/3	–	–	3/3

The Board meets 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 FY2024.

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 chairperson), Mr. Kwong and Mr. Lin.

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 FY2024:

(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 2023;

(c) reviewing the annual results of our Group for the year ended 31 May 2023;

(d) reviewed the interim results of our Group for the six months ended 30 November 2023;

(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 2023.

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 chairperson), 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 FY2024, the Remuneration Committee reviewed and made recommendations on the remuneration packages of our Directors and our Company's senior managers. Further, 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 FY2024:

Annual remuneration	Number of individuals
Nil to HK$10,000,000	Nil
HK$10,000,001 to HK$20,000,000	1
HK$20,000,001 to HK$30,000,000	1

Further details of the remuneration for FY2024 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 one executive Director and two independent non-executive Directors, namely, Mr. Yu (committee chairperson), 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 FY2024:

(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 64 to 65.

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 63.

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 FY2024.

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 FY2024, 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 FY2024, 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 FY2024. 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 144 to 147.

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**"), 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 diverse 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 FY2024, the Board comprises six 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 2024, the gender diversity of the Group was approximately 58.1%, representing 1,094 females out of 1,883 employees (including senior management). Further details of workforce diversity of the Group are set out in the "Environmental, Social and Governance Report" at page 70. 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 FY2024. 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 144 to 147.

We set out below details of fees paid or payable to Deloitte for Deloitte providing audit and non-audit services to us during FY2024:

Services provided by Deloitte	Fees paid or payable (RMB '000)
Audit services	3,980
Interim review services	1,200
Non-audit services	339
Total	5,519

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 FY2024, 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 enquiries 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@eastbuy.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.

During FY2024 and up to the date of this annual report, 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**", "**we**", "**us**", or "**our**" or "**East Buy**"). This report has the same reporting scope as the 2024 annual report of the Company.

Reporting period:

This report is released annually, covering the period from 1 June 2023 to 31 May 2024. 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 C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and with reference to 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 of directors of the Company (the "**Board**"). The stakeholder communication and the process of 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 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: Unless otherwise specified, the statistical methods and standards of data disclosed in this report are consistent. Changes in statistical methods have been explained in the explanatory notes.

Description of Information:

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

Form of publication:

This report is published in electronic form and prepared in both Traditional Chinese and English. The electronic version is available on the website of Hong Kong Stock Exchange at www.hkexnews.hk.

ESG MANAGEMENT

Statement of the Board on ESG

In compliance with the requirements of the "Environmental, Social and Governance Reporting Guide" of the Hong Kong Stock Exchange, the Company attaches great importance to environmental, social and governance ("**ESG**") related work by continuously promoting the construction of the ESG system, striving to deeply integrate ESG into the Company's major decision-making and business practices, and strengthening the supervision and participation of the Board in ESG matters.

The Board has supreme authority over ESG-related matters of the Company and assumes full responsibility for the Company's ESG strategy, reporting and supervision. During the reporting period, the Board conducted the ESG risk identification, assessed ESG-related risks and opportunities; reviewed important ESG issues on a regular basis to ensure their effectiveness and established an internal control system; and set ESG targets, regularly reviewed the governance policy of ESG, strategy formulation, achievement of objectives as well as ESG performance. The Board organizes regular training for Board members to enhance each director's understanding of the responsibilities and obligations related to sustainable development, in order to urge the Board to better fulfil the sustainability responsibilities.

This report discloses in detail the progress of ESG work of the Company for FY2024 and has been reviewed and approved by the Board.

ESG Management System

East Buy regards ESG as an important driving force for the sustainable development of the Company, and integrates ESG management into corporate management and decision-making. It continuously optimizes the governance structure, and has established a three-level ESG governance structure of "Board of Directors – Management – Executive Level".

The Board, as the highest level of decision-making body for ESG matters, is responsible for managing and assuming ESG risks. Under the authorization of the Board, the Investor Relations Department promotes the ESG work of the Company, and is responsible for cross-departmental coordination, information integration and capacity building to facilitate the effective implementation of ESG work. The Company has established an ESG report working group led by our Investor Relations Department, members of which include the senior management and the person-in-charge of ESG in each department. The group is responsible for performing and facilitating specific ESG works, including organizing annual ESG kick-off meetings and related training sessions, interviews with person-in-charge of each department, updating ESG indicators, collecting information from all departments to form ESG reports, and reporting to the Board on a regular basis. Currently, all 28 departments of the Company have been involved in ESG-related work.

For more details of the Company's corporate governance, please refer to the Corporate Governance Report of the 2024 Annual Report of the Company.

ESG Governance Structure

Board	Responsible for formulating ESG policies and guidelines, identifying ESG risks and opportunities, considering decision-making and management of ESG-related matters, reviewing ESG reports, and supervising the implementation of ESG-related matters.
Management	Responsible for reviewing issues proposed by the ESG working group, coordinating with various departments to provide relevant information and reporting to the Board.
Executive staff	Form an ESG working group from various departments, and each department has a person in charge of ESG reporting to participate in daily training and learning and to communicate and coordinate the provision of departmental information according to the actual situation of daily operations.

Stakeholder Communication

The Company actively builds an effective communication mechanism and establishes diversified communication channels to maintain close communication with stakeholders through the official website, Weibo, hotlines, emails and meetings. We gather information relating to the expectations and demands of all parties, respond to their opinions in a timely and effective manner, and take these factors into account in the Company's decision-making process to enhance the Company's ESG performance in a targeted manner.

Stakeholders	Expectations and demands	Communication channels
Government/ regulatory authorities	• Operating in 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	• Corporate governance • Corporate development strategies • Risk control • Protecting Investors' Interests • Long-term development • The Company's products and services	• Regular report and information disclosure • Investor meeting • Results press conference • Results roadshow • Official website • Teleconference

Stakeholders	Expectations and demands	Communication channels
Customers	• Customer privacy protection • Data security • Quality products and services • Protection of customers' rights • Customer satisfaction	• Daily service communication • Customer satisfaction survey • Official website • Customer service hotline and platform • Own APP platform
Suppliers and business partners	• Fair and open procurement • 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 to climate change	• Green office • Environmental information disclosure • Environmental promotion event

Analysis of material issues

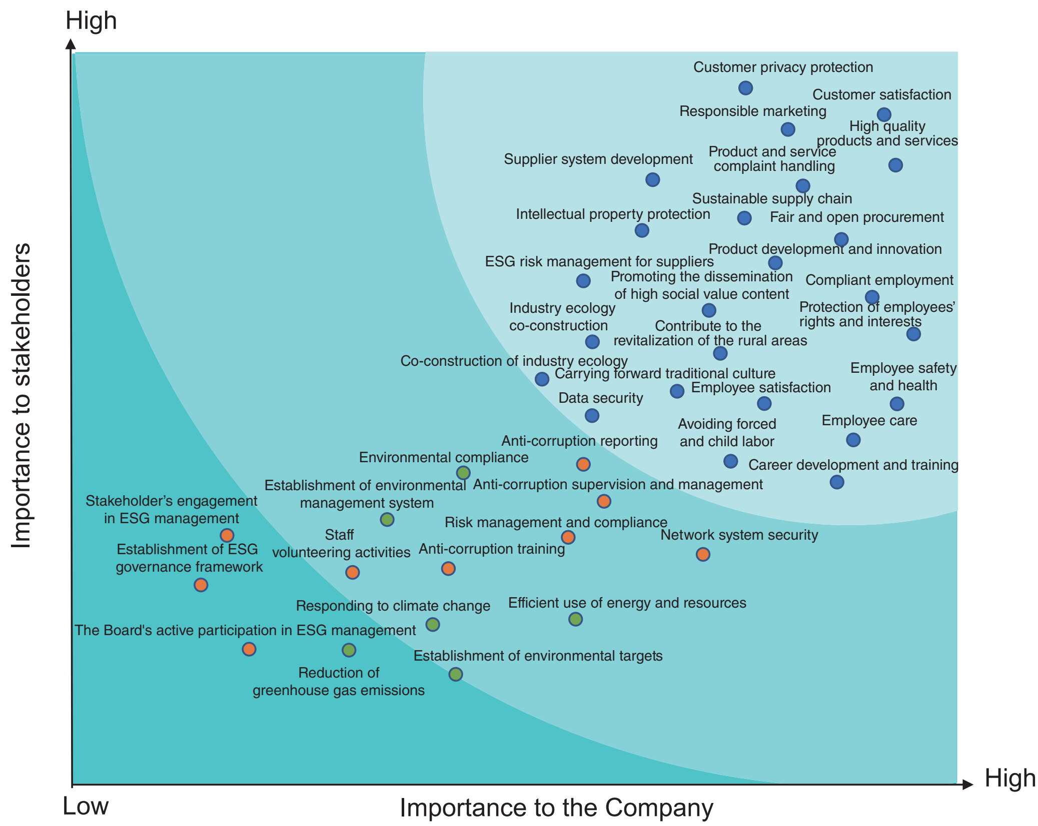
The Company has established the basic process of ESG issue materiality analysis to carry out materiality issue analysis through three steps of issue identification, issue assessment and issue reporting. By identifying the key issues that have a significant impact on its sustainable development and are of general concern to its stakeholders, the Company has developed a material issues matrix. Based on the results of the materiality issue analysis, the Company could identify issues related to risks and opportunities, and formulate management and disclosure strategies to effectively respond to stakeholder's expectations.

In FY2024, the Company ultimately chose 38 issues that would best contribute to the Company's achievement of its ESG objectives, and collected and systematically collated information from across the Company in a targeted manner to form a report for public disclosure.

- *Issues identification*
  In FY2024, based on industry characteristics and the Company's business focus, and with reference to domestic and international sustainable development standards, we have identified 38 ESG-related issues as the basis for the Company's materiality issue assessment.

- *Issue assessment*
  The Company gains an in-depth understanding of stakeholders' concerns about the Company's ESG matters through communication interviews and questionnaire surveys. A total of 173 valid questionnaires were collected during the financial year.

- *Issue reporting*
  Based on the statistical analysis of the questionnaire feedback, the sustainable development issues have been prioritized. A matrix of material issues has been created with the importance to Company on the horizontal axis and importance to stakeholders on the vertical axis. The matrix of material issues, along with the opinions of the Board, has been finalized.



1. STABLE OPERATION AND ADHERENCE TO COMPLIANT BOTTOM LINE

1.1 Upholding business ethics

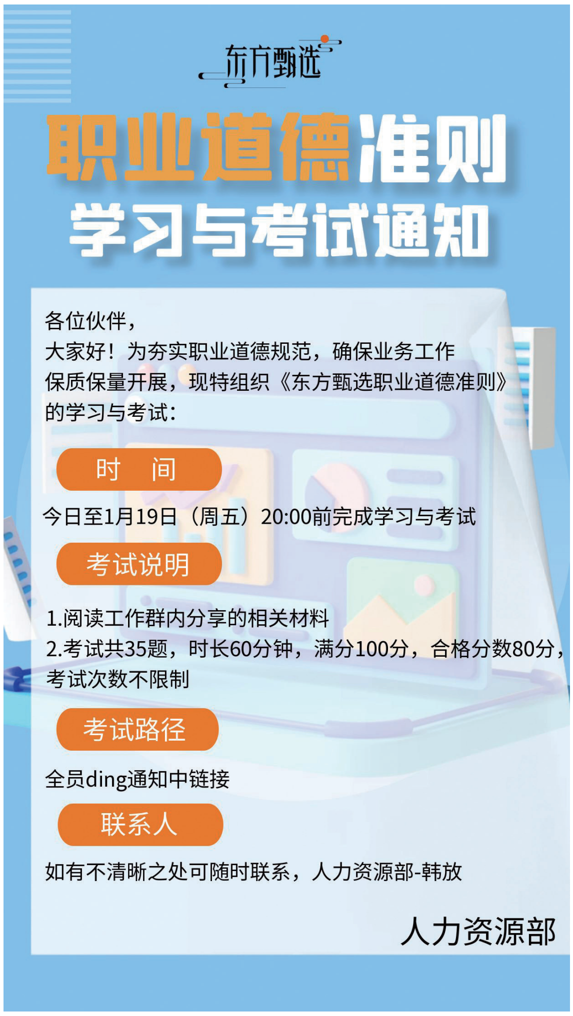
A healthy and mutually beneficial business ecosystem is the foundation on which the Company thrives. Our Company adheres to various laws and regulations such as the Criminal Law of the People's Republic of China, the Anti-Monopoly Law of the People's Republic of China and the Law against Unfair Competition of the People's Republic of China. We maintain high standards of business ethics and oppose all forms of corruption, bribery and unfair competition.

Internally, the Company has formulated systems such as 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》) to regulate the behavior of the Company and its employees in conducting business and performing duties. At the same time, the Company has established an anti-fraud management system, conducted relevant training, and strengthened the implementation of internal reporting, investigation and accountability systems. In FY2024, the Company was not engaged in any litigation case concerning corruption.

• Establishing an anti-fraud management system	To uphold the healthy development of the Company's business ecosystem, East Buy has established a four-level anti-fraud management structure consisting of "the Board – the management – the Audit Committee – the Audit and Supervision Department" to further enhance the level of anti-fraud management. The Board is responsible for overseeing management to establish an anti-fraud and anti-corruption culture within the Company and for establishing a sound internal control system. The management is responsible for establishing and enhancing anti-fraud and anti-corruption procedures and controls, as well as conducting self-assessments. The Audit Committee is responsible for guiding anti-fraud and anti-corruption activities within the Company and conducting daily continuous monitoring. The Audit and Supervision Department of the Company is responsible for following up on the specific work of anti-fraud.

• Strengthening the anti-corruption reporting system	To create a workplace environment of integrity and transparency, the Company rewards behaviors such as actively reporting illegal activities and refusing to accept commercial bribes. The anti-fraud reporting management procedure and reward mechanism are clearly defined in the "Anti-fraud and Anti-Corruption Management Measures" (the "Measures"). The Company clearly stipulates the protection of the rights and interests of whistleblowers, and strictly keeps the information of real-name whistleblowers confidential. Rewards are given to those who provide valuable information regarding corrupt and fraud activities that are verified to be true. Individuals involved in verified cases of bribery or attempted bribery are blacklisted indefinitely. Information on individuals involved in corruption and bribery is shared with industry blacklists.
• Carrying out integrity and compliance training	The Company attaches great importance to the cultivation of a clean culture and the construction of compliance capabilities, and is committed to building a team with transparent and honest governance. At the level of directors and employees, the Company organizes annual training and test on the "Code of Ethics of East Buy". The training content includes the promotion of anti-corruption policies such as bribery, fraud, dereliction of duty, etc. At the department level, the Audit and Supervision Department has set up the "Internal Audit Knowledge Sharing" (內審思享) mobile APP on the internal communication software to share the knowledge of internal control management, anti-fraud and anti-corruption and risk management, and provides channels for reporting fraud. In addition, the Company organizes a variety of integrity and compliance training such as "Brief Talk on the Construction of Corporate Anti-fraud Internal Control System (《淺談企業反舞弊內控體系建設》)" and "An Overview of Fraud in the Sales Department (《銷售部門舞弊概論》)".

The Company's reporting channels for business ethics are as follows:
Email: wubijubao@eastbuy.com
Telephone: 010-62609088
Correspondence address: Level 18, New Oriental South Building, No. 2 Haidian East Third Road, Haidian District, Beijing



Occupational Ethics Test of the Company

Key performance table — Anti-corruption:

Number of anti-corruption and integrity training sessions

Name of the indicator	Unit	FY2024
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	FY2024
Number of employees participating in anti-corruption and integrity training sessions	times/person	3,806
Number of directors participating in anti-corruption and integrity training sessions	times/person	12
Total number of participants in anti-corruption and integrity training sessions	times/person	3,818

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

Name of the indicator	Unit	FY2024
Total number of training hours	hours	1,929
Number of hours per capita	hours/person	1

1.2 Strengthening risk control

With a focus on strengthening internal controls, preventing risks and promoting compliance, the Company has developed internal control processes and systems such as the Risk Management System and Risk Assessment Methods, and established a standardized and effective corporate risk management system, through which, we systematically identified and comprehensively analyzed risks related to operational activities and internal control objectives, and promptly formulated risk response strategies to ensure the smooth operation of the Company.

- **Risk management system**

  East Buy has established a sound risk management and internal control system, clarifying the roles and responsibilities of the Board, Audit Committee, and Audit and Supervision Department within the internal control mechanism. It establishes "three lines of defense" for risk management, implements control at the source, and ensures the effective operation of the risk management mechanism.

First line of defense	The Board	As the supreme decision-making body for comprehensive risk management in the Company, it is responsible for overall risk management and making effective decisions to control the various significant risks faced by the Company.
Second line of defense	Audit Committee	As the supervisory body for comprehensive risk management in the Company, it is responsible for formulating daily risk management measures and emergency risk management plans, and conducting effectiveness assessments of comprehensive risk management.
Third line of defense	Audit and Supervision Department	As the management and executive department for comprehensive risk management in the Company, it is responsible for organizing and coordinating the daily work of comprehensive risk management, implementing daily risk management measures, and executing emergency risk management plans.

- **Risk identification and assessment**

  East Buy continuously improves its compliance control framework to continuously enhance its risk prevention capabilities. The Company implements a management process for the identification, assessment, response, implementation and evaluation of significant risks to ensure the Company's safe, sound and sustainable development. Monthly in-depth analysis of sales data is conducted, and annual risk assessment reports are prepared to ensure the effectiveness of the corporate governance and internal control systems. Risks are identified and assessed to achieve the "early warning" objectives.

Meanwhile, the Company enforces strict supervision of private label product suppliers' factories. By combining second-party factory inspections with third-party factory inspections conducted by third-party companies, the Company ensures that suppliers' production conditions and standards meet the Company's requirements. In addition, personnel are deployed for on-site or remote tracking to monitor production dynamics in real time. Random inspections are also carried out irregularly to firmly control quality from the source, identifying and preventing product quality risks through multiple measures.

1.3 Information security and privacy protection

East Buy places high importance on information security and privacy protection. To ensure the security, development and normal operation of its information system, the Company has established management systems such as 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》)", and "Data Security Management Standards (《數據安全管理規範》)", and has continuously improved its network security management system and enhanced its information security training and awareness to achieve standardized and systematic management of network security risks. Currently, the Company has obtained the recognition and award of national information security level protection (level 3).

- **Information security management**
  The Company has established an Information Security Leading Group and an Information Security Department as the highest decision-making and implementation organizations for information security. It has defined a data security organizational structure consisting of a security team, network security architect and internal audit at three levels as well as their data security responsibilities, enhancing information security management capabilities.

  The security team mainly consists of roles such as security analysts, security engineers, security administrators, etc., who are primarily responsible for implementing and maintaining the Company's security control measures and technologies. The network security architect is primarily responsible for designing and evaluating the Company's network security architecture to ensure the effective implementation of security controls, and typically collaborates with the security team and IT operation and maintenance team. The internal audit team is primarily responsible for auditing and assessing the Company's security controls and compliance, and usually reports to senior management.

- **Data security**

  The Company constantly pays attention to the data security management. Throughout the lifecycle of data management, from data collection, transmission, storage, use, sharing to destruction stage, strict controls are implemented to ensure the security of data, thus comprehensively managing data protection and information security within all business scopes of the Company.

  Security management measures throughout the lifecycle of data:

Data collection stage	• Ensure that the data collection process has trustworthy, complete and accurate data sources. Use advanced technological measures such as encrypted communication and dual authentication to prevent data tampering or fabrication.
Data transmission stage	• Utilize encryption technology and secure transmission protocols like HTTPS, VPN, etc., to safeguard the confidentiality and integrity of data during transmission and prevent data leaks.
Data storage stage	• Implement encrypted storage and strict access control and identity authentication mechanisms to limit access permissions to data storage devices and ensure secure data storage.
Data use stage	• Establish fine-grained access control mechanisms, monitor and audit data usage behavior to safeguard data confidentiality and ensure compliant usage.
Data sharing stage	• Develop clear data sharing protocol, employ data desensitization and anonymization techniques to ensure privacy protection of sensitive information during the sharing process.
Data destruction stage	• Implement specialized data destruction measures such as physical destruction, data wiping, or encrypted destruction to ensure data irrecoverability, thereby thoroughly eliminating the risk of data leaks.

- **Customer privacy protection**

  The Company places high importance on customer privacy protection, and strictly adheres to policies and regulations such as the Civil Code of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, the Cybersecurity Law of the People's Republic of China, etc. During the reporting period, no customer information or privacy breaches occurred.

  Taking into account our business characteristics, we have formulated and implemented various measures for customer privacy protection:

Data encryption	The Company utilizes encryption technology to encrypt customers' personal information, ensuring confidentiality and integrity during data transmission and storage.
Access control	The Company establishes strict access control mechanisms, limiting access permissions to customer information.
Identity authentication	Multiple identity verification measures are employed to ensure that only authorized users can access customer information.
Security auditing	A secure auditing mechanism is established to monitor and record access to and usage of customer information.
Regular backups	Customer information data is regularly backed up to prevent data loss or damage.
Physical security measures	Physical security measures are implemented to safeguard customer information storage devices and data centers.
Security monitoring and alerts	A security monitoring and alert system is set up to promptly detect and respond to security incidents.
Third-party collaborations	Strict security assessments and oversight are conducted on partners to ensure they have sufficient security protection measures in place to prevent the leakage and misuse of customer information.
Security vulnerability management	A security vulnerability management mechanism is established, with regular security vulnerability scans and risk assessments conducted, and timely system patches and updates applied to prevent exploitation of security vulnerabilities.

- **Information security culture promotion**
  Information security culture promotion is a key focus of East Buy's information security management. We continuously emphasize and strengthen security planning and construction, enhance overall information security awareness and capabilities, disseminate security promotion content within the Company, and regularly organize information security education for employees. The training includes routine courses and reminders and guidance in daily work to enhance employees' awareness of information security.

Case **Conducting information security training to enhance coding security awareness of the R&D team**

East Buy recognizes the significance of coding security to the Company's information security. Consequently, the Company initiated training activities aimed at enhancing coding security awareness of the R&D team. The training comprehensively covered the importance of secure coding, common vulnerabilities and attack methods, secure coding principles and best practices, in-depth exploration of application of security frameworks and libraries, as well as secure development and testing processes. Through a variety of methods including offline lectures, online interactions, demonstrations and practical exercises, the training content was effectively understood and absorbed.

As a result of this training, the percentage of technical staff understanding how to prevent common security vulnerabilities increased from 30% to 90%. Through testing and statistical analysis of security vulnerabilities in project practices, the team significantly improved their security performance in the coding process, reducing the number of security vulnerabilities by over 80%. Furthermore, in-depth analysis of the training data revealed the current status and requirements of the R&D team in terms of coding security, providing valuable insights for future training and development efforts.

2. LOW-CARBON TRANSFORMATION, FULFILLING CLIMATE RESPONSIBILITY

2.1 Management of emissions

In its daily operations, the Company views waste emission management as a core component of environmental management, strictly adhering to 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 relevant national and local environmental laws and regulations.

In active response to the national carbon peak and carbon neutral strategy, we have set greenhouse gas emission reduction targets and implemented effective emission reduction measures to strictly control the Company's carbon emissions, achieving low-carbon operations. Meanwhile, we advocate for water conservation among all employees to reduce water resource wastage. Regarding waste management, we exercise strict control to ensure compliant emissions and resource utilization, continually enhancing the Company's sustainable development performance.

During the reporting period, the Company 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**
  The Company's greenhouse gas emissions mainly arise from Scope 2 indirect emissions from the daily use of electricity by offices and outsourced heat[1] and Scope 3 indirect emissions from the outsourced goods and services and business travel. The Company does not use fuels such as coal, gasoline, diesel and natural gas. Hence, there is no Scope 1 direct greenhouse gas emissions.

1 In the current financial year, the purchased heat for heating is zero and the heating costs have been included in the property fees.

In order to actively respond to the national strategy for green and low-carbon development, the Company has taken the following measures to reduce indirect greenhouse gas emissions generated during its operations.

Strengthening air conditioning management	• Properly control air conditioning usage by setting signage to avoid simultaneously running different types of air conditioning units in the same area.
Promoting refrigeration equipment upgrades	• Reduce freon equipment usage by actively adopting air-cooled and water-cooled air conditioners.
Encouraging remote working arrangements	• Encourage the use of video conferences and teleconferences to reduce the frequency of face-to-face meetings.
Optimizing travel management	• Lower the frequency of business travel and encourage employees to prioritize public transportation to reduce greenhouse gas emissions generated from transportation during business travel.

- **Management of wastewater discharge**

  The Company's wastewater primarily consists of domestic wastewater generated from daily office activities, which is uniformly discharged into the municipal sewage system for treatment. During the reporting period, the Company did not discharge pollutants into land or other environmental receptors. To further enhance water resource management and reduce waste, the Company actively implements water-saving measures to lower the generation and discharge of wastewater.

- **Management of discharge of hazardous waste**

  The hazardous waste generated during our operations mainly includes obsolete electronic equipment arising from the day-to-day operation of offices, including servers, computer system units, monitors, laptop computers and mobile phones, toner cartridges and ink cartridges used for printers, as well as used lamps and batteries generated from daily office consumables. During the reporting period, all hazardous waste was disposed of safely by qualified third parties to ensure compliance and environmental safety.

The Company takes the following measures to manage hazardous waste generated during our operations:

Toner and ink cartridge management	• Collect and refill the used toner cartridges for secondary use to reduce the number of toner cartridges used.
Waste disposal management	• 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, which shall be disposed of by the Administration Department on a regular basis; • Discarded employee protective gear will be collected and counted by the cleaning supplies vendor and sent to the solid waste treatment center for disposal.
Electronic equipment management	• Recycle electronic devices that have exceeded a 3-year lifespan once technicians confirm that they cannot be reused or repaired, to enhance equipment utilization.
Procurement of rechargeable batteries	• Procure rechargeable batteries to reduce the generation of hazardous waste.

- **Management of discharge of non-hazardous waste**

  The non-hazardous waste generated by the Company mainly consists of office wastepaper and general household waste generated in the daily office operations. The property management company will collect from the Company packaging materials, waste cartons, wastepaper, etc., for centralized processing. We strictly manage the general household waste according to the classification management system, in order to strengthen resource conservation and utilization, and reduce its impact on the environment.

The Company takes multiple measures to reduce the generation of non – hazardous waste during our operations:

Reduce single-use items	• Promote drinking from direct water source at each work area and set up multiple water dispensers to reduce the use of disposable paper cups and plastic bottles.
Paper and packaging material management	• Set up a location to collect used cardboards to recycle packaging materials; • Advocate for paperless offices to minimize paper usage. Employees are encouraged to reuse single-sided printed paper. Migrate the inventory picking and information registration from offline registration to online records.
Waste sorting and disposal	• Increase the number of waste bins in work areas and prominently label them for sorting for recycle purposes. Cleaning staff sorts the trash daily for recycling and centralized disposal.
Use of eco-friendly food containers	• During outdoor shoots, use biodegradable and eco-friendly food containers for meals to reduce plastic pollution.
Awareness of conservation and classification	• Place signs and posters in restrooms promoting paper conservation to enhance employees' awareness of saving paper; • Implement quantity control for office consumables and labor protection equipment, advocating for exchange with old items for new ones; • Enhance employees' environmental awareness by adding relevant content to the notice board.

Key performance table — Emissions:

Indicators	Unit	FY2024	FY2023	FY2022
Office sewage discharge[2]	(m^3)	6,041.00	4,982.50	7,772.53
Scope 2: Greenhouse gas emission from indirect sources	(tCO_2e)	1,285.06	1,022.17	1,034.47
Total greenhouse gas emission	(tCO_2e)	1,285.06	1,022.17	1,034.47
Greenhouse gas emission per capita	(tCO_2e/person)	0.68	0.52	0.34
Generation of hazardous waste[3]	(kg)	1,392.41	265	35,656
Generation of hazardous waste per capita[3]	(kg/person)	0.74	0.13	11.69
Generation of non-hazardous waste	(kg)	164,752.24	171,352.92	/
Generation of non-hazardous waste per capita	(kg/person)	87.49	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 ensure compliant disposal of hazardous waste.
Non-hazardous waste reduction target	• Strengthen waste management year by year to reduce environmental impact; • Centralize the use of office supplies in stock, reduce the purchase of non-essential office supplies, and enhance the recycling and utilization efficiency of resources.

2 Due to the return to normal office operations after the pandemic, expansion of private label products and livestreaming e-commerce business, as well as the increased electrical equipment as a result of the addition of new office areas and new types of layouts, sewage discharge volume and electricity consumption increased.

3 Hazardous waste mainly includes monitors, laptops, microcomputers (hosts), servers, printers, waste toner cartridges, and other waste electronic equipment. By the end of 2023, a bulk cleanup of idle and damaged equipment accumulated since the second half of 2021 in the warehouse led to an increase in the generation of hazardous 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, East Buy formulated the "Office Environment Management Standards". We proactively promoted energy-saving and low-carbon office, and recycling initiatives to provide employees with a comfortable and convenient office environment and achieve efficient utilization of resources, thus contributing to sustainable development of the society. The resources mainly used by the Company consist of electricity used in daily office operations, purchased heat used in office space heating, and water resources from municipal water supply.

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

Electricity-saving measures:

Energy conservation of lighting and air-conditioners	• We replace the high-efficiency energy-saving lamps and eliminate ordinary incandescent bulbs; • We formulate the air conditioner service standards in summer and winter, as well as upper and lower limits of cooling/heating temperature; • We encourage energy conservation by placing signage and temperature control reminders at electrical switches; • We implement reasonable lighting and switching schedule in public areas to reduce unnecessary energy consumption. Security personnel conduct inspections of work areas each night to ensure that lights and air conditioning in unoccupied zones are turned off.
Electricity conservation management for electronic devices	• We reduce the power consumption and standby energy consumption of electronic office equipment, encourage employees to use equipment such as computers, printers, copiers, scanners and fax machines reasonably, and turn off the power of such devices when they get off work to prevent standby of electronic office equipment.
Construction of green data centers	• 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, and adopted the energy-saving refrigeration equipment and other technical methods to save energy.

Water-saving measures:

Maintenance of water equipment	• We strengthen the daily inspection and management, and deal with water leakage in a timely manner to prevent the waste of water resources caused by equipment damage.
Wastewater recycling	• We prepare tea buckets in offices, so that part of the wastewater can be utilized for a second time.
Water conservation awareness and promotion	• We put up water conservation signage in office area, toilets, pantries, etc. to enhance the water saving awareness of employees.
Bottled water usage management	• We reduced the collection areas for bottled water, and centrally distribute bottled water at the front desk to control bottled water consumption.

Key performance table - Use of resources:

Indicators	Unit	FY2024	FY2023	FY2022
Total electricity consumption	('0,000 kWh)	225.33	179.23	178.05
Consumption of purchased heat	(million kJ)	0	0	0
Comprehensive energy consumption	(tce)	276.93	220.28	218.82
Comprehensive energy consumption per capita	(kgce/person)	147.07	112.10	71.75
Total water consumption	(tonne)	6,041.00	4,982.50	7,772.53
Water consumption per capita	(tonne/person)	3.21	2.54	2.55
Paper consumption of packaging materials[4]	(tonne)	25,505.17	4,136.87	1.65

4 Due to the increased sales of fruit, vegetable and private label products, the demand for packaging materials has risen. Meanwhile, changes in statistical methods, such as including logistics boxes in product packaging materials, have led to a significant increase in the use of packaging materials.

Indicators and targets:

Target for electricity usage reduction	• We advance the innovation of energy-saving technologies, ensure the implementation of LED energy-saving lamps in all office areas, and reasonably regulate the usage time and temperature of air conditioners, to further reduce corporate energy consumption.
Target for water usage reduction	• We strengthen the daily inspection and maintenance of water equipment, fix water leakage and damages in a timely manner, raise employees' awareness of water conservation, and improve water usage efficiency to prevent the waste of water resources.

2.3 Responding to Climate Change

Responding to climate change plays an essential role in realizing the high-quality development and green development, which also represents a key area in East Buy's pursuit of low-carbon development. In response to the national "carbon peak and carbon neutral" targets, East Buy follows the framework of the Task Force on Climate-related Financial Disclosures (TCFD) to identify and analyze the risks and opportunities brought by climate change. In addition, we actively formulate response strategies, intensify energy-saving transformation efforts, implement energy conservation and emission reduction measures, and enhance our ability to address climate change. Meanwhile, we collaborate with upstream and downstream enterprises to promote low-carbon transformation across the supply chain, jointly fulfilling our corporate climate responsibilities.

- **Governance**
  The Company has established a three-tiered ESG management system of "Board of Directors – Management – Executive level" to promote climate change governance from top to bottom. The Board takes responsibility of supervising and guiding the work relating to climate change, reviewing and evaluating the objectives relating to climate change, and regularly receiving the work reports of the management. The Investor Relations Department is responsible for systematically promoting the low-carbon development strategy, identifying and managing the risks and opportunities arising from climate change. Each department is responsible for the implementation of the emission reduction objectives and measures, ensuring the effective implementation of the Company's climate strategy in operations.

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

Climate-Related Risks	Type of risk	Potential Impact	Response Measures
Transition Risks	Policy and Regulatory Risks	Increasing stringent policies and regulations may lead to higher compliance requirements and operating costs, affecting product design and marketing strategies.	• Establish a compliance management system to closely monitor policy changes and ensure operations meet the latest regulations; • Enhance employee training, and promote technological innovation to improve product compliance; • Collaborate with suppliers to optimize supply chain processes and enhance market competitiveness.
	Technology Risk	As the industry chain transitions to low-carbon emissions, products and operation models that are energy-intensive and inefficient may increase compliance costs, affecting the Company's market competitiveness.	• Invest in research and development and adopt energy-saving technologies to optimize the supply chain and logistics, reducing carbon emissions; • Rationalize the reduction in energy-intensive and high-emission products, and introduce green technologies to enhance product and packaging sustainability.
	Market Risk	Consumers' growing awareness of environmental protection and their demand for sustainable products may lead to a decline in demand for traditional products.	• Lower products' energy consumption, develop green products, and focus on eco-friendly packaging and sustainable materials; • Strengthen market research in prompt response to changes in consumer preferences, and adjust product strategies flexibly.
	Reputation Risk	Failure to fulfill environmental commitments may lead to a decline in consumer trust, affecting brand reputation and market positioning.	• Actively abide by the relevant policies and requirements of sustainable development; • Demonstrate environmental commitments and progress through transparent environmental performance reports and effective public communication; • Participate in public welfare and environmental activities to enhance corporate image.

Climate-Related Risks	Type of risk	Potential Impact	Response Measures
Physical Risks	Acute Risks	Increased frequency of global extreme weather events, such as hurricanes and floods, may impact supply chain and logistics stability, leading to delivery delays and decreased customer satisfaction.	• Establish a resilient supply chain and diversify procurement channels to ensure operational continuity during extreme weather events; • Optimize logistics networks and improve emergency response capabilities; • Strengthen building safety assessment and inspection, and formulate relevant emergency plans.
	Chronic Risks	Climate anomalies, such as global warming and rising sea levels, may lead to fluctuations in raw material prices and increased operational costs, posing challenges to long-term and stable business operations.	• Continue to monitor the changing trends of chronic risks; • Develop a comprehensive climate risk management strategy to ensure climate risks are fully taken into consideration in the Company's overall strategy; • Mitigate cost pressures by optimizing use of resources and increasing their efficiency. |

Type of Opportunity	Description of Opportunities	Response Measures
Products and services	The development of green products, such as plant-based low-carbon products, can enhance our market competitiveness and meet the growing consumer demand.	We will make more investments in our research and development, including introduction of eco-friendly materials, and enhancement of the green brand image. Our innovation and market promotion efforts will attract the consumer demographics focused on sustainability.
Resource and energy consumption	Our reduction in energy consumption and emissions, combined with optimization of resource management, can lower operational costs, and increase efficiency, directly reducing mid-term and long-term operational costs.	Our implementation of energy-saving technologies and water resource management aims to enhance waste recycling, improve resource utilization, and establish performance tracking systems to ensure continuous improvement.
Energy use	Our expansion in use of clean energy sources, such as wind and solar power, contributes to reducing production costs and lowering carbon footprint.	Our efforts to optimize energy management, improve energy efficiency, and leverage policy support contribute to achieving a sustainable energy transition.

3. LEADING IN QUALITY, AND STRENGTHENING SCIENCE & TECHNOLOGY INNOVATION

3.1 Building Quality Live Streaming Platform

East Buy has since its inception been in strict compliance with a series of relevant laws and regulations, such as the 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》). Under the "customer-focused" principle, we are committed to creating a livestreaming shopping platform that focuses on carefully selecting premium products for our customers. Through creative livestreaming activities and quality services and sharing of our extensive knowledge and culture, we provide unique and pleasant shopping experience to customers by initiating our "knowledge livestreaming" model on the Douyin platform, striving to introduce a better, healthy and quality life to every customer.

Since our first livestreaming session launched on the Douyin platform in December 2021, East Buy has been operating seven Douyin accounts, attracting over 65 million followers and expanding to Taobao and our own APP. Apart from reselling various branded products, the platform actively develops private label products, featuring 488 items, many of which ranked top on Douyin charts. In addition, through outdoor livestreaming activities, East Buy has successfully promoted local specialty products with remarkable results.

Awards

- The "2023 Typical Innovation Cases for Digital Economy Development" (2023數字經濟發展創新類典型案例) awarded by Securities Daily;
- The "Award for High-tech, High-capacity, and Lifestyle Businesses" (高大尚企業獎) granted at the Pinggu High-Quality Development Conference by the Pinggu District Committee of Beijing Municipal Committee of the CPC and Beijing Pinggu District People's Government;
- The "Annual Live Streaming Sales King – Live Streaming Room Award" awarded by Chanmama.com;
- The "Beijing Characteristic Live Streaming E-commerce Base" Award granted by the Beijing E-commerce Association.

- **Responsible Marketing**

  East Buy 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, regulates advertising and publicity and livestreaming sales, ensuring information transparency and eliminating false publicity, thereby providing customers with truthful and reliable product information.

Information Transparency	• During the process of livestreaming, we provide customers with details of product prices, discounts, preferential time, production date, validity period, testing report and return policy to ensure truthful and reliable information and prevent false representation or exaggerated advertisements.
Promotion Review Process	• Promotional materials are subject to multiple reviews by our product managers, quality control department and legal team to ensure content compliance.
Regular Training	• Regular training is provided on advertising laws and compliance, covering legal knowledge related to advertising and promotions, price supervision, online transactions and livestreaming to enhance staff awareness; • Before livestreaming, operations officers train livestreamers on product information to ensure they are well-acquainted with the key selling points.
Support and Monitoring	• During the process of livestreaming, real-time monitoring is conducted to correct any errors, ensuring the accuracy of promotional content.
Customer Communication and Feedback	• Livestreamers will maintain smooth communication with customers by promptly taking questions, while operations officers provide additional replies in the comment section; • A feedback mechanism is in place to promptly address customer issues and collate suggestions for continuous service improvement.

- **Customer Communication**

  East Buy places high importance on communication and interaction with customers, and strives to establish a comprehensive and multi-channel customer communication system that promptly responds to customer needs and feedback, enhancing the overall customer experience.

Multi-Channel Online Customer Service	• Customers are provided with online customer service and inquiry across multiple online platforms for real-time assistance.
400 Customer Service Hotline	• A 400 customer service hotline is available, allowing customers to directly contact customer service officers to resolve various issues.
Social Interaction	• Through private messaging on social platforms, community interactions, product comment sections, and on-screen comments for livestreaming, customers may share experiences and raise questions, which are promptly addressed.
Customers' Voice and Feedback Box	• The "Customers' Voice" on our APP will regularly collect and respond to user feedback. With a feedback box available for customers to leave comments online, our customer service will return calls if necessary.
Customer Wishlist	• Weekly customer product wishlists are collected through our "Customer Wishlist", which help us better understand customer needs to continue with our product and service optimization.

- **Customer Complaints**

  East Buy has established a systematic complaint handling mechanism, and formulated policies such as the "Real-Time Callback Mechanism for Product Negative Reviews (《商品中差評實時外呼挽回機制》)", aiming to respond quickly to and effectively resolve customer issues. This approach ensures continuous improvement in service quality. Our categorized and targeted measures ensure each complaint receives full attention and is properly resolved.

Complaint Mechanism and Classification	• Complaints are classified into major and general categories, each with a dedicated handling procedure; • Upon receiving a complaint, customer service officers or customer complaint specialists immediately record detailed information to ensure transparency and facilitate follow-up.
Handling Process and Response	• Customer complaint specialists make swift responses to customers, and take heed of customer concerns and requests, ensuring that customers are fully respected and that their issues and requests are timely addressed; • Complaints identified by livestreamers or operations officers during livestreaming or in comment sections are promptly referred to relevant departments for immediate action; • Dedicated customer service officers will efficiently respond to and resolve complaints made on influencer homepages or in fan groups.
Special Follow-Up and Improvement	• When product complaints are received, operations officers collaborate with customer service officers to provide solutions and conduct customer satisfaction surveys; • The business team contacts merchants to verify the causes of complaints and assess product and merchant qualification based on severity; • Products are reviewed weekly based on user comments and negative feedback rates to determine whether sales of such merchandise remain in livestreaming rooms; • Regular complaint reviews are conducted to optimize processes and train the customer service team, aiming to reduce complaints.

- **Customer Satisfaction Improvement**
  East Buy has established a real-time satisfaction review mechanism and a customer experience feedback collection mechanism to enhance customer satisfaction through multiple measures. Daily reviews of customer service data allow us to promptly identify and resolve issues, update business processes, and conduct customer service training. In addition, the quality inspection team utilizes both manual and system-wide checks of interactions to identify business risks and improve customer experience. For any negative feedback on products, we promptly follow up to enhance the customer satisfaction and provide compensation for defective products, ensuring customer service standards meet high expectations.

3.2 Creation of Excellent Products

East Buy fully implements product quality assurance under strict quality management standards, while continuously improving the quality of our private label products to create excellent products. This will ensure consumers are provided with premium product experiences. Under our innovative "self-operated warehouse + self-operated APP" chain management model, we have achieved efficient supply chain operations. The platform is characterized by direct sourcing, strict quality control, and considerate after-sales service, and offers consumers a cost-effective and healthy lifestyle. Our self-operated product warehouses provide nationwide logistics support, bolstering supply chain management and green development.

- **Quality and Food Safety Standards**
  East Buy consistently prioritizes quality and food safety, by strictly complying 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》), and Regulation on Food Recall Management (《食品召回管理規定》). 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", and therefore formulate systems such as East Buy Self-supply Product Management System (《東方甄選自營產品管理制度》), and East Buy Food Safety Management System (《東方甄選食品安全管理制度》), covering the entire life cycle management for our products from selection to obsolete. Such efforts ensure product safety and quality, and set clear execution standards to mitigate product quality and procurement risks.

- **Quality Management and Control**
  In terms of private label products, East Buy adheres to a scientifically rigorous quality management system, exercising full control over the entire chain from product development to sales service. We manage and monitor the whole life circle of products to ensure that products meet the highest standards at every stage, thereby continuously providing high-quality and safe products.

We continue to improve the quality of our juice products by selecting high-quality fruits, strengthening heavy metal and pesticide residue management standards, and enhancing quality inspection processes to ensure product safety and quality. During the reporting period, the Company did not experience any product recalls.

Product selection	• 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 occurred in the past, and a quality inspection report should be issued.
Product development	• Conduct research on negative reviews and process risk points of the product and determine the product formulas based on the principles of "less addition, zero addition"; • Conduct blind tastings to rate the product's flavor, aroma and ingredients to finalize the product.
Product production	• Determine the acceptance standards for raw materials, semi-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》) to ensure compliance with the standards during production; • Implement online and recorded monitoring of the production process and conduct strict raw materials traceability and production review; • Deploy quality control personnel for on-site supervision and arrange for periodic surprise inspections by professional institutions to ensure any issues during production are promptly addressed.
Product inspection	• Conduct multi-stage random inspections from raw materials to finished products and cooperate with domestic first-class quality inspection agencies to ensure that product quality meets standards; • For pesticide residues, drug and chemical residues, antibiotics, microbes and other items, strictly follow the product requirements of East Buy; • Each product is provided with a Product Technical Specification and a Quality Assurance Plan to ensure controlled production steps.

After sales	•	Conduct regular assessment on relevant personnels. Respond user feedback quickly, with an average response time of two minutes, and promptly handle user complaints. During the reporting period, the customer response rate was 100% and the platform complaint rate was 0.0065%;
	•	Proactively recall products for quality issues reported by users, promptly arrange for testing, and trace back to the production process for rectification;
	•	Analyze the reasons for the negative feedbacks of each product per week and adjust and optimize product quality accordingly.

- **Product Nutrition and Health**

  In promoting nutrition and health, East Buy actively promotes nutritional knowledge and a culture of healthy diet, focusing on the development of nutritional and healthy foods. We aim to produce high-protein, low-sugar and low-additive products to meet consumers' needs for a healthy diet. To this end, the Company rigorously selects high-quality ingredients and employs innovative formula designs to ensure excellent taste and superior quality.

  We prefer natural sugar substitutes over high-intensity sweeteners to offer healthier and tastier foods. Through formula upgrades, we reduce the salt and sugar content of our products to better suit public tastes while enhancing their nutritional attributes. For ingredients that are rich in nutrients but have a less desirable taste, such as Rosa Roxburghii Tratt, we have developed innovative products like Rosa Roxburghii Tratt compound juice bubble water (刺梨複合果汁氣泡水), which retains the nutritional value while improving overall taste. We will continue to promote the research and innovation of nutritional and healthy products, offering consumers more high-quality choices to achieve a healthier lifestyle.

- **Green Products**

  The Company examines the environmental impacts of products from the perspective of entire life cycle, and is committed to developing and creating green and low-carbon products based on market demands and business development demands, to shorten the distribution chain the source to consumers, and to reduce excessive carbon emissions in complex supply chains, thereby implementing the "dual carbon" initiative in practice. We construct a comprehensive green product management system across all stages – from product design, raw materials selection, production processes, product transportation to sales and use of products – by optimizing design, selecting sustainable materials, and adopting clean production technologies to minimize the eco-environmental impacts.

Product design	• Scientific Product Selection Process: Led by our product managers, the team formulates a scientific and reasonable product selection process to enhance the scientific nature and stability of product selection; • Efficient Management Structure: A flat management structure is adopted to improve the efficiency of moving new products from design to production; • Eco-friendly Packaging Design: By reducing material and energy consumption, 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; • Ingredient Optimization: Product ingredients are optimized to reduce the use of chemical raw materials and additives, providing cleaner green products. Plant-based product lines are developed to promote healthy diets and reduce the impacts on environment of global food chain.
Raw materials selection	• Strict Supplier Qualification: Suppliers are required to have legal and valid operation qualifications, provide third-party inspection reports, and deliver daily rapid test results for pesticide residues; • Control of Product taste and Additives: Multiple rounds of negotiations with suppliers are conducted to adjust product taste and strictly control the use of additives; • Green Raw Material Screening: Strict screening of suppliers is conducted to ensure that raw material procurement is eco-friendly, based on green materials; • Development of Primary Agricultural Products: Priority is given to the development and use of primary agricultural products, such as wild berries, kiwi and Rosa Roxburghii Tratt, utilizing simple processes to reduce energy consumption in production.

Product production	•	Production Traceability System: Deep-processed foods must ensure traceable raw material sources and destinations to minimize environmental pollution and eco-environmental impacts;
	•	Optimization of Production Processes: Advanced production technologies and equipment are used to optimize production processes, reduce resource consumption and waste gases and waste emissions. Energy-saving and emission-reducing technologies are implemented to improve production processes and reduce waste of resources;
	•	Environmental Monitoring and Clean Energy: Strict monitoring of the production plant environment is conducted to ensure that production does not cause an ecological burden; some facilities and equipment use clean energy such as solar energy;
	•	Low-Carbon Initiative and Environmental Requirements: Low-carbon initiatives are issued to suppliers and OEMs to jointly promote low-carbon manufacturing; during the process of storage and distribution, the surrounding environment of suppliers must meet relevant requirements.
Product transportation	•	Warehouse and Logistics Partner Requirements: Must have ISO14001 certification, a green vehicle usage rate of over 60%, warehouse certification for green buildings and green warehouses, and the use of photovoltaic LED low-carbon lighting;
	•	Optimization of Warehouse Operations: Use inflatable door seals and automatic closing roller doors to reduce cold air loss; employ eco-friendly refrigerants and waste-to-energy incineration to reduce environmental impact;
	•	Green Transportation Network: Require carriers to use low-carbon transportation tools, promote hydrogen-powered heavy trucks, optimize fuel management, and build a green transportation network;
	•	Green Warehouse Renovation: Continuously promote nationwide green warehouse renovation in accordance with industry standards;
	•	Improvement of Green Packaging: Promote green packaging that reduces, reuses, recycles and degrades. In 2023, 700,000 secondary packages were reduced, and more eco-friendly automatic water-injection ice packs were used to reduce transportation costs and environmental pollution.

Sales and use of products	• Optimization of Sales Model: Adopt online livestreaming sales methods to more efficiently manage sales and purchase data, reduce resource waste caused by supply-demand imbalances, and improve supply chain management efficiency; • Environmental Monitoring and Testing: Organize environmental training, establish an environmental monitoring system, regularly evaluate the effectiveness of various environmental measures, and make timely improvements to ensure the effective implementation of these measures; • Environmental Promotion: Conduct environmental promotion during livestreaming to enhance consumer awareness and support for green food and environmental measures.

Case Pure Milk Project in the desert

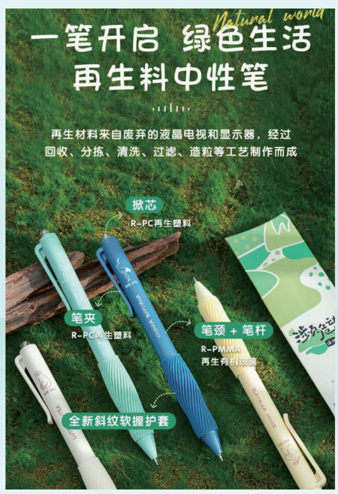
Built in the Ulan Buh Desert and by fully utilizing barren land resources, the dairy farm achieves economic benefits and environmental improvement through the cycle of farming and animal husbandry (農牧循環). Manure from dairy cows is fermented into organic fertilizer, which is then used in nearby forage planting bases. The high-quality forage produced from these bases is in turn used for dairy cow feeding. At the same time, this cyclical farming and animal husbandry approach effectively improves soil structure and fertility, promotes plant growth, and enhances the desert environment.

Case Launch of private labels tissue paper product in cooperation with Gold Hongye

Gold Hongye, an advanced" forest-pulp-paper integration" tissue paper industry group in Asia, has a well-recognized brand, Breeze, in the market. This product utilizes 75% short-fiber-selected Oriental Acacia wood, combined with advanced alloy creping knife technology, to produce paper with fine and three-dimensional creases. The product is made from virgin wood pulp and has obtained China's CQC certification for original ecological products.

Case Promotion of green printing products

In the livestreaming room for book promotion, we emphasized the" green printing products" feature, particularly the use of eco-friendly soybean oil-based ink to avoid lead pollution. Through these measures, we aim to play an active role in promoting environmental protection among user groups and on online platforms.



3.3 Promoting Technology Innovation

East Buy is committed to technology innovation, with a focus on digital transformation and technology research to drive our corporate growth. By leveraging e-commerce platforms to promote the "Agriculture Development by Digital Economy and Electronic Commerce (數商興農)", we cultivate online brands for agricultural products and advance rural economic development. Meanwhile, we are dedicated to the technology research and development, as well as related collaboration, with a view to developing a diversified product line. In collaboration with research institutions, we enhance the supply chain efficiency and transparency, and continue to strengthen our market competitiveness, as part of our joint efforts to promote sustainable development, as well as industrial integration and innovation.

- **Digital Transformation**

  East Buy aggressively promotes the "Agriculture Development by Digital Economy and Electronic Commerce (數商興農)", by fully utilizing e-commerce as a vital component of the digital economy to cultivate our online brands for agricultural products. We facilitate the delivery of agricultural products to consumers through digital economy platforms, prompting farmers and grassroots agricultural products processing enterprises to benefit from the digital economy.

  Our efforts have promoted 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. We have actively promoted the development of e-commerce services and driven the growth of related industries such as rural tourism, cuisine and homestay, facilitating the overall development of the rural economy.


- **Technology Research and Cooperation**

  East Buy is committed to innovative technology and platform development, by focusing on developing a diversified product line and conducting in-depth research into market trends and consumer behaviors in swift response to market changes. In the field of traditional Chinese-style apparel and accessories, we continue to innovate in product styles and designs, earning widespread recognition. In addition, we strengthen collaborations with multiple counterparties to drive the industry integration, improve the supply chain efficiency and transparency, and support sustainable development. By partnering with farmers, we advance the practice of sustainable agriculture to ensure the sustainability of the food supply chain. Furthermore, in collaboration with research institutions and technology companies, we develop smart agriculture and food safety monitoring systems to enhance the food quality and the supply chain transparency.

  Encouraging Innovation

  Recognizing the importance of product innovation, we have established the Nutrition Research Institute (營養研究院) and a taskforce specialized in new product development to provide strong support for research and innovation. The Nutrition Research Institute (營養研究院) comprises a seasoned research and development team and sophisticated laboratory facilities, which support the research and development of nutritional and healthy products, and provide technical support and product upgrades. Through our well-developed technology and disciplined teams, we continue to enhance the feasibility and efficiency of innovation. In addition, to galvanize our employees into the new product development efforts, we provide resources such as R&D funding, equipment and market research, while encouraging the proposal of innovative solutions. Our regular innovation sharing events, employee incentive for submission of innovative proposals, and bonus-based and promotion-based rewards for innovation contributors, will foster a strong culture of innovation.

East Buy's Nutrition Research Institute (營養研究院) supports the Company's overall research and development efforts:

Construction of Food R&D Laboratory and Platform	Establish the laboratory for the Nutrition Research Institute (營養研究院) to enhance independent innovation capabilities and industry competitiveness; Keep track of domestic and international food industry trends and academic hotspots to improve research capabilities.
Research and Development of Nutritional and Healthy Foods	Identify the research and development directions, and study food production processes; Promote pilot production and product launch to meet the diverse consumer demands.
Technical Support for Private Label Products	Provide raw material quality standards and production process control points; Assist in completing pilot production and formal production, enhancing the research and development efficiency, and accelerating product launch.
Product Upgrades and Improvements	Establish a product quality standards system; Promote the standardization of production processes, enabling continuous product upgrades and improvements.

Deepening Collaboration

East Buy proactively advances its collaboration with universities, research institutions, and supply chain enterprises, with a view to promoting product development and upgrades through technological exchanges. This includes our active involvement in food frontier innovation conferences to address key issues in research and development, as well as our invitation extended to experts, scholars and industry veterans to share their experiences and explore new directions and opportunities for high-quality development in the food industry. At the Food & Beverage Innovation Forum (FBIF) in Shenzhen in June 2023, we exchanged ideas with a number of companies to gain insight into new raw materials, packaging, and processing technologies, pointing us to new directions for research and development.

For private label lifestyle products, we encourage our research and development teams to participate in various industry exhibitions, such as those for household paper, industrial textiles, daily necessities, and textile fabrics, to stay informed of industry dynamics and explore collaboration opportunities. At these exhibitions, we deepen our understanding of product trends, market conditions, and raw material characteristics, collect information on potential suppliers, and explore the possibilities of developing emerging fabrics. These efforts have driven our innovation and development of our private label lifestyle products.

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 and 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, to ensure the standardization and integrity of the Company's management of intellectual property rights.

For our private label products currently developed and launched, we actively apply for trademarks, design patents and registration of works in order to protect our research and development achievements and innovative designs. In addition, we signed the Agency Agreement on Network Infringement Governance and Rights Protection Service with brand management agencies to monitor and manage the infringement information on the internet, we established the procedures for discovering and executing the infringement of intellectual property rights to promptly detect and respond to any infringement and protect the intellectual property rights of the Company through administrative and judicial means.

Key performance table — Product responsibilities:

Indicators	Unit	FY2024	FY2023	FY2022
Number of private label products and livestreaming e-commerce customer complaints[5]	(case)	6,833	1,975	5
Percentage of private label products and livestreaming e-commerce customer complaints being handled	(%)	100	100	100
Service satisfaction of self-managed products and livestreaming e-commerce customers	(%)	93	99	98
Number of members of the R&D team[6]	(person)	194	224	149
R&D expense	(RMB million)	155	109	196
Percentage of R&D expense over operating income	(%)	2	2	22
Number of patent application	(case)	0	0	0

5 The increase in number of complaints was due to the increase in sales of private label products as a result of the improvement and full utilization of the work order system in the current financial year.

6 The decrease in number of members of the R&D team was due to the exclusion of the education segment in the current financial year.

4. INSISTING ON THE "HUMAN-BASED" PHILOSOPHY AND EMPOWERING EMPLOYEES' GROWTH

4.1 Protecting employees' rights and benefit

East Buy is in strict compliance with 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. Under the principle of equal employment, we have established a sound employment management system and compensation and benefits system. Besides protecting our employees' rights and interests in respect of recruitment, dismissal, working hours, holidays, and other aspects, we ensure equal employment opportunities are accessible to all employees, and prevent any form of discrimination. The Company emphasizes employee diversity by constantly optimizing regulations and systems regarding employee rights, and ensuring reasonable compensation and leave policies. These efforts aim to create an equal, diverse, safe, and comfortable workplace environment.

- **Equal employment and diversification**
  The Company strictly follows the Labour Law of the People's Republic of China and has formulated the Recruitment Management System to standardize the staff recruitment process, so as to avoid employment discrimination. We insist on equal and diverse employment, treat employees of different nationalities, races, ethnicity, genders, religions and cultural backgrounds fairly, and adhere to the principles of diversity, co-fusion and meritocracy to recruit talents widely. In terms of recruitment information and channels, we have strict requirements to eliminate any discriminatory words and ensure full respect for candidates in the actual recruitment and interview process. We have 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.

  In accordance with the requirements of national laws and regulations, we have 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. In addition, our establishment of comprehensive compensation and benefits system is aimed at protecting the legitimate employee rights and interests, enhancing work efficiency, and promoting the mutual development of employees and the Company.

Remuneration system	•	A remuneration structure is established, which includes basic salary, allowances, performance bonuses, annual bonus, etc., under the principle of equal pay for equal work;
	•	A broadband system is implemented for every level of salary for employees to determine their positions within the remuneration range based on their abilities and experience;
	•	The employee's remuneration hierarchy and remuneration are subject to regular review and adjustment to ensure that the remuneration standards remain competitive 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, wherever necessary;
	•	Employees' rights to leave are fully protected, including the application for make-up leave or receipt of overtime pay for extra hours;
	•	Rotational shifts and accumulated make-up leave are adopted to ensure livestreamers have adequate rest and vacation;
	•	Various 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, and pay all social insurance premiums in full on time;
	•	Supplementary medical insurance is provided to ensure their labour rights and benefits, and employees can also purchase insurance policies for their children at a discount;
	•	Employees are provided with transportation allowance, meal allowance and communication allowance;
	•	Gifts are distributed on traditional holidays.

- **Employee Health and Safety**

  East Buy adheres to the management principle of "prevention as the mainstay, combining prevention and treatment", standardizes occupational health management, and takes the initiative to control the factors involving 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. We continuously improve our occupational health management system, strengthen overtime work management, establish multi-level medical security, and fully protect the health and safety of our employees by relying on structured safety management and the construction of a safety culture.

  The Company maintains a zero-tolerance attitude toward any form of violation that causes physical or mental harm to others at the workplace. We strictly implement the relevant provisions of the Staff Handbook regarding personal attacks, such as threats, abuses, intimidation, libel, maltreat, insultation, sexual harassment, malicious sarcasm, and physical conflicts, etc. Depending on the severity, perpetrators may be subject to termination of their employment contract and accountable for corresponding compensation. In addition, we prohibit any person from bringing dangerous items into the office area or engaging in any activities that endanger public health and safety, in which case the perpetrators will be disciplined and held accountable for any resulting damages.

Staff occupational health	• An annual health check-up mechanism is established, under which regular health examinations will be arranged to assist staff in assessing their health conditions, and prevent major diseases; • Commercial medical insurance policies are purchased for our staff. Staff pay commercial insurance in a timely manner in the month of joining the Company to mitigate the financial burden of sick staff.

Staff safety	•	Any act that may pose a risk to staff safety is strictly prohibited;
	•	A safety working group is set up in every department with an accountability system;
	•	The Company sets up the emergency response coordination group and the safety work supervision group, led by the CEO of the Company, to take charge of coordinating and handling serious accident, as well as to account for safety management and supervision;
	•	The HR and Administration Department is the safety work governing and supervisory body, responsible for conducting safety management publicity and training, directing other departments to carry out safety management and establish the safety management emergency plan. Each branch office shall maintain communication with local governments and property management companies, and cooperate with safety inspection, maintenance and relevant safety drills;
	•	The categories of items and activities which are potentially harmful to public health and safety are clarified to all staff, and fire and housing safety inspections are regularly conducted to identify and eliminate potential safety hazards in a timely manner.

Key performance table — Health and safety:

Indicators	Unit	FY2024	FY2023	FY2022
Number of people suffered from work-related fatalities	(person)	0	0	0
Number of days lost due to work-related injury	(day)	0	50	125

- **No child labour or forced labour**

  The Company strictly complies with the domestic and overseas laws and regulations, respects and upholds internationally recognised human rights provisions, and resolutely eliminates the employment of child labour and forced labour. We strictly abide by relevant laws, such as the State Council's Provisions on Prohibition of Child Labour and the Labour Law of the People's Republic of China. We strictly review the employees' information during recruitment and induction processes, require the applicants to provide their valid personal identity certificates, and strictly prohibit the employment of minors. The Company trains our recruiters on relevant laws and regulations to raise their legal awareness and avoid potential risks.

  The Company enters into, performs, alters, rescinds or terminates labour contracts in accordance with the laws, and ensures that the entire process is completed based one qual negotiation and voluntariness, and that the labour contracts are strictly implemented without forced labour through distraining worker certificates, wages and other properties. We make reasonable regulation for working hours of our employees through the Leave and Attendance Management System, and strictly review overtime work applications, ensuring employees' right to rest and 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 or those of our location of operations. No labour arbitration case occurred.

Key performance table — Employment

Indicators	Unit	FY2024	FY2023	FY2022
Total number of employees[7]	(person)	1,883	1,965	1,300
Number of employees by type of employment				
Full-time	(person)	1,318	1,479	910
Part-time	(person)	565	486	390
Number of employees by age group				
Below 30	(person)	1,413	1,276	783
30-50	(person)	469	688	516
Above 50	(person)	1	1	1
Number of employees by gender				
Male	(person)	789	861	494
Female	(person)	1,094	1,104	806
Number of employees by province				
Beijing	(person)	1,872	1,941	1,235
Shanghai	(person)	1	1	3
Other	(person)	10	23	62
Number of employees by title				
Employees	(person)	1,226	1,403	967
Supervisor and manager	(person)	617	520	293
Controller and above	(person)	40	42	40

7 The decrease in number of staff was due to the exclusion of the education segment in the current financial year.

Key performance table — Employee turnover rate

Indicators	Unit	FY2024	FY2023	FY2022
Turnover rate by gender				
Male	(%)	18	28	73
Female	(%)	18	27	75
Turnover rate by age group				
Below 30	(%)	17	26	69
30-50	(%)	21	30	97
Above 50	(%)	0	0	0
Turnover rate by geographical region				
Beijing	(%)	18	26	59
Shanghai	(%)	50	67	40
Other regions	(%)	0	65	91

4.2 Personal growth and development of staff

East Buy pays attention to the growth and development of employees. By virtue of the improved human resources system and related policies, we design a clear career development path and build a platform with sufficient resources provided for employees' growth, allowing our employees to exert the maximum potential of employees.

- **Staff appraisal and promotion**
  The Company is committed to offering a smooth career path for staff, formulating clear assessment and promotion plans, and encouraging employees' growth in the principles of legality, fairness, competition, incentive, cost-effective and transparency. We 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 identify their own career path, we 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 by our staff, and set different assessment priorities for each position according to the type of position.

- **Staff training**
  East Buy systematically optimises the talent management system, compiles and revises the Training Management System, Administrative Measures for New Employee Training, among other regulations, to establish an all-round, multi-level talent cultivation system. We provide pre-job, on-job, transfer and promotion training in a full process for both management team and staff, and continue 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.

  The Company advocates the "independent sharing and learning" atmosphere, and therefore establishes learning and sharing mechanisms within each business department to help staff quickly improve the depth of business knowledge and skills development. Through diverse themed sharing sessions, including outstanding staff's experience sharing, project reviews, discussions on challenging issues, and business target breakdowns, we help staff improve their business understanding, awareness, and problem-solving abilities.

Leadership training	To enhance the comprehensive abilities of our core staff in responding to market changes, formulating and executing strategies, and motivating teams, the Company conducts coaching sessions, co-creation workshops, and business orientation meetings based on strategic requirements.
Management training	We provide various forms of training sessions focused on the themes of management role transition, capability enhancement, case analysis, and key problem-solving to reserve cadres, as well as junior, middle, and senior managers, including in-person training, seminars, job rotation, business exchanges, book lending, and coaching sessions. These training sessions strengthen the business and management sustainability of the management team, fostering an excellent leadership team and a pipeline of reserve cadres.
General skills training	We offer practical, scenario-based, and problem-solving oriented general skills training for all employees, covering issues such as workplace communication, project management, target management, and time management. These training courses incorporate real work cases to assist employees in developing a better understanding of the Company's business, mastering practical skills, and improving work efficiency. We also encourage employees to participate in further education and training by supporting their independent enrolment in certification programs, professional studies, exams, and academic advancement, aiming to promote personal development and professional growth.
Trainings for new employees	Our organization of in-person induction training and gamified activities will help new hires fully understand the business, cultural values, benefits system, and basic processes, accelerating their understanding of the Company. We continue to implement a mentorship program to provide targeted assistance to new employees in assimilating into the team and business, and adapting to the Company's cultural environment.

Training for fresh graduates	We organize various forms of learning sessions, including gamified training sessions, fun online courses, experiential learning, and corporate culture seminars, which are more easily accepted by the younger generation born in the 2000s, and will facilitate their transition from campus life to workplace etiquette and skills. Our established mentorship system supports new graduates in navigating business challenges, providing them with access to experienced guidance, problem-solving methods, and reflective feedback. We also establish a fresh graduate community to foster partnerships, fully assisting them in acclimating to the corporate culture and business work.

- **Cultivation of livestreamers**

East Buy adheres to the principles of "sincerity, openness, equality and truthfulness" in establishing a systematic training mechanism for livestreamers. Under the personalised "1V1" training program, we design content tailored to the style and characteristics of different livestreamers, ensuring that new livestreamers meet the livestreaming requirements within 3 to 6 weeks. In addition, our clear career development paths for livestreamers will assist them in setting clear career goals to promote the joint development of both individuals and the Company.

The Company enhances the livestreaming performance of livestreamers through diversified training initiatives. We organize livestreaming observation sessions, mentor guidance, and "mentor-apprentice" exchanges among livestreamers. In addition, we conduct collective training on laws and regulations, such as advertising laws, as well as basic training for operational support roles. The training content focuses on Douyin livestreaming rules, agricultural products, healthy diet, and related humanities and sciences, which will help livestreamers develop their distinctive "East Buy" style. Furthermore, we regularly host borderless sharing sessions to facilitate knowledge exchange and experience sharing within the team, encouraging the mutual learning and improvement among livestreamers.

Key performance table — Development and training

Indicators	Unit	FY2024	FY2023	FY2022
Percentage of employees trained by gender				
Male	(%)	95	95	94
Female	(%)	95	95	94
Percentage of employees trained by rank				
Staff	(%)	94	94	93
Supervisor and manager	(%)	96	96	98
Controller and above	(%)	100	100	100
Employee training				
Total number of employee training sessions	(session)	71	68	45
Total number of trained employees	(person-time)	10,902	10,916	10,890
Average training hours per employee	(hour/person)	8	7	8
Average training hours of employees by gender				
Male	(hour/person)	7	7	6
Female	(hour/person)	8	8	8
Average training hours of employees by rank				
Staff	(hour/person)	7	7	8
Supervisor and manager	(hour/person)	9	9	5
Controller and above	(hour/person)	14	13	5

4.3 Staff caring

Adhering to the principle of "human-based", East Buy actively cares for employees, regards improving the well-being of employees as the source of the Company's development. We strive to establish a harmonious labour-capital relation, and enhance employees' sense of belonging and identity through substantial care and guarantee, as well as colourful staff activities.

- **Staff care**

  We are committed to fostering a workplace environment that facilitates employee growth and development, and take heed of employees' voices. We regularly organize employee activities to cultivate an atmosphere of equality, openness, transparency, comprehensive sharing, unity, and harmony. This helps to enhance employees' sense of belonging, growth potential, and cohesion within the team.

Staff communication	• Organise regular meetings of the Company and its departments: each department holds regular business communication meetings, performance review sessions, and management meetings based on business progress. This ensures smooth communication between different levels and aligns departmental work objectives; • Establish 1-on-1 feedback mechanism: managers are encouraged to hold regular 1-on-1 communication with employees, providing timely feedback on work experiences, suggestions, and concerns. This boosts employee engagement and facilitates efficient business operations; • Open channels of communication: staff feedback mailbox, staff satisfaction questionnaire, among other channels are set up to encourage employees to raise questions and share ideas and suggestions, so that staff experience company care, and that possible difficulties are timely resolved.

Staff care	•	Monthly birthday celebrations: monthly birthday parties will be held, featuring thoughtfully designed workplace activities that combine hands-on and cognitive challenges;
	•	Set up employee snack corners: snack corners are set up in each office area, providing healthy and nutritious afternoon snacks daily to help employees relieve work fatigue and maintain good health;
	•	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: lactation rooms, refrigerators and other convenient facilities are available for breastfeeding employees; rest benefits are offered to women on Women's Day.
Holidays celebration	•	Holiday gifts are prepared for employees on traditional Chinese festivals such as Spring Festival, Dragon Boat Festival and Mid – Autumn Festival.
	•	Activities are organised in distinguished festivals such as Children's Day and Women's Day, and activities such as enjoying lanterns, guess lantern riddles, and winning gifts will help staff feel the joy of homes while having a pleasure in traditional Chinese culture.

- **Cultural & sports activities**

  The Company actively organises various cultural and sports activities to promote a balance between work and life for employees. We regularly hold departmental team-building activities in various forms, such as skiing in Chongli, summer beach events in Qinhuangdao, cultural evenings and celebratory dinners to strengthen team cohesion, deepen mutual understanding among employees, and relieve work pressure. In addition, we organise group dinners for livestreamers irregularly to accelerate the integration of new livestreamers and enhance communication and collaboration between new and experienced livestreamers, thereby further strengthening the overall team cohesion.

Case **"Lantern Festival with Temple Charms and Dragon's Blessings (廟趣橫生，龍運元宵)" Activity**

On 23 February 2024, on the eve of the Lantern Festival, East Buy hosted an employee event themed "Lantern Festival with Temple Charms and Dragon's Blessings (廟趣橫生，龍運元宵)", aimed at evoking childhood reminiscences and providing an experience of Beijing's traditional folk culture. The event featured traditional activities such as lantern riddle quiz, fan painting, dough figurines crafting and candied hawthorns tasting, allowing employees to feel the festive atmosphere and charm of traditional culture. Hot yuanxiao and festive greetings from the Company were also prepared for the employees, further enhancing their sense of cohesion and belonging.

5. JOIN HANDS TO CREATE INDUSTRY VALUE

5.1 Responsible procurement

East Buy always values long-term cooperation and mutual growth with suppliers, fully integrating the concept of sustainable development into supply chain management. The Company engages in full process management of suppliers, empowering them to actively fulfill social responsibilities and minimize supply chain risks.

- **Full process management of suppliers**
  The Company incorporates the ESG principles into the full process management of suppliers to ensure that their environmental, social and business ethics performance aligns with the Company's standards. Based on established policies, such as the Supplier Management System, Merchants Onboarding Standards and Regulations (商家入駐標準與規範), and Merchant Shipping Behaviour Norms (商家發貨行為規範), we actively carry out full process management of suppliers, working together with suppliers to reduce operational risks.

Supplier access	• Utilize the supplier management system to ensure that all supplier information is entered following strict standardized procedures; • Conduct real-time verification of the completeness and consistency of supplier access information, and deny access to those with non-compliant information; • Require suppliers to provide relevant certifications such as ISO 22000, HACCP, or BRC food management systems in the process of supplier introduction; • Lower entry barriers for small and micro enterprises (SMEs), encouraging and prioritizing those with local characteristics to join the platform.
Supplier daily management	• For third-party products, suppliers are subject to regular and random sampling inspections, and third-party testing institutions are introduced to carry out quality checks. Once problems are detected, the products will be removed immediately; • For private label 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	•	Take immediate action to suspend business dealings with any suppliers that are found to have any negative impact on the environment in their operations;
	•	Provide specific rectification suggestions and capacity-building support to suppliers, assisting them in developing and implementing environmental improvement plans.
Supplier exit	•	Clearly define the conditions, procedures and consequences for suppliers exiting the platform, ensuring that the termination of contracts between the suppliers and the platform is legal and transparent.

Case Moderately relaxing qualification requirements to encourage the Entry of SMEs

The Company encourages and prioritises SMEs with local characteristics to join the platform, particularly those that showcase regional culture and traditional craftsmanship. The Company first conducts a local characteristic assessment for SME applicants, including product uniqueness, cultural value and craftsmanship heritage, to ensure they meet the platform's specialty product standards. At the same time, the Company requires government-endorsed SMEs to provide official documents or certificates that verify their legal qualifications and good standing, ensuring the authenticity and reliability of product sources and creating a trustworthy shopping environment for consumers.

For primary agricultural product suppliers, the Company has established a downgrading mechanism, moderately relaxing some qualification requirements to encourage more high-quality agricultural products to enter the platform, with a view to supporting agricultural development and rural revitalization. On the other hand, the Company insists on compliance reviews, requiring all companies to strictly comply with national laws and regulations, including but not limited to food safety, environmental standards, and intellectual property protection. Through these rigorous admission standards and ongoing supervision, we aim to provide consumers with a richer, safer and more reliable shopping experience.

- **Supplier empowerment training**
  In promoting sustainable supply chain management and supplier empowerment, the Company has meticulously designed a comprehensive training system for onboarding, product management, and order and after-sales processing to ensures that suppliers can successfully integrate into the platform and operate efficiently.

  1) *Supplier Onboarding and Compliance Training*

     - Onboarding Process Guidance: Provide detailed step-by-step guidance for onboarding to ensure suppliers understand and adhere to platform rules, facilitating a smooth onboarding process.

  2) *Product Management and Compliance Training*

     - Product Submission Form Training: Guide merchants on accurately completing the product submission forms according to the platform's product submission requirements, and submitting them for selection meetings to ensure products meet platform sales standards.

     - Product Information Entry Assistance: Train merchants on how to create new products in the backend system and fill in product information accurately and comprehensively according to the system templates, thereby enhancing consumer trust.

     - Inventory Management Training: Offer inventory management training to help merchants achieve precise inventory management, reducing the risks of overstock and stockouts.

3) *Order and After-Sales Processing Training*

- Order Reception and Confirmation Guidance: Train merchants on the order reception process in the backend system, ensuring the timeliness and accuracy of order processing.

- After-Sales Order Processing Training: Provide training on the after-sales order processing workflow, helping merchants improve customer satisfaction and reduce after-sales disputes.

East Buy's Training and Guidance for Suppliers

- **Green Procurement of Raw Materials**

  East Buy integrates the green concept into traditional supply chain management, focusing on promoting green procurement. The Company considers the selection of green raw materials for production activities of the suppliers, the use of eco-friendly packaging materials, and green certifications as key factors when selecting suppliers, which will continue to advance the green production levels of its suppliers.

  To select primary agricultural product suppliers, the Company prioritizes those that employ organic or natural farming methods, reducing chemical pollution to the environment at the source and ensuring the ecological friendliness of agricultural products and consumer health. In addition, we engage third-party testing institutions to enforce strict quality control over agricultural products, ensuring that they not only meet health standards but also achieve the goal of zero environmental pollution.

  In terms of eco-friendly packaging materials, the Company encourages and guides suppliers to adopt green packaging solutions, such as biodegradable materials and recyclable materials, to reduce the use of single-use plastics, as part of the efforts to promote a circular economy in the packaging industry. Simultaneously, we collaborate with suppliers to explore innovative packaging technologies aimed at reducing packaging waste and conserving natural resources.

  As regards third-party certifications and collaborations, the Company encourages suppliers to obtain internationally recognized environmental certifications and gives priority to products that hold China's green food certification, such as the Green Food label, Forest Stewardship Council (FSC) certification, and green packaging certification.

Key performance table — Supply chain management:

Indicators	Unit	FY2024
Third-party product suppliers		
Total number of suppliers	(quantity)	27,342
Number of suppliers by geographical region		
Guangdong	(quantity)	3,672
Zhejiang	(quantity)	3,354
Shanghai	(quantity)	2,040
Beijing	(quantity)	1,441
Shandong	(quantity)	1,569
Jiangsu	(quantity)	1,361
Fujian	(quantity)	1,404
Sichuan	(quantity)	707
Yunnan	(quantity)	517
Henan	(quantity)	962
Anhui	(quantity)	1,108
Hebei	(quantity)	924
Other regions	(quantity)	8,283
Number of suppliers where the practices are being implemented	(quantity)	27,342
Annual evaluation rate of best practices implemented over suppliers	(%)	100
Private labels product suppliers		
Total number of suppliers	(quantity)	213
Number of suppliers by geographical region		
Shandong	(quantity)	23
Guangdong	(quantity)	29
Fujian	(quantity)	13
Jiangsu	(quantity)	14
Anhui	(quantity)	16
Zhejiang	(quantity)	21
Other regions	(quantity)	97
Number of suppliers where the practices are being implemented	(quantity)	213
Annual evaluation rate of best practices implemented over suppliers	(%)	100

5.2 Ecological chain cooperation

East Buy actively promotes industry-university-research cooperation by engaging in collaborations with upstream and downstream supply chain enterprises, scientific research institutions and universities, and seeking deep cooperation opportunities in project research and talent cultivation to promote the progress and development of the industry.

Cooperation with upstream supply chain enterprises. The Company has established deep partnerships with upstream supply chain companies. Our product personnel not only regularly visit the source factories, working alongside laboratory personnel to refine raw materials and formulations, but also achieve precise coordination of raw materials and additives through continuous communication and experimentation. This full-chain cooperation from source to end-product ensures the exceptional quality and unique flavour of each product, meeting consumers' demands for a high-quality lifestyle.

Cooperation with downstream supply chain enterprises. To enhance logistics efficiency and service quality, we actively collaborate with industry-leading logistics and warehousing enterprises, establishing a nationwide warehousing network. Currently, the Company has completed the construction of 40 warehouses across ten cities, including Beijing, Guangzhou, Zhengzhou and Suzhou. Our delivery under normal temperature covers 99% areas nationwide, while the cold chain delivery covers 97% areas nationwide.

Cooperation with scientific research institutions. The Company collaborates with renowned domestic testing institutions to conduct comprehensive testing on agricultural products, especially fruits and tea, for pesticide residues, heavy metals, and other safety aspects, to ensure the safety of the products. Deep-processed products undergo regular type inspections to ensure compliance with applicable standards.

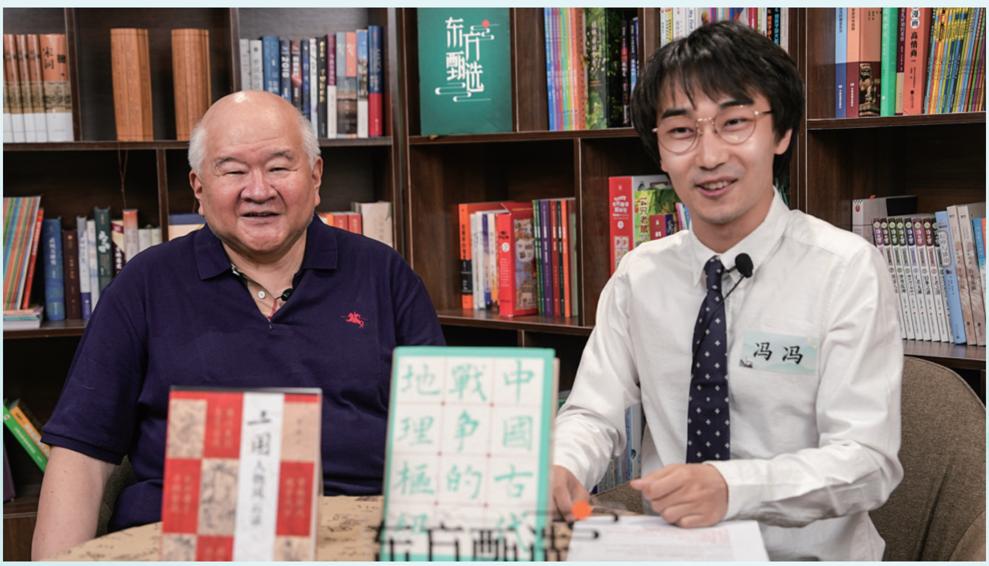
6. FULFILL RESPONSIBILITY FOR A BETTER SOCIETY

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 promotes the concept of reading and healthy living for all people, seamlessly integrating product promotion with knowledge dissemination, cultural promotion and healthy living concept. It invites cultural experts from all walks of life to participate, driving the development of high-value content in science popularization, culture, and art.

Case Interpretation of China's geographic and historical changes in livestreaming room

Song Jie (宋傑), a renowned historical geographer, joined the "East Buy's Books (東方甄選之圖書)" livestreaming room, bringing his works "Geographical Hubs of Ancient Chinese Warfare (中國古代戰爭的地理樞紐)" and "Biographies of Figures from the Three Kingdoms (三國人物風雲錄)". Together with the livestreamer Feng Feng (馮馮), they engaged in an insightful discussion about China's geography and history. Through this livestreaming, Mr. Song Jie (宋傑) helped many viewers unravel numerous historical mysteries and guided them through the extensive history of the shifting landscapes and the ebb and flow of mountains, rivers, lakes, and seas.



6.2 Carrying forward traditional culture

East Buy actively leverages its platform to guide and promote Chinese traditional culture, including intangible cultural heritage. In December 2023, East Buy Culture and Tourism (東方甄選文旅) was officially launched. Currently, the Company primarily focuses on promoting intangible cultural heritage through regular livestreaming events, outdoor livestreaming events and cultural and tourism live sessions. In the future, East Buy plans to further promote traditional culture by launching cultural and tourism products on its APP and organising specialised cultural and tourism livestreaming events to facilitate the dissemination of traditional culture.

Case **Cultural and tourism resources take the "centre stage" of livestreaming room**

During a special event in Hebei, East Buy's livestreaming e-commerce team ingeniously integrated Hebei's rich intangible cultural heritage with its cultural and tourism resources, presenting a visual and cultural feast for viewers. We not only deeply explored and showcased the unique charm of intangible cultural heritage projects such as Tang's Puhua bamboo flute production techniques (唐普化尺八製作技藝), Dingxing Beijing Embroidery (定興京繡) and Dingzhou tapestry weaving skills (定州緙絲織造技藝), but also brought the audience to 25 cultural and tourism sites in Hebei through live-streaming footage. These sessions provided in-depth introductions to local historical sites, making Hebei's cultural and tourism resources the "centre stage" of the livestreaming room.

The deep engagement between East Buy's livestreaming e-commerce team and Hebei has highlighted the charm and vitality of China's intangible cultural heritage. Amidst the resounding beats of gongs and drums, performances of intangible cultural heritage such as Xushui's lion dance, Cangzhou's martial arts, Changshan war-drum (常山戰鼓), and Qingyuan dragon lanterns (清苑龍燈), took place on the stage. These performances not only underscored the rich cultural heritage of the Hebei region but also reflected the East Buy team's respect and commitment to promoting intangible cultural heritage.

Case East Buy launched Chinese-Style Apparel

The Company extracted iconic elements from traditional Chinese clothing, such as mandarin collars (立領), front-opening (對襟), Chinese knot button (盤扣), slant opening (斜襟) and cloud collar (雲肩), and cleverly integrates them into modern clothing designs. Using modern tailoring techniques, traditional Chinese clothing is modified to create styles that are both comfortable and in line with contemporary aesthetics, such as adjusting waistlines and sleeve lengths to suit modern wearing habits.

In terms of pattern design, the Company created patterns with distinctive Chinese characteristics, such as Chinese-style floral motifs, dragons and phoenixes and landscape paintings, and reinterpreted them with a modern aesthetic to align with the visual effects of modern clothing.

In terms of colour, the Company employed traditional Chinese colours such as imperial red (宮廷紅), ink black (墨黑) and jade white (玉白), combined with modern popular colours, to create colour schemes that are rich in cultural heritage yet fashionable. By incorporating stories or elements of Chinese traditional culture into the designs, each piece of clothing carries unique cultural significance and a story background.

Wangshuqing(望舒清)

Shuitian Qingbi (水天青碧)

6.3 Contribute to the revitalization of the rural areas

In the grand blueprint of the national strategy for rural revitalization, East Buy has actively responded to the call by accepting sincere invitations from governments at all levels to delve into the agricultural production sites in various provinces and cities, becoming a bridge connecting local specialty products with vast markets. Upholding its commitment to in-depth sourcing, the Company closely collaborated with local agricultural enterprises, helping them break geographical barriers and expand sales channels. Furthermore, through our platform, we have brought unprecedented market opportunities and growth space for local enterprises.

Case East Buy eased the overstock problem of Rosa Roxburghii Tratt juice (刺梨汁) and promoted farmers' income growth

Through its unique live-streaming sales model, East Buy has deeply cultivated the fruit products and primary agricultural products sectors, actively responding to the call for rural revitalization and supporting agricultural development in multiple regions.

Faced with the issue of oversupply and sluggish sales of Rosa Roxburghii Tratt juice (刺梨汁) in Guizhou, East Buy successfully transformed it into a popular product by selling Rosa Roxburghii Tratt juice (刺梨汁) under its own brand. Since its launch, the sales of the Rosa Roxburghii Tratt juice (刺梨汁) have continued to grow, reaching a cumulative 200,000 boxes sold by the end of May this year. This has brought unprecedented attention and vitality to the Rosa Roxburghii Tratt industry in Guizhou, effectively alleviating the sales bottleneck and boosting both farmers' incomes and business profitability.

Case East Buy supported the blueberry planting industry[8], driving local economic development

As the core production area for blueberries in China, Yunnan benefits from its exceptional natural conditions, such as vast mountainous plateaus, abundant sunshine and significant diurnal temperature variation, yielding blueberries that are rich in sugar and have a unique flavour. Representing Yunnan's production, East Buy's private label blueberries from Mengzi are delivered fresh from branch to table, achieving sales of over RMB20 million during the harvest season. In particular, a single origin traceability live-streaming session recorded sales exceeding RMB6.5 million, highlighting the strong market demand for high-quality blueberries.

However, with the increasing diversity of varieties and origins, the standardized production process for blueberries, a thin-skinned and fragile berry, still requires improvement. In response, the Company employs a three-stage manual process to control product quality. Behind this effort is a team of experienced pickers, most of whom are local ethnic minority women capable of carefully selecting 20 kilograms of fruit daily. During the peak harvest season from March to April, more than 500 women work together to harvest blueberries across thousands of mus of farmland. The harvest season resulted in a cumulative sale of 250,000 orders, totaling 125 tonnes of blueberries, and over RMB8 million paid in wages to local workers. These ethnic minority women have not only enhanced their professional skills by learning advanced picking and sorting techniques but have also provided stable income for their families, becoming an indispensable force in the journey of rural revitalization.

8 The FY2023 ESG report disclosed the case of East Buy assisting in the sale of wild blueberry syrup. This year, we traced back to the upstream blueberry planting, providing a comprehensive showcase of our journey to support local farmers.

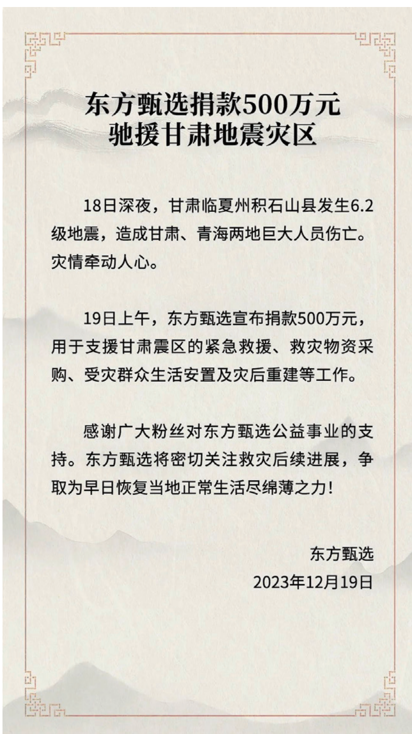
6.4 Practicing public welfare and charity

In FY2024, East Buy continued to actively fulfill its social responsibilities and engage in public welfare and charity, and our concrete actions demonstrated the Company's social commitment and humanistic care. The Company encourages its employees to participate in public welfare and charitable events and promises to donate all user rewards from livestreaming room to public welfare causes.

In addition, in order to better serve the healthy growth of young people, East Buy 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 and innovate public welfare projects focusing on youth and rural revitalization, as well as donations for earthquake relief.

On 3 August 2023, East Buy donated RMB3 million to disaster-stricken areas in Beijing, Tianjin and Hebei to support post-disaster reconstruction efforts following the heavy rainfall caused by Typhoon "Doksuri".

On 19 December 2023, East Buy donated RMB5 million to support emergency rescue, relief supplies, resettlement of affected residents and post-disaster reconstruction in the earthquake-hit areas of Gansu.



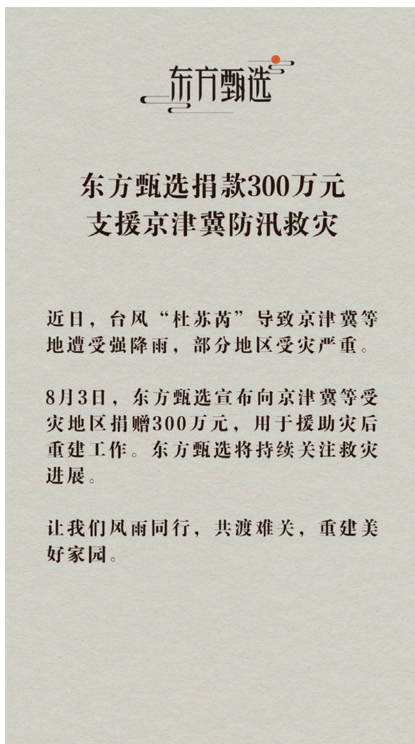
东方甄选捐款500万元
驰援甘肃地震灾区

18日深夜，甘肃临夏州积石山县发生6.2级地震，造成甘肃、青海两地巨大人员伤亡。灾情牵动人心。

19日上午，东方甄选宣布捐款500万元，用于支援甘肃震区的紧急救援、救灾物资采购、受灾群众生活安置及灾后重建等工作。

感谢广大粉丝对东方甄选公益事业的支持。东方甄选将密切关注救灾后续进展，争取为早日恢复当地正常生活尽绵薄之力！

东方甄选
2023年12月19日



东方甄选

东方甄选捐款300万元
支援京津冀防汛救灾

近日，台风"杜苏芮"导致京津冀等地遭受强降雨，部分地区受灾严重。

8月3日，东方甄选宣布向京津冀等受灾地区捐赠300万元，用于援助灾后重建工作。东方甄选将持续关注救灾进展。

让我们风雨同行，共渡难关，重建美好家园。

East Buy donated RMB5 million to the earthquake-hit areas of Gansu and RMB3 million to disaster-stricken areas in Beijing, Tianjin and Hebei

Case All 14 village school libraries established by East Buy recently put into use

After the "9•5 Luding Earthquake", East Buy proactively contacted the China Guanghua Foundation to help the disaster-affected people rebuild their homes. After conducting on-site research, East Buy and the China Guanghua Foundation decided to build 14 "DONG FANG ZHEN XUAN • Reading Space" libraries in Luding County, Shimian County, Kangding County and Xide County in Sichuan Province.

Recently, all 14 village school libraries have been put into use, with a donation of 99,773 books that will benefit over 12,000 children.

Key performance table — Community Investment:

Indicators	Unit	FY2024	FY2023	FY2022
Number of public welfare campaigns	(session)	363	361	216
Investment in public welfare campaigns	(RMB million)	8	2	/
Number of staff participating in public welfare campaigns	(times/person)	2,162	2,239	2,308
Hours spent by staff in participating in public welfare campaigns	(hours)	421	409	273

ESG INDICATOR INDEX

No.	Indicator Description	Section
A1 Emissions	General Disclosure	2.1
	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.	
	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	2.2
	Policies on the efficient use of resources, including energy, water and other raw materials.	
	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.	2.1, 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, 4.3

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.	4.1
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years, including the reporting year.	4.1
	B2.2 Lost days due to work injury.	4.1
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.1
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 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.	4.1
	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 Policies on managing environmental and social risks of the supply chain.	5.1
	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, 5.2
	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

No.	Indicator Description	Section
	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
	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

INDEPENDENT AUDITOR'S REPORT

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 148 to 241, which comprise the consolidated statement of financial position as at 31 May 2024, 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 material accounting policy information and other explanatory information.

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 2024, 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 RMB5,147 million which represented 79% of the total revenues from continuing operation of the Group for the year ended 31 May 2024. 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 delivered and title is passed 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 goods sold. Revenue is recognised when the goods are delivered and title is passed to customers, 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
23 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2024

	NOTES	2024 RMB'000	2023 RMB'000 (Restated)
Continuing operations			
Revenue	5	6,525,551	3,880,909
Cost of revenue		(4,833,540)	(2,397,547)
Gross profit		1,692,011	1,483,362
Other income, gains and losses	7	138,077	113,417
Impairment losses recognised under expected credit loss model, net	20	(4,713)	(750)
Selling and marketing expenses		(866,068)	(315,515)
Research and development expenses		(131,593)	(65,290)
Administrative expenses		(395,616)	(144,529)
Share of results of associates	17	3,786	(12,764)
Finance costs		(2,159)	(1,462)
Profit before tax		433,725	1,056,469
Income tax expense	8	(184,580)	(257,270)
Profit for the year from continuing operations		249,145	799,199
Discontinued operations			
Profit for the year from discontinued operations	9	1,470,363	172,087
Profit for the year	10	1,719,508	971,286
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		23	(243)
Profit and total comprehensive income for the year		1,719,531	971,043
Profit for the year attributable to owners of the Company			
– from continuing operations		249,140	799,199
– from discontinued operations		1,470,363	172,087
		1,719,503	971,286
Profit for the year attributable to non-controlling interests			
– from continuing operations		5	–
		5	–
		1,719,508	971,286

	NOTES	2024 RMB'000	2023 RMB'000 (Restated)
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**1,719,526**	971,043
Non-controlling interests		**5**	–
		1,719,531	971,043
Profit and total comprehensive income for the year attributable to owners of the Company			
– from continuing operations		**249,163**	798,956
– from discontinued operations		**1,470,363**	172,087
		1,719,526	971,043
Earnings per share			
From continuing and discontinued operations			
– Basic (RMB)	13	**1.68**	0.97
– Diluted (RMB)		**1.61**	0.91
From continuing operations			
– Basic (RMB)	13	**0.24**	0.80
– Diluted (RMB)		**0.23**	0.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MAY 2024

	NOTES	At 31 May 2024 RMB'000	2023 RMB'000
Non-current Assets			
Property and equipment	15	43,202	34,057
Right-of-use assets	16	98,972	54,389
Interests in associates	17	73,225	138,423
Financial assets at fair value through profit or loss	18	94,889	102,576
Deferred tax assets	29	54,721	83,265
Deposits for acquisition of property and equipment		1,480	569
Refundable rental deposits		11,143	2,743
		377,632	416,022
Current Assets			
Inventories	19	422,341	140,952
Trade and other receivables	20	893,582	218,972
Prepayments	22	133,613	77,308
Financial assets at fair value through profit or loss	18	1,250,338	1,037,402
Term deposits	23	1,079,420	796,895
Restricted bank deposits	23	122,129	250
Cash and cash equivalents	23	2,262,464	1,165,137
		6,163,887	3,436,916
Current Liabilities			
Lease liabilities	27	36,710	33,074
Contract liabilities	24	49,595	253,522
Refund liabilities		4,410	27,665
Trade payables	25	611,886	335,263
Accrued expenses and other payables	26	688,219	336,248
Income tax payables		122,079	43,057
		1,512,899	1,028,829
Net current assets		4,650,988	2,408,087
Total assets less current liabilities		5,028,620	2,824,109

	NOTES	At 31 May 2024 RMB'000	2023 RMB'000
Capital and Reserves			
Share capital	28	133	131
Reserves		4,969,083	2,803,677
Equity attributable to owners of the Company		4,969,216	2,803,808
Non-controlling interests		405	–
Total equity		4,969,621	2,803,808
Non-current Liabilities			
Deferred tax liabilities	29	900	2,379
Lease liabilities	27	58,099	17,922
		58,999	20,301
Net assets		4,969,621	2,803,808

The consolidated financial statements on pages 148 to 241 were approved and authorised for issue by the board of directors of the Company (the "Directors") on 23 August 2024 and are signed on its behalf by:

Yu Minhong
Director

Yin Qiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2024

	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) profit RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 June 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 30)	–	–	–	–	103,667	–	–	103,667	–	103,667
Exercise of share options (Note 28)	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

	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) profit RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Profit for the year	–	–	–	–	–	–	1,719,503	1,719,503	5	1,719,508
Other comprehensive income for the year	–	–	–	23	–	–	–	23	–	23
Profit and total comprehensive income for the year	–	–	–	23	–	–	1,719,503	1,719,526	5	1,719,531
Recognition of equity-settled share-based payments (Note 30)	–	–	–	–	417,908	–	–	417,908	–	417,908
Exercise of share options (Note 28)	1	41,430	–	–	(13,457)	–	–	27,974	–	27,974
Vest of share awards (Note 28)	1	312,979	–	–	(312,980)	–	–	–	–	–
Establishment of a subsidiary	–	–	–	–	–	–	–	–	400	400
Transfer to statutory reserve	–	–	23,282	–	–	–	(23,282)	–	–	–
Changes in equity for the year	2	354,409	23,282	–	91,471	–	(23,282)	445,882	400	446,282
At 31 May 2024	**133**	**4,503,904**	**120,974**	**–**	**309,885**	**(140,767)**	**175,087**	**4,969,216**	**405**	**4,969,621**

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 2024

	NOTES	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES			
Profit before tax			
– from continuing operations		**433,725**	1,056,469
– from discontinued operations	9	**1,588,354**	116,245
		2,022,079	1,172,714
Adjustments for:			
Depreciation of property and equipment		**21,908**	18,010
Depreciation of right-of-use assets		**41,040**	27,726
(Gain) loss on disposal of property and equipment		**(1,182)**	749
Impairment losses recognised under expected credit loss model, net		**6,197**	799
Impairment loss on interests in associates		**–**	26,941
Share-based compensation expenses		**417,908**	103,667
Interest income from bank balances		**(35,501)**	(11,945)
Interest income from term deposits		**(41,342)**	(20,321)
Interest income from rental deposits		**(563)**	(385)
Finance costs		**2,366**	1,689
Gain on early termination of lease contracts		**(534)**	(1,126)
Net foreign exchange gain		**(9,440)**	(78,681)
Loss (Gain) on fair value changes of financial assets at fair value through profit or loss ("FVTPL")		**3,354**	(2,123)
Share of results of associates		**(3,786)**	12,764
Loss on disposal of FVTPL (Non-current)		**23**	–
Gain on disposal of education business		**(1,480,575)**	–
Operating cash flows before movements in working capital		**941,952**	1,250,478
Increase in inventories		**(281,389)**	(136,319)
Increase in trade and other receivables		**(125,855)**	(182,203)
Increase in prepayments		**(76,762)**	(16,979)
(Decrease) increase in contract liabilities		**(80,704)**	90,282
(Decrease) increase in refund liabilities		**(712)**	13,739
Increase in trade payables		**295,837**	311,665
Increase in accrued expenses and other payables		**320,316**	166,695
Cash from operating activities		**992,683**	1,497,358
Income tax paid		**(172,096)**	(244,873)
Interest received		**35,501**	11,945
NET CASH FROM OPERATING ACTIVITIES		**856,088**	1,264,430

	NOTES	2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through profit or loss		3,004,219	1,707,320
Purchases of financial assets at fair value through profit or loss		(3,200,613)	(2,386,697)
Proceeds on disposal of property and equipment		1,901	240
Interest received from term deposits		43,311	14,295
Purchases of property and equipment		(35,858)	(12,827)
Payments for rental deposits		(13,255)	(4,524)
Refund of rental deposits		3,738	9,883
Placement of term deposits		(2,100,211)	(1,300,887)
Withdrawal of term deposits		1,771,905	1,235,901
Net cash inflow on disposal of education business	32	849,495	–
Placement of restricted bank deposits		(121,879)	(250)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		202,753	(737,546)
FINANCING ACTIVITIES			
Proceeds from issuance of shares upon exercise of share options		27,968	88,090
Repayments of lease liabilities		(43,136)	(32,446)
Capital contribution from non-controlling interests		400	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(14,768)	55,644
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,044,073	582,528
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,165,137	547,445
Effect of exchange rate changes		53,254	35,164
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,262,464	1,165,137

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

East Buy 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 operating livestreaming e-commerce business for sales of private label products to individual customers and provision of commission services. The Group provided online education services to college students and other occupational people in the People's Republic of China (the "PRC") and provided education and related services to institutional customers such as public libraries and universities in the PRC (such education businesses had been disposed of on 1 March 2024 (Note 9)).

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 21 November 2023, The board of directors of the Company approved the proposed disposal of the education business (the "Disposal") to the Company's parent company, New Oriental Group. The Disposal is part of a business re-delineation by the New Oriental Group to more clearly separate its business lines and better align its business segments with the environment in which it operates. On 18 January 2024, the Disposal was approved by the shareholders in the extraordinary general meeting. The Group disposed of its education business on 1 March 2024, which were presented as discontinued operations in the consolidated financial statements (Note 9). Accordingly, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 May 2023 has been restated to present such businesses as discontinued operations.

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") and Beijing Kuxue Huisi Network Technology Co., Ltd. ("Kuxue Huisi") (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 payments due to Dexin Dongfang and to secure performance of Beijing Xuncheng's and 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. On 1 March 2024, Kuxue Huisi was disposed of to New Oriental Group as part of the Disposal (Note 32).

Total assets of the Consolidated Affiliated Entities were RMB3,412,362,000 as of 31 May 2024 (31 May 2023: RMB2,402,392,000) and these balances have been reflected in the Group's consolidated financial statements after intragroup eliminations.

Total revenue of the Consolidated Affiliated Entities was RMB7,072,564,000 for the year ended 31 May 2024 (2023：RMB4,509,849,000) and these amounts have been reflected in the Group's consolidated financial statements after intragroup eliminations.

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 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The 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:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards Volume 11[4]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[4]
IFRS 18	Presentation and Disclosure in Financial Statements[5]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025
4 Effective for annual periods beginning on or after 1 January 2026
5 Effective for annual periods beginning on or after 1 January 2027

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance 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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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 determined 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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 determining 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 goods are delivered and title is passed 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 sold. Revenue is recognised when goods are delivered and title is passed to a customer, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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".

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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 recognised 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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 lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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.

Restricted cash

Restricted cash represents mainly cash received from consumers and deposited in a special bank account reserved for payments to merchants.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL 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

On 10 May 2018, to comply with the relevant laws and regulations in the PRC which prohibit or restrict foreign ownership of the companies where the PRC operating licenses are required, Dexin Dongfang has entered into the Contractual Arrangements with the Consolidated Affiliated Entities (see Note 1) and their respective equity holders. 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 2024.

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 2024, the carrying amounts of the investments in unlisted equity securities classified as financial assets at FVTPL are RMB94,889,000 (2023: RMB102,576,000). 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	
	2024	2023
	RMB'000	RMB'000
		(Restated)
Timing of revenue recognition		
Over time	**17,527**	942
At a point in time	**6,508,024**	3,879,967
Total	**6,525,551**	3,880,909
Type of revenue		
Sales of products	**5,147,293**	2,634,274
Service revenue and others	**1,378,258**	1,246,635
Total	**6,525,551**	3,880,909

All revenues of the Group from continuing operations were generated from private label products, livestreaming e-commerce and other related services.

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 college and above students and adults ("College Education") and online education service targeted to institutional customers ("Institutional Customers") were discontinued during the year ended 31 May 2024, information of which hence were not reported here. Irrespective of the discontinued business, the Group mainly operates online live commerce with private label products sold to individual customers and provision of commission services for the two years ended 31 May 2024, the CODM assesses the operating performance and allocates resources of continuing operations of the Group as a whole, as all of the Group's continuing activities are considered to be online live commerce business. Accordingly, the Directors consider there is only one operating segment under the requirements of IFRS 8.

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 2024 (2023: Nil).

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 May	
	2024	2023
	RMB'000	RMB'000
		(Restated)
Continuing operations		
Government grants[i]	53,991	26,388
Interest income from term deposits	41,277	20,119
Interest income from bank balances	34,565	11,703
Interest income from rental deposits	516	346
Net foreign exchange gain	9,896	77,894
Loss on fair value changes of financial assets at FVTPL	(4,419)	(97)
Impairment loss on interests in associates (Note 17)	–	(26,941)
Others	2,251	4,005
	138,077	113,417

Note:

(i) Government grants amounted to RMB53,991,000(2023: RMB26,388,000) 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.

8. INCOME TAX EXPENSE

	Year ended 31 May	
	2024	2023
	RMB'000	RMB'000
		(Restated)
Continuing operations		
Current tax:		
PRC enterprise income tax	**213,358**	286,131
Deferred tax (Note 29)	**(28,778)**	(28,861)
	184,580	257,270

The Company was incorporated in the Cayman Islands. It is 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 2024 (2023: 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 2023, Beijing Xuncheng renewed the certificate of the HNTE status and enjoy the preferential tax rate of 15% from calendar year 2023 to 2025. In 2023, Dexin Dongfang renewed the HNTE status and enjoy the preferential tax rate of 15% from calendar year 2023 to 2025. Considering Beijing Xuncheng and Dexin Dongfang didn't meet some criteria for HNTE in the year ended 31 May 2024, the statutory tax rate of Beijing Xuncheng and Dexin Dongfang for the year ended 31 May 2024 is 25%. 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 as announced in March 2023.

8. INCOME TAX EXPENSE (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% during the year ended 31 May 2024 (2023: 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 RMB1,019,978,000(2023: RMB810,855,000) 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 for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 May	
	2024	2023
	RMB'000	RMB'000
		(Restated)
Profit before tax from continuing operations	**433,725**	1,056,469
Tax at applicable income tax rate of 25% (2023: 25%)	**108,430**	264,117
Tax effect of disposal and share of results of associates	**2,870**	3,191
Tax effect of taxable temporary differences previously not recognised	**–**	(3)
Tax effect of expenses not deductible for tax purposes	**23,445**	117,707
Tax effect of additional deduction on certain research and development expenses	**(22,116)**	(9,750)
Tax effect of tax losses and deductible temporary differences not recognised	**125,972**	74,326
Utilisation of tax losses and deductible temporary differences previously not recognised	**(35,984)**	(208,026)
Effect of different tax rates of PRC subsidiaries	**(20,256)**	86,205
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,219**	(70,497)
Income tax expense for the year (relating to continuing operations)	**184,580**	257,270

Note:

The domestic tax rate of 25% (2023: 25%) which is the statutory tax rate of the PRC where the operation of the Group is substantially based for the year ended 31 May 2024 is used.

9. DISCONTINUED OPERATIONS

On 21 November 2023, the Group entered into a disposal agreement with New Oriental Group to dispose of its education business (the "Disposal Agreement"), which carried out all of the Group's education operations.

The disposal of education business is part of a business re-delineation by the New Oriental Group to more clearly separate its business lines and better align its business segments with the environment in which it operates. The disposal was completed on 1 March 2024, on which date control of education businesses passed to the acquirer, New Oriental Group.

The profit for the period/year from the discontinued education operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the education business as a discontinued operation.

	From 1 June 2023 to 29 February 2024 RMB'000	Year ended 31 May 2023 RMB'000
Profit of education business for the period/year	**126,510**	172,087
Gain on disposal of education business (see note 32)	**1,480,575**	–
Income tax expense on gain of the disposal	**(136,722)**	–
	1,470,363	172,087

9. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued education operation for the period from 1 June 2023 to 29 February 2024, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	From 1 June 2023 to 29 February 2024 RMB'000	Year ended 31 May 2023 RMB'000
Revenue	547,013	628,940
Cost of revenue	(120,016)	(157,533)
Other income, gains and losses	(11,744)	3,734
Impairment losses recognised under expected credit loss model, net	(1,484)	(49)
Selling and marketing expenses	(278,221)	(304,756)
Research and development expenses	(22,932)	(44,177)
Administrative expenses	(4,630)	(9,687)
Finance costs	(207)	(227)
Profit before tax	107,779	116,245
Income tax credit	18,731	55,842
Profit for the period/year	126,510	172,087

9. DISCONTINUED OPERATIONS (Continued)

Profit for the period/year from discontinued operations has been arrived at after charging (crediting) the following items:

	From 1 June 2023 to 29 February 2024 RMB'000	Year ended 31 May 2023 RMB'000
Staff cost		
– Salaries, allowances and benefits in kind	**191,355**	237,176
– Retirement benefit scheme contributions	**14,824**	19,514
– Equity-settled share-based payments	**953**	1,138
Total staff cost	**207,132**	257,828
Depreciation of property and equipment	**1,580**	1,311
Depreciation of right-of-use assets	**7,083**	11,441
Expense of short-term leases	**357**	–
Cash flows from discontinued operations		
Net cash outflows from operating activities	**(291,465)**	(350,415)
Net cash inflows from investing activities	**884,043**	22,954
Net cash outflows from financing activities	**(8,738)**	(13,552)

The carrying amounts of the assets and liabilities of education businesses at the date of disposal are disclosed in note 32.

10. PROFIT FOR THE YEAR

Profit for the year from continuing operations has been arrived at after charging the following items:

	Year ended 31 May	
	2024	2023
	RMB'000	RMB'000
		(Restated)
Staff cost, including directors' and chief executive's remuneration		
– Salaries, allowances and benefits in kind	**761,607**	355,915
– Retirement benefit scheme contributions	**42,558**	19,660
– Equity-settled share-based payments	**416,955**	102,529
Total staff cost	**1,221,120**	478,104
Depreciation of property and equipment	**20,328**	16,699
Depreciation of right-of-use assets	**33,957**	16,285
Expense of short-term leases	**4,186**	1,158
Auditor's remuneration(i)	**5,180**	4,250

Note:

(i) During the year ended 31 May 2024, auditor's remuneration includes RMB3,980,000 (2023: RMB3,250,000) in relation to annual audit and RMB1,200,000 (2023: RMB1,000,000) 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 2024

	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. Yu Minhong[ii] & [iii]	–	–	24,429	–	–	24,429
Mr. Sun Dongxu[iv]	4,944	–	28,621	38	–	33,603
Mr. Yin Qiang	558	1,201	10,319	44	–	12,122
Subtotal	5,502	1,201	63,369	82	–	70,154
Non-Executive Directors						
Ms. Sun Chang	–	–	256	–	–	256
Subtotal	–	–	256	–	–	256
Independent Non-Executive Directors						
Mr. Lin Zheying	–	–	–	–	180	180
Mr. Tong Sui Bau	–	–	–	–	180	180
Mr. Kwong Wai Sun Wilson	–	–	–	–	180	180
Subtotal	–	–	–	–	540	540
Total	5,502	1,201	63,625	82	540	70,950

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 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[iv]	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) & (v]	–	–	326	–	–	326
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)

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 and was appointed as the chief executive officer on 16 December 2023.

(iii) Excluding the equity-settled share-based expenses, the directors' emoluments were paid by New Oriental Group during both years.

(iv) Mr. Sun Dongxu was resignation as the chief executive officer on 16 December 2023. The disclosed emoluments of Mr. Sun Dongxu only covered the period from 1 June 2023 through 16 December 2023.

(v) 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 2024, 30,000 (2023: 5,100,000) 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 2024, no (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 2024 include one director (2023: one). Details of the remuneration for the year ended 31 May 2024 of the four highest paid employees (2023: four) who are neither a director nor the chief executive of the Company as of 31 May 2024 are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	23,159	6,542
Performance related bonuses	247,769	17,622
Equity-settled share-based expenses[i]	167,831	37,894
Retirement benefits	259	105
Total	439,018	62,163

Note:

(i) During the year ended 31 May 2024, no equity-settled share-based expenses (2023: Nil) in relation to the cancellation of unvested share options of the Post-IPO Share Option Scheme and 2023 Scheme.

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:

	2024 No. of employees	2023 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$18,500,001 to HK$19,000,000	–	1
HK$31,500,001 to HK$32,000,000	1	–
HK$34,000,001 to HK$34,500,000	–	1
HK$48,000,001 to HK$48,500,000	1	–
HK$60,000,001 to HK$60,500,000	1	–
HK$340,500,001 to HK$341,000,000	1	–
Total	4	4

During the year ended 31 May 2024, 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 (2023: Nil).

13. EARNINGS PER SHARE

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operation attributable to owners of the Company is based on the following data:

	2024 RMB'000	2023 RMB'000 (Restated)
Earnings:		
Earnings for the year attributable to owners of the Company	**1,719,503**	971,286
Less:		
Profit for the year from discontinued operations attributable to owners of the Company	**1,470,363**	172,087
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	**249,140**	799,199

	2024	2023
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,017,636,860**	1,006,230,531
Effect of dilutive potential ordinary shares:		
Share options and share awards	**49,687,221**	58,271,111
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,067,324,081**	1,064,501,642

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2024 RMB'000	2023 RMB'000
Earnings:		
Earnings for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**1,719,503**	971,286

13. EARNINGS PER SHARE (Continued)

From continuing and discontinued operations (Continued)

The denominators used to calculate earnings per share of continuing and discontinued operations are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is RMB1.44 per share (2023: RMB0.17 per share) and diluted earnings per share for the discontinued operations is RMB1.38 per share (2023: RMB0.16 per share), based on the profit for the year from the discontinued operations of approximately RMB1,470 million (2023: RMB172 million) and the denominators detailed above for both basic and diluted earnings per share.

14. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 May 2024 (2023: 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	Transportation equipment RMB'000	Total RMB'000
COST					
At 1 June 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
Additions	32,294	4,174	929	–	37,397
Disposals	(18,253)	(2,297)	(2,844)	–	(23,394)
At 31 May 2024	**93,044**	**20,397**	**7,540**	**1,138**	**122,119**
DEPRECIATION AND IMPAIRMENT					
At 1 June 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
Provided for the year	16,579	3,666	1,555	108	21,908
Eliminated on disposals	(13,773)	(1,783)	(1,494)	–	(17,050)
At 31 May 2024	**58,433**	**15,221**	**5,092**	**171**	**78,917**
CARRYING VALUES					
At 31 May 2024	**34,611**	**5,176**	**2,448**	**967**	**43,202**
At 31 May 2023	23,376	5,182	4,424	1,075	34,057

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 2022	48,107
Additions	40,017
Decreases due to terminations	(6,009)
Depreciation charges	(27,726)
At 31 May 2023	54,389
Additions	102,422
Decreases due to terminations	(16,799)
Depreciation charges	(41,040)
At 31 May 2024	**98,972**
For the year ended 31 May 2023	
Expense relating to short-term leases	1,158
Total cash outflow for leases	33,604
For the year ended 31 May 2024	
Expense relating to short-term leases	**4,543**
Total cash outflow for leases	**47,679**

The Group leases buildings for its operations. Lease contracts were entered into for fixed terms of 2 year to 3 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 2024, 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 2024, 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 RMB534,000 (2023: RMB1,126,000) was recognised in other income, gains and losses.

Leases committed

As at 31 May 2024, the Group entered into one new lease for building that has not yet commenced, with a non-cancellable period for 3 years, the total future undiscounted cash flows over the non-cancellable period amounted to RMB1,620,000 (2023: Nil).

17. INTERESTS IN ASSOCIATES

Details of the Group's investment in associates are as follows:

	2024 RMB'000	2023 RMB'000
Cost of investment in associates	69,672	172,470
Share of results and other comprehensive income (expense)	3,553	(7,106)
Impairment loss[(a)]	–	(26,941)
	73,225	138,423

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		Proportion of voting rights held by the Group At 31 May		Principal activities
			2024	2023	2024	2023	
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") [(a)]	PRC	Beijing	–	22.77%	–	22.77%	Education business
Tianjin Xuncheng Shangyue Education and Technology Ltd. (天津迅程尚悅教育科技有限公司)	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伙企業(有限合夥))	PRC	Huoerguosi	49.00%	49.00%	49.00%	49.00%	Equity investment fund
Hone KTHL SMA, L.P. ("Hone") [(b)]	USA	Delaware	100.00%	100.00%	100.00%	100.00%	Equity investment fund

Notes:

(a) The Group's previously investment in Edutainment World's equity interest was accounted for as investment in an associate using equity method. On 1 June 2023, the Group entered into a new shareholder agreement (the "Agreement") with Edutainment World and its other shareholders which included certain preferred rights such as redemption rights and liquidation preference. The management of the Group concludes that such ordinary shares with preferential rights are not substantively the same as ordinary shares under the Agreement and accounted for the investment in Edutainment World as financial assets at FVTPL. On 22 January 2024, the Group transferred the interest in Edutainment World to the founder of Edutainment World at a consideration of approximately RMB33 million.

Edutainment World has incurred material loss and its performance is worse than expected for the year ended 31 May 2023, and an impairment loss of RMB26,941,000 was recognised for the investment during the year ended 31 May 2023.

(b) 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.

17. INTERESTS IN ASSOCIATES (Continued)

In the opinion of the directors of the Company, none of the individual investments in associates materially affected the results or net assets of the Group.

Aggregate information of associates that are not individually material

	2024 RMB'000	2023 RMB'000
The Group's share of profit (loss)	3,786	(12,764)
The Group's share of total comprehensive income (expense)	3,786	(12,764)
Aggregate carrying amount of the Group's interests in these associates	73,225	138,423

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Non-current assets		
Financial assets at FVTPL		
– Unlisted equity investments[(i)(ii)]	94,889	102,576
Current assets		
Financial assets at FVTPL		
– Wealth management products[(iii)]	1,250,338	1,037,402

Notes:

(i) The unlisted equity investments as at 31 May 2023 and 31 May 2024 is the Group's investments in ordinary shares with preferential rights of East Buy (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.

(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 2.70% to 3.99% (2023: 2.17% to 3.00%) per annum, and maturity period ranging from 1 day to 365 days (2023: 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 2024, the Group did not make any sales to EEO and Henan Oriental (2023: Nil).

During the year ended 31 May 2024, the Group did not make any purchases from EEO (2023: Nil) and made purchases from Henan Oriental amounting to RMB180,354,000 (2023: Nil).

19. INVENTORIES

	2024 RMB'000	2023 RMB'000
Products	**370,530**	114,688
Products in transit	**51,811**	26,264
	422,341	140,952

20. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**37,723**	48,381
Less: allowance for credit losses	**6,030**	10,454
	31,693	37,927
Other receivables:		
Amounts due from related parties	**544,508**	2,554
Receivables from third-party payment platforms	**260,659**	129,086
Receivables from founder of Edutainment World	**33,400**	–
Deductible input on VAT	**6,391**	6,448
Advances to employees	**2,747**	2,118
Rental deposits(i)	**1,207**	7,738
Receivables from government subsidy	**–**	26,152
Others	**12,977**	6,949
	861,889	181,045
Trade and other receivables	**893,582**	218,972

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:

	2024 RMB'000	2023 RMB'000
1-90 days	6,435	2,530
91-180 days	719	953
181 days-1 year	159	33,995
1-2 years	24,380	449
	31,693	37,927

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 2024, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB31,274,000 (2023: RMB45,840,000) which are past due. Out of the past due balance, RMB30,430,000 (2023: RMB34,503,000) 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, RMB7,237,000 as at 31 May 2024 (2023: RMB1,843,000) were amounts due from related parties (details as set out in Note 38), which were mainly 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 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
Changes due to financial instruments recognised as at 1 June 2023:			
Transfer to credit impaired	(124)	124	–
Impairment losses recognised, net	5,823	359	6,182
Write-offs	–	(10,621)	(10,621)
New financial assets originated	15	–	15
At 31 May 2024	**5,906**	**124**	**6,030**

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 RMB30,199,000 as at 31 May 2024 (2023: RMB39,710,000) 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 2024, trade receivables with carrying amount of RMB10,621,000 had been written off (2023: RMB1,660,000).

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 2024

	Expected credit loss rate %	Gross carrying amount RMB'000	Credit loss allowance RMB'000
Low risk type customers			
Trade receivables	**0.20**	**7,400**	**15**
Normal risk type customers			
Trade receivables	**9.20**	**–**	**–**
Credit-impaired customers			
Trade receivables	**100.00**	**124**	**124**

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

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 2024, the Group provided RMB139,000 (2023: RMB3,023,000) impairment allowance for trade receivables based on the provision matrix and impairment allowance of RMB5,891,000 (2023: RMB7,431,000) were made based on individual assessment.

There has been no change in the estimation technique or significant assumptions made during both years.

22. PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Prepaid to suppliers	50,710	25,537
Prepaid marketing expense	39,501	8,646
Prepaid daily expense	20,199	2,725
Prepaid property fee	1,529	2,487
Prepayments for packing materials	7,773	5,174
Prepaid office system fee	1,872	4,242
Prepaid courseware production costs	1,316	8,352
Prepaid rental expense	910	1,046
Prepaid teacher's commission fee and course fee	–	15,311
Others	9,803	3,788
	133,613	77,308

Included in prepayments, RMB507,000(2023: RMB5,000) were amounts due from related parties (details as set out in Note 38) as at 31 May 2024.

23. CASH AND CASH EQUIVALENTS, RESTRICTED CASH 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 4.43% (2023: 0.00% to 3.90%) per annum as at 31 May 2024.

Cash and cash equivalents that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2024 RMB'000	2023 RMB'000
HK$	90,593	424,415
United States dollars ("US$")	19,894	15,596

Restricted cash

Restricted cash represents cash received from consumers and deposited in a special bank account reserved for payments to merchants. As at 31 May 2024, such balances carry interest at a fixed rate of 0.2% per annum.

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 2024, term deposits carry fixed rate from 4.75% to 6.00% (2023: 2.00% to 5.51%) per annum.

Term deposits that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2024 RMB'000	2023 RMB'000
HK$	90,927	796,895
United States dollars ("US$")	988,493	–

24. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Contract liabilities in relation to:		
Membership fees	19,513	–
Membership points	14,658	58,741
Customers for livestreaming e-commerce service	8,391	–
Customers for advertising service	4,836	–
Students for online education service	–	168,903
Institutional customers for online education service	–	25,423
Others	2,197	455
	49,595	253,522

The following table shows how much of the revenue recognised for the year relates to carried-forward contract liabilities.

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
Students for online education service	136,711	129,567
Membership points	58,741	–
Institutional customers for online education service	23,218	23,003
Total	218,670	152,570

The following table shows the unsatisfied contracts at the end of the reporting period and the expected timing of recognising revenue.

	2024 RMB'000	2023 RMB'000
Expected to be recognised within one year:		
Membership fee	19,513	–
Membership points	14,658	58,741
Customers for livestreaming e-commerce service	8,391	–
Customers for advertising service	4,836	–
Students for online education service	–	158,750
Institutional customers for online education service	–	25,423
Others	2,197	455
Expected to be recognised over one year:		
Students for online education service and Institutional customers for online education service	–	10,153
Total	49,595	253,522

25. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	2024 RMB'000	2023 RMB'000
1-90 days	**451,753**	237,918
91-180 days	**144,900**	88,553
181 days-1 year	**14,478**	4,786
1 year-2 years	**755**	2,374
>2 years	**–**	1,632
	611,886	335,263

Included in trade payables, RMB19,672,000 as at 31 May 2024 (2023: RMB9,140,000) were amounts due to related parties (details as set out in Note 38), among which RMB10,894,000 (2023: RMB2,685,000) were aged 1-90 days, RMB2,714,000 (2023: RMB2,346,000) were aged 91-180 days, RMB5,399,000 (2023: RMB3,759,000) were aged 181 days-1 year, RMB665,000 (2023: RMB250,000) were aged 1 year-2 years, RMB nil (2023: RMB100,000) were aged over 2 years based on the invoice date.

26. ACCRUED EXPENSES AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Accrued payroll and welfare	256,501	173,709
Amounts due to related parties	133,757	13,330
Payment to merchant (Note 23)	121,443	–
Other tax payables	64,317	23,750
Accrued marketing expenses	33,385	20,067
Accrued office expenses	27,151	26,357
Accrued storage expenses	16,388	4,708
Payables for property and equipment	10,132	7,682
Refundable individual income tax	8,855	4,487
Refundable business deposits received	7,258	3,336
Social insurance expenses payable	3,148	2,612
Accrued teachers' commission fees and course fees	–	35,757
Advance payments received from students	–	10,136
Advance payments received from sales agents	–	221
Others	5,884	10,096
	688,219	336,248

Included in accrued expenses and other payables, RMB133,757,000 as at 31 May 2024 (2023: RMB13,330,000) were amounts due to related parties (details as set out in Note 38).

27. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	36,710	33,074
Within a period of more than one year but not more than two years	36,669	14,528
Within a period of more than two years but not more than five years	21,430	3,394
	94,809	50,996
Less: Amount due for settlement with 12 months shown under current liabilities	36,710	33,074
Amount due for settlement after 12 months shown under non-current liabilities	58,099	17,922

The weighted average incremental borrowing rates applied to lease liabilities range from 3.30% to 3.70% (2023: from 4.20% to 4.70%) per annum.

28. 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 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
Exercise of share options(i)	5,086,176	0.00002	0.00014	102	723
Vest of share awards(ii)	12,298,670	0.00002	0.00014	246	1,749
At 31 May 2024	**1,031,251,556**			**20,625**	**133,042**

Notes:

(i) In the current year, as a result of exercise of share options, 5,086,176 ordinary shares (2023: 13,142,608 ordinary shares) were issued by the Company. Upon the exercise of share options, RMB41,430,000 (2023: RMB127,818,000) was credited to share premium and RMB13,457,000 (2023: RMB39,730,000) was debited to share-based payments reserve during the current year.

(ii) In the current year, 12,298,670 share awards (2023: nil) were vested. When share awards were vested, RMB312,979,000 (2023: nil) was credited to share premium and RMB312,980,000 (2023: nil) was debited to share-based payments reserve during the current year.

29. DEFERRED TAX ASSETS AND LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**54,721**	83,265
Deferred tax liabilities	**(900)**	(2,379)
	53,821	80,886

29. 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	Lease RMB'000	Tax losses RMB'000	Total RMB'000
At 1 June 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
Credited (charged) to profit or loss	29,397	(73)	(3,337)	(1,041)	(52,011)	(27,065)
At 31 May 2024	**61,487**	**1,507**	**(8,132)**	**(1,041)**	**–**	**53,821**

As at 31 May 2024, the Group has deductible temporary differences of RMB1,603,659,000 (2023: RMB1,339,602,000). 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 2024, the Group has unused tax losses of RMB881,191,000 (2023: RMB1,709,991,000), which are available for offset against future profits. Of which, deferred tax asset has been recognised for unused tax losses of RMB343,661,000 at 31 May 2023 and nil as at 31 May 2024. No deferred tax assets have been recognised in respect of the remaining losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB33,490,000 (2023: RMB1,103,051,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2024 RMB'000	2023 RMB'000
2024	**–**	–
2025	**–**	23,304
2026	**28,561**	674,195
2027	**673**	403,541
2028	**1,981**	2,011
2029	**2,275**	–
	33,490	1,103,051

30. SHARE-BASED PAYMENT TRANSACTIONS

The table below sets forth share-based payments for share options and share awards:

	2024 RMB'000	2023 RMB'000
Share options	**20,490**	41,160
Share awards	**397,418**	62,507
	417,908	103,667

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.

30. 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 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
Exercised during the year	(1,143,500)	8.88
Outstanding as at 31 May 2024	25,940,885	8.88
Exercisable as at 31 May 2023	27,084,385	
Exercisable as at 31 May 2024	25,940,885	

No expense was recognised during the year ended 31 May 2024 in relation to share options granted by the Company under the Pre-IPO Share Option Scheme (2023: Nil).

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was RMB23.71 (2023: RMB37.36).

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Post-IPO Share Option Scheme

On 30 January 2019, the Directors approved an employee's share option plan (the "Post-IPO Share Option Scheme"). The details of the Post-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 allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option 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 Post-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 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 15 November 2021, pursuant to the Post-IPO Share Option Scheme the Company granted 48,441,590 options to 236 employees for the purpose of providing incentives to directors and employees. For the share options granted, 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 options will expire on 15 November 2031.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Post-IPO Share Option Scheme (Continued)

Grant of options (Continued)

The details of the Post-IPO Share Option Scheme 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

The movements of share options under the Post-IPO Share Option Scheme are summarised as follows:

	Number of share options	Weighted average exercise price per option (HK$)
Outstanding as at 1 June 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
Forfeited during the year	(516,189)	5.22
Exercised during the year	(3,942,676)	5.22
Cancelled during the year	(1,519,999)	5.22
Outstanding as at 31 May 2024	34,483,946	5.22
Exercisable as at 31 May 2023	10,818,286	
Exercisable as at 31 May 2024	21,413,897	

The estimated fair value of the share options granted on 15 November 2021 was RMB106,571,000.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Post-IPO Share Option Scheme (Continued)

Grant of options (Continued)

Fair value of share options under the Post-IPO Share Option Scheme:

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 Scheme. 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 Scheme
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%

The Group recognised the total expense of RMB20,490,000 (2023: RMB41,160,000) for the year ended 31 May 2024 in relation to Post-IPO Share Option Scheme 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 RMB24.22 (2023: RMB44.49).

2023 Scheme

On 20 February 2023, the Directors 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.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2023 Scheme (Continued)

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 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.

On 28 November 2023, the Directors announced to grant 30,000 share awards to a non-executive director pursuant to the 2023 Scheme. The fair value of the share awards granted was RMB829,000 based on the fair value of the ordinary shares of the Company on the date of grant.

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.

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	29
Granted on 28 November 2023	30,000	30
Forfeited during the year	(399,000)	29
Vested during the year	(12,298,670)	29
Outstanding as at 31 May 2024	17,646,330	29

The Group recognised total expense of RMB397,418,000 (2023:RMB62,507,000) for the year ended 31 May 2024 in relation to the share awards granted under 2023 Scheme of the Company.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2023 Scheme (Continued)

Grant of share awards (Continued)

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.

31. 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 RMB57,382,000 for the year ended 31 May 2024 (2023: RMB39,174,000), represent contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 May 2024, contributions of RMB4,093,000(2023: RMB3,969,000) 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 2024 (2023: Nil) to reduce the contribution payable in the future years.

32. DISPOSAL OF EDUCATION BUSINESS

As referred to in Note 9, on 1 March 2024, the Group discontinued its education operations at the time of disposal of its education business. The net assets of education business at the date of disposal were as follows:

	RMB'000
Consideration received:	
Cash received	972,322
Deferred cash consideration	527,678
Total consideration received	1,500,000

32. DISPOSAL OF EDUCATION BUSINESS (Continued)

Analysis of assets and liabilities over which control was lost:

	1 March 2024 RMB'000
Property, plant and equipment	5,625
Right-of-use assets	5,429
Refundable rental deposits	607
Trade and other receivables	8,125
Prepayments	23,659
Financial assets at FVTPL (Current)	23,373
Cash and cash equivalents	122,827
Lease liabilities	(4,338)
Contract liabilities	(217,468)
Refund liabilities	(22,543)
Trade payables	(28,229)
Accrued expenses and other payables	(48,344)
Income tax payables	(24,391)
Net assets disposed of	(155,668)

	RMB'000
Gain on disposal of education business:	
Consideration received and receivable	1,500,000
Less: Other related settlements	98,162
Other tax payable	76,931
Net assets disposed of	(155,668)
Gain on disposal	1,480,575
Net cash inflow arising on disposal:	
Cash consideration	972,322
Less: cash and cash equivalents disposed of	122,827
	849,495

The impact of education business on the Group's results and cash flows in the current and prior periods is disclosed in note 9.

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 27, 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	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**4,359,600**	2,149,279
Financial assets at FVTPL	**1,345,227**	1,139,978
Financial liabilities		
Financial liabilities measured at amortised cost	**976,139**	466,952
Lease liabilities	**94,809**	50,996

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	Total
	RMB'000	RMB'000
As at 1 June 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
Financing cash flows	(43,136)	(43,136)
New leases entered/lease modified/lease terminated	84,583	84,583
Interest expenses	2,366	2,366
At 31 May 2024	**94,809**	**94,809**

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:

	2024 RMB'000	2023 RMB'000
Assets		
US$	3,167,486	2,279,192
HK$	836,179	1,980,208
	4,003,665	4,259,400
Liabilities		
US$	2,158,388	2,206,938
HK$	745,582	815,436
	2,903,970	3,022,374

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2023: 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% (2023: 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)

	2024 RMB'000	2023 RMB'000
US$	(57,502)	(12,194)
HK$	(7,026)	(59,620)

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 27). 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 66% (2023:54%) of the total term deposits was due from one commercial bank as at 31 May 2024.

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 2024 RMB'000
As at 31 May 2024							
Trade payables	–	611,886	–	–	–	611,886	611,886
Accrued expenses and other payables	–	364,253	–	–	–	364,253	364,253
Lease liabilities	3.30%-3.70%	8,434	31,649	62,785	–	102,868	94,809
		984,573	31,649	62,785	–	1,079,007	1,070,948

	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 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

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 2024

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
Unlisted equity investments	–	94,889	94,889
Wealth management products	1,250,338	–	1,250,338

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

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 2024 RMB'000	Fair value as at 31 May 2023 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	1,250,338	1,037,402	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 engaged in development of computer platforms used in online education services	70,259	85,049	Level 3	As at 31 May 2024: Market approach – Fair value is estimated based on value of comparable listed companies and discounted for lack of marketability due to the impracticality in making long-term financial projections with uncertainties. As at 31 May 2023: 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.	As at 31 May 2024: Discount for lack of marketability is 20% (Note). As at 31 May 2023: Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries of 2% (Note). WACC determined using a capital asset pricing model is 25% (Note). Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries is 25% (Note).

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 2024 RMB'000	Fair value as at 31 May 2023 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity investments classified as financial assets at FVTPL -30% equity investment in Henan Oriental which is engaged in meat processing industry	24,630	17,527	Level 3	As at 31 May 2024: Income approach – 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. As at 31 May 2023: Assets approach – By reference to the fair value of the underlying assets due to the early stage of establishment of Henan Oriental.	As at 31 May 2024: Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries of 2.5% (Note). WACC determined using a Capital Asset Pricing Model is 16% (Note). Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries is 21% (Note). As at 31 May 2023: Rate of newness of replacement cost is 97% (Note).

Note:

During the years ended 31 May 2024 and 31 May 2023, fair value changes arose from the financial assets at FVTPL classified within Level 3 as listed in the table above were insignificant. The directors of the Company consider that any reasonable changes in the significant unobservable inputs would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented.

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)

The following table represents the reconciliation of level 3 fair value measurements during the year.

	2024 RMB'000	2023 RMB'000
At the beginning of the year	102,576	99,429
Addition	–	17,527
Transfer from interest in an associate (Note 17)	68,984	–
Changes in fair value	(43,271)	(14,380)
Disposal	(33,400)	–
At the end of the year	94,889	102,576

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

As referred to in note 9, the Group disposed the education business to the New Oriental Group during the year. The information of the Disposal is disclosed in note 9 and note 32 respectively.

Besides, during the year, the Group had entered into the following transactions with related parties set out below:

	Relationship	Nature of transactions	2024 RMB'000	2023 RMB'000
New Oriental Group	Controlling shareholder of the Company	Trade sales	42,219	31,456
		Trade purchases	30,926	47,222
Metropolis Holding (Tianjin) Co., Ltd. ("Metropolis Holding")	A company wholly owned by the chairman of the Board of Directors	Interest expenses on lease liabilities	240	60
		Property management fee	174	174
Tencent Holdings Limited ("Tencent" and with its subsidiaries, "Tencent Group")[(a)]	Shareholder of the Company	Trade purchases	––	3,329
Shidai Yuntu	Associate of the Group	Trade purchases	–	5
Edutainment World[(b)]	Associate of the Group	Trade sales	–	1,354
		Trade purchases	–	27
Henan Oriental	Associate of the Group	Trade purchases	180,354	–

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 May 2024 RMB'000	31 May 2023 RMB'000
New Oriental Group	Trade and other receivables	551,196	2,977
	Prepayments	459	2
	Trade payables	8,810	8,804
	Accrued expenses and other payables	133,575	13,165
	Contract liabilities	–	205
Metropolis Holding	Leases liabilities	3,562	6,283
	Trade and other receivables	548	623
	Prepayments	48	3
	Accrued expenses and other payables	182	165
Shidai Yuntu	Trade payables	–	236
Edutainment World[(b)]	Trade and other receivables	––	797
	Trade payables	––	100
Henan Oriental	Trade and other receivables	1	–
	Trade payables	10,862	–

(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 ceased to be an associate of the Group from 1 June 2023 and the Group transferred the interest in Edutainment World to the founder of Edutainment World on 22 January 2024 as detailed in Note 17.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	7,243	6,681
Post-employment benefits	82	112
Share-based payments	63,625	24,711
	70,950	31,504

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 2024 are set out below:

Name of subsidiaries	Place of incorporation/ registration /operation	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		
				2024 %	2023 %	2024 %	2023 %	2024 %	2023 %	2024 %	2023 %	
Subsidiaries directly and indirectly held:												
New Oriental Xuncheng Technology (HK) Limited	Hong Kong	2 Mar 2018	HK$1	100	100	–	–	100	100	–	–	Investment holding
Dexin Dongfang	PRC	21 Mar 2018	RMB350,000,000	–	–	100	100	–	–	100	100	Provision of software and technology services
Zhuhai Chongsheng Heli Network Technology Co., Ltd	PRC	23 Jul 2019	RMB52,000,000	–	–	100	100	–	–	100	100	Provision of software and technology services
Xi'An Ruiying (Note 9)	PRC	3 Apr 2020	RMB250,000,000	–	–	–	100	–	–	–	100	Provision of education advisory services
Wuhan Dongfang Youbo Network Technology Co., Ltd. [ii]	PRC	17 Sep 2020	RMB50,000,000	–	–	–	100	–	–	–	100	Provision of software and technology services
Hainan Haiyue – Dongfang Network Technology Co., Ltd.	PRC	13 Oct 2020	RMB50,000,000	–	–	100	100	–	–	100	100	Provision of education advisory services
Youbo HK (Note 9)	Hong Kong	13 Aug 2020	HK$1	–	100	–	–	–	100	–	–	Provision of online education
New Oriental Wuyou Online (HK) Education & Technology Co., Ltd.	Hong Kong	20 Aug 2020	HK$1	100	100	–	–	100	100	–	–	Provision of online education

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

				Proportion ownership interest held by the Company				Proportion of voting power held by the Company				
Name of subsidiaries	Place of incorporation/ registration /operation	Date of incorporation/ establishment	Paid up issued/ registered capital	Directly 2024 %	Directly 2023 %	Indirectly 2024 %	Indirectly 2023 %	Directly 2024 %	Directly 2023 %	Indirectly 2024 %	Indirectly 2023 %	Principal activities
Subsidiaries-structured entities(i):												
Beijing Xuncheng	PRC	11 Mar 2005	RMB122,351,229	–	–	100	100	–	–	100	100	Provision of online education
Kuxue Huisi (Note 9)	PRC	1 Feb 2013	RMB10,000,000	–	–	–	100	–	–	–	100	Provision of online education
Beijing Xinyuanfang Human Resources Service Co., Ltd.	PRC	21 Oct 2021	RMB2,000,000	–	–	100	100	–	–	100	100	Provide human resources and related services
Dongfang Optimization (Beijing) Technology Co., Ltd.	PRC	27 Oct 2021	RMB10,000,000	–	–	100	100	–	–	100	100	Engaged in e-commerce services
Nanjing Kuxueyanxuan Technology Co., LTD (iii)	PRC	3 Dec 2021	RMB1,000,000	–	–	–	68	–	–	–	68	Engaged in e-commerce services
Oriental Selection (Beijing) Technology Co., LTD	PRC	7 Dec 2021	RMB10,000,000	–	–	100	100	–	–	100	100	Engaged in e-commerce services
East Buy (Zhuhai) Tourism Culture Co., Ltd.	PRC	16 Oct 2023	RMB10,000,000	–	–	100	–	–	–	100	–	Engaged in tourism services
Time with Yuhui (Beijing) Technology Ltd. ("Time With Yuhui")	PRC	22 Dec 2023	RMB10,000,000	–	–	100	–	–	–	100	–	Engaged in e-commerce services
East Buy (Jiaxing) Supply Chain Management Co.	PRC	6 Mar 2024	RMB1,000,000	–	–	60	–	–	–	60	–	Engaged in supply chain services

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

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) Wuhan Dongfang Youbo Network Technology Co., Ltd. completed its deregistration on 29 Apr 2024.

(iii) Nanjing Kuxueyanxuan Technology Co., LTD completed its deregistration on 5 July 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 2024 (31 May 2023: None).

40. EVENT AFTER THE END OF THE REPORTING PERIOD

On 25 July 2024, Mr. Dong Yuhui ("Mr. Dong"), an employee of the Company and senior management of Time With Yuhui, resigned from his current roles within the Group. Apart from the payment to Mr. Dong of the promised benefits and compensations, the Directors have also approved to distribute all remaining undistributed profits from Time with Yuhui as of June 30, 2024, which was approximately RMB129,688,000, to Mr. Dong.

On 25 July 2024, Beijing Xuncheng, Mr. Dong and Time With Yuhui entered into a disposal agreement, pursuant to which Beijing Xuncheng agreed to sell, and Mr. Dong agreed to acquire, 100% equity interest in Time With Yuhui at a consideration of RMB76,585,000. The consideration will be transferred by Mr. Dong to Beijing Xuncheng's designated bank account in two instalments as follows, RMB38,292,730 will be paid within 30 business days from 25 July 2024 and RMB38,292,730 will be paid within 10 business days from the date of completion of the disposal of Time With Yuhui.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current Assets		
Amounts due from subsidiaries	2,526,138	2,560,310
Financial assets at fair value through profit or loss	70,259	85,049
Interests in subsidiaries	1,685,407	1,305,291
	4,281,804	3,950,650
Current Assets		
Amounts due from subsidiaries	355,471	–
Term deposits (Note 23)	552,301	796,895
Cash and cash equivalents	57,219	179,623
	964,991	976,518
Current Liability		
Amounts due to subsidiaries	7,401	82,113
	7,401	82,113
Net current assets	957,590	894,405
Non-current Liability		
Deferred tax liabilities	900	2,379
Net assets	5,238,494	4,842,676
Capital and Reserves		
Share capital	133	131
Reserves	5,238,361	4,842,545
Total Equity	5,238,494	4,842,676

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	Retained profits RMB'000	Total RMB'000
At 1 June 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
Loss and total comprehensive expense for the year	–	–	(50,064)	(50,064)
Recognition of equity-settled share-based payments	–	417,908	–	417,908
Exercise of share options	41,430	(13,457)	–	27,973
Exercise of share awards	312,979	(312,980)		(1)
Change in equity for the year	354,409	91,471	–	445,880
At 31 May 2024	4,339,662	309,885	588,814	5,238,361

Definitions

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
"2020 Subscription"	the subscription of an aggregate of 59,432,000 Shares by the Subscribers for a subscription price of HK$30.00 per subscription share, which was completed on 24 December 2020, the further details of which are contained in the Company's circular dated 14 October 2020
"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"	adjusted EBITDA (or earnings/losses before interest, taxes, depreciation, and amortisation) represents profit for the year plus income tax expense, 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"	for the year represents profit for the year less loss on fair value changes of financial assets at FVTPL plus share-based compensation expenses for the financial year
"ADS(s)"	representing the same number of underlying common shares of New Oriental
"AGM"	annual general meeting of our Company
"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
"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 C1 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
"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
"IFRS(s)"	the International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"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. On 1 March 2024, the transfer of Xi'an Ruiying to New Oriental Group as part of the Education Disposal was completed
"Latest Practicable Date"	6 September 2024, 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 C3 to the 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 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 "FY2023"	the financial year ended 31 May 2023
"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 "FY2024"	the financial year ended 31 May 2024, or FY2024
"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
"Shareholder(s)"	holder(s) of our Share(s)
"SKU"	stock-keeping units
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	New Oriental Group and Tigerstep
"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
"treasury shares"	has the meaning ascribed to it in the Listing Rules
"United States" or "U.S."	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"WFOEs"	Dexing Dongfang, Zhuhai Chongsheng and Hainan Haiyue 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). On 1 March 2024, the transfer of Xi'an Ruiying to New Oriental Group as part of the Education Disposal was completed
"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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