

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

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MAY 2023

The Board of East Buy Holding Limited is pleased to announce the consolidated results of our Group for the Reporting Period, being the financial year ended 31 May 2023. These annual results have been audited by our Company's external auditor, Deloitte Touche Tohmatsu, and reviewed by the Audit Committee.

In this announcement: (a) "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group; and (b) our consolidated financial statements are presented in Renminbi unless otherwise stated, which is our Group's primary functional currency.

FINANCIAL HIGHLIGHTS

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

Notes:

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

BUSINESS OVERVIEW AND OUTLOOK

Our business

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

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

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

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

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

	For the six months ended 30 November 2022
FY2023	2022

Key operating data

Gross merchandise volume (GMV)		
GMV (RMB) (billion) ⁽¹⁾	10.0	4.8
Number of followers on Douyin (million)	41.8	35.2
Number of paid orders on Douyin (million)	136.3	70.2

Note:

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

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

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

Note:

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

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

	<u>FY2023</u>	<u>FY2022</u>
	<i>RMB</i>	<i>RMB</i>
Formal courses		
College education	1,544	1,308
K-12 education ⁽¹⁾	—	(172) ⁽²⁾
	<hr/>	<hr/>
Sub-total average	1,544	1,244
	<hr/>	<hr/>
Entry courses	14	9
	<hr/>	<hr/>
Total average	<u>1,168</u>	<u>221</u>

Notes:

- (1) The Company has ceased its pre-school and K-12 businesses during FY2022 (see the Business Update Announcements).
- (2) There were tuition fees refunding in FY2022 due to the New Regulations.

Business developments

Our financial performance

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

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

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

Private label products and livestreaming e-commerce

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

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

College education

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

Institutional customers

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

FUTURE OUTLOOK BEYOND THE REPORTING PERIOD

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

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

Private label products and livestreaming e-commerce business

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

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

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

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

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

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

College education

Domestic test-preparation

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

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

Overseas test-preparation

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

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

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

Institutional customers

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

Private label products and livestreaming e-commerce business

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

College education

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

Institutional customers

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

Cost of revenue, gross profit and gross margin

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

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

Private label products and livestreaming e-commerce business

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

College education

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

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

Institutional customers

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

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

Other income, gains and losses

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

Selling and marketing expenses

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

Research and development expenses

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

Administrative expenses

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

Share of results of associates

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

Income tax (expense) credit

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

Net profit/(loss) for the year

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

Non-IFRS measures

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

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

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

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

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

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

OTHER INFORMATION ABOUT OUR FINANCIAL PERFORMANCE

Liquidity and capital resources

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

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

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

Cash flow

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

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

Net cash from operating activities

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

Net cash used in investing activities

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

Net cash from financing activities

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

Capital expenditure

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

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

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

Off-balance sheet commitments and arrangements

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

Future plans for material investments and capital assets

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

Material acquisitions and/or disposals of subsidiaries and affiliated companies

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

Employees and remuneration policy

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

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

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

Foreign exchange risk

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

Indebtedness

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

Pledge of assets

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

Contingent liabilities

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Corporate Governance Code

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

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

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

Compliance with the Model Code for Securities Transactions by Directors

We have adopted the Model Code as the code of conduct regulating our Directors' dealings in our Company's securities. To the best of our Directors' knowledge and belief, all our Directors confirm that they have complied with the required standards set out in the Model Code during the Reporting Period.

Audit Committee

Our Board has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. 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, to review and approve connected transactions (as defined in the Listing Rules) and to provide advice and comments to the Board. The Audit Committee consists of three members: Mr. TONG Sui Bau (as the Audit Committee's chairperson), Mr. KWONG Wai Sun Wilson and Mr. LIN Zheyang. Mr. Lin Zheyang has been appointed as a member of the Audit Committee following the resignation of Mr. Wu Qiang on 26 August 2022.

The Audit Committee, together with our Auditor have reviewed our Group's audited consolidated financial statements for FY2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by our Company and internal control measures with senior management members.

Other Board Committees

In addition to our Audit Committee, the Company has also established a nomination committee and a remuneration committee.

Purchase, Sale or Redemption of our Listed Securities

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

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 May 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 25 August 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 2023.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on or around Friday, 3 November 2023. The register of members of our Company will be closed from Tuesday, 31 October 2023 to Friday, 3 November 2023 (both days inclusive) in order to determine the identity of our Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 30 October 2023.

NET PROCEEDS FROM THE SHARE SUBSCRIPTION

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

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

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

Notes:

- (1) The amounts “utilised during FY2023” are based on the exchange rate of HK\$1.1065:RMB1.
- (2) The figures presented in this table are approximations and subject to currency exchange rate fluctuation and rounding.

EVENTS AFTER THE REPORTING PERIOD

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

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and our Company website at ir.eastbuy.com. Our Group’s annual report for FY2023 will be published on the same websites of the Stock Exchange and our Company and will be dispatched to our Shareholders in due course.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2023**

	<i>NOTES</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Continuing operations			
Revenue	3	4,509,849	600,526
Cost of revenue	3	(2,555,080)	(209,674)
Gross profit		1,954,769	390,852
Other income, gains and losses	4	117,151	70,665
Impairment losses recognised under expected credit loss model, net		(799)	(2,635)
Selling and marketing expenses		(620,271)	(270,113)
Research and development expenses		(109,467)	(64,427)
Administrative expenses		(154,216)	(214,146)
Share of results of associates		(12,764)	3,085
Finance costs		(1,689)	(2,580)
Profit/(loss) before tax		1,172,714	(89,299)
Income tax (expense)/credit	5	(201,428)	18,305
Profit/(loss) for the year from continuing operations	6	971,286	(70,994)
Discontinued operations			
Loss for the year from discontinued operations		—	(462,970)
Profit/(loss) for the year	6	971,286	(533,964)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation from functional currency to presentation currency		(243)	—
Profit/(loss) and total comprehensive income/(expense) for the year		971,043	(533,964)
Profit/(loss) for the year attributable to owners of the Company			
— from continuing operations		971,286	(70,984)
— from discontinued operations		—	(462,970)
		971,286	(533,954)

	<i>NOTES</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the year attributable to non-controlling interests			
— from continuing operations		—	(10)
		—	(10)
		<u>—</u>	<u>(10)</u>
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		971,043	(533,954)
Non-controlling interests		—	(10)
		<u>971,043</u>	<u>(533,964)</u>
Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company			
— from continuing operations		971,043	(70,984)
— from discontinued operations		—	(462,970)
		<u>971,043</u>	<u>(533,954)</u>
Earnings/(loss) per share			
From continuing and discontinued operations			
— Basic (RMB)	7	0.97	(0.53)
— Diluted (RMB)		0.91	(0.53)
From continuing operations			
— Basic (RMB)	7	0.97	(0.07)
— Diluted (RMB)		0.91	(0.07)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MAY 2023**

	<i>NOTES</i>	At 31 May 2023 RMB'000	2022 RMB'000
Non-current Assets			
Property and equipment		34,057	34,409
Right-of-use assets		54,389	48,107
Interests in associates		138,423	178,151
Financial assets at fair value through profit or loss	<i>9</i>	102,576	99,429
Deferred tax assets		83,265	—
Deposits for acquisition of property and equipment		569	72
Refundable rental deposits		2,743	7,744
		<u>416,022</u>	<u>367,912</u>
Current Assets			
Inventories	<i>10</i>	140,952	4,633
Trade and other receivables	<i>11</i>	218,972	37,568
Prepayments		77,308	60,198
Financial assets at fair value through profit or loss	<i>9</i>	1,037,402	359,049
Term deposits		796,895	682,588
Restricted bank deposits		250	—
Cash and cash equivalents		1,165,137	547,445
		<u>3,436,916</u>	<u>1,691,481</u>
Current Liabilities			
Lease liabilities		33,074	27,529
Contract liabilities	<i>12</i>	253,522	163,240
Refund liabilities	<i>13</i>	27,665	13,926
Trade payables	<i>14</i>	335,263	23,598
Accrued expenses and other payables		336,248	163,236
Income tax payables		43,057	1,798
		<u>1,028,829</u>	<u>393,327</u>
Net current assets		<u>2,408,087</u>	<u>1,298,154</u>
Total assets less current liabilities		<u>2,824,109</u>	<u>1,666,066</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Basis of preparation of consolidated financial statements

Contractual Arrangements

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

- expose, or has rights, to variable returns from its involvement with the Consolidated Affiliated Entities and has ability to affect those returns through its power over the Consolidated Affiliated Entities;
- exercise equity holders’ controlling voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Dexin Dongfang;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under the PRC laws. Dexin Dongfang may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dexin Dongfang; and
- obtain a pledge over the entire equity interest of the Beijing Xuncheng from their equity holders as collateral security for all of Beijing Xuncheng’s and Kuxue Huisi’s payments due to Dexin Dongfang and to secure performance of Beijing Xuncheng’s and Kuxue Huisi’s obligations under the Contractual Arrangements.

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2023

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

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

4 Effective for annual periods beginning on or after 1 January 2024

5 Effective for annual periods beginning on or after 1 January 2025

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

3. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker (the “CODM”), for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services provided.

Operating segments regarding the online education service targeted to the Compulsory Stage Education and the high school education and online education service targeted to pre-school children were discontinued in the year ended 31 May 2022. The segment information reported below does not include any amounts for these discontinued operations.

Specifically, the Group’s reportable segments under IFRS 8 *Operating Segments* are as follows.

1. Private Label Products and Livestreaming E-Commerce (formerly known as “**Livestreaming E-Commerce**”) — online live commerce with private label products sold to individual customers and provision of commission services.
2. College Education — online education service targeted to college and above students and adults.
3. Institutional Customers — online education service provided to institutional customers.

For the year ended 31 May 2023

Continuing operations

	Private Label Products and Livestreaming E-Commerce <i>RMB’000</i>	College Education <i>RMB’000</i>	Institutional Customers <i>RMB’000</i>	Total <i>RMB’000</i>
Revenue	3,880,909	590,776	38,164	4,509,849
Cost of revenue	<u>(2,397,547)</u>	<u>(149,871)</u>	<u>(7,662)</u>	<u>(2,555,080)</u>
Segment gross profit	<u>1,483,362</u>	<u>440,905</u>	<u>30,502</u>	<u>1,954,769</u>
Unallocated income and expenses:				
Other income, gains and losses				117,151
Impairment losses recognised under expected credit loss model, net				(799)
Selling and marketing expenses				(620,271)
Research and development expenses				(109,467)
Administrative expenses				(154,216)
Share of results of associates				(12,764)
Finance costs				<u>(1,689)</u>
Profit before tax				<u><u>1,172,714</u></u>

For the year ended 31 May 2022

Continuing operations

	Private Label Products and Livestreaming E-Commerce <i>RMB'000</i>	College Education <i>RMB'000</i>	Institutional Customers <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	24,580	517,533	58,413	600,526
Cost of revenue	(15,297)	(183,590)	(10,787)	(209,674)
Segment gross profit	9,283	333,943	47,626	390,852
Unallocated income and expenses:				
Other income, gains and losses				70,665
Impairment losses recognised under expected credit loss model, net				(2,635)
Selling and marketing expenses				(270,113)
Research and development expenses				(64,427)
Administrative expenses				(214,146)
Share of results of associates				3,085
Finance costs				(2,580)
Loss before tax				(89,299)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment gross profit is the measure reported to the CODM for the purposes of resources allocation and performance assessment. Segment gross profit is gross profit earned by each segment and other income, gains and losses, impairment losses recognised under expected credit loss model, net, selling and marketing expenses, research and development expenses, administrative expenses, share of results of associates and finance costs are excluded from segment results.

Information of segment assets and liabilities and other segment information are not provided to the CODM for their review. Therefore, no analysis of the Group's assets and liabilities and other segment information by reportable and operating segments are presented.

The Company is domiciled in the PRC and all of the Group's revenues from continuing operations were generated from external customers in the PRC. The Group's non-current assets are all located in the PRC. Therefore, no geographical information is presented.

No service or product provided to a single customer exceeds 10% or more of the total revenue of the Group from continuing operations for the year ended 31 May 2023 (2022: Nil).

4. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 May	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Net foreign exchange gain	78,681	46,868
Interest income	32,651	11,066
Impairment loss on interests in associates	(26,941)	—
Government grants ⁽ⁱ⁾	26,390	1,347
Additional value added tax (“VAT”) input deduction ⁽ⁱⁱ⁾	2,605	2,542
Gain on fair value changes of financial assets at FVTPL	2,123	9,119
Others	1,642	(277)
	<u>117,151</u>	<u>70,665</u>

Notes:

- (i) Government grants amounted to RMB26,152,000 (2022: RMB1,244,000) have been recognised for the subsidies relating to its local municipal business development. The amounts have been recognised as other income, and there was no unfulfilled condition attached to these government grants in the year in which they were recognised.
- (ii) Additional VAT input deduction amounted to RMB2,605,000 (2022: RMB2,542,000) was recognised in profit or loss due to the VAT reform. In accordance with VAT Reformation Article No.39, the Group is eligible for additional VAT credits by 15% of the current period creditable VAT input from 1 April 2019 to 31 December 2021. The implementation period was further extended to 31 December 2022 according to announcement No.11 by General Department of Taxation in 2022. In accordance with announcement No.1 by General Department of Taxation in 2023, the Group is eligible for additional deduction by 10% of the current period creditable VAT input from 1 January 2023 to 31 December 2023.

5. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 May	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Current tax:		
PRC enterprise income tax	286,132	1,969
Deferred tax	(84,704)	(20,274)
	<u>201,428</u>	<u>(18,305)</u>

6. PROFIT/(LOSS) FOR THE YEAR

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

	Year ended 31 May	
	2023	2022
	RMB'000	RMB'000
Staff cost, including directors' and chief executive's remuneration		
— Salaries, allowances and benefits in kind	593,091	252,940
— Retirement benefit scheme contributions	39,174	24,504
— Equity-settled share-based payments	103,667	175,721
Total staff cost	735,932	453,165
Depreciation of property and equipment	18,010	13,667
Depreciation of right-of-use assets	27,726	20,928
Expense of short-term leases	1,158	1,223
Auditor's remuneration ⁽ⁱ⁾	4,250	3,100

Note:

- (i) During the year ended 31 May 2023, auditor's remuneration includes RMB3,250,000 (2022: RMB2,300,000) in relation to annual audit and RMB1,000,000 (2022: RMB800,000) in relation to interim review.

7. EARNINGS/(LOSS) PER SHARE

For continuing operations

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings/(loss):		
Earnings/(loss) for the year attributable to owners of the Company	971,286	(533,954)
Less:		
Loss for the year from discontinued operations attributable to owners of the Company	—	(462,970)
Earnings/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share from continuing operations	<u>971,286</u>	<u>(70,984)</u>
	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	1,006,230,531	1,000,706,916
Effect of dilutive potential ordinary shares: Share options and share awards	58,271,111	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<u>1,064,501,642</u>	<u>1,000,706,916</u>

The calculation of diluted loss per share for the year ended 31 May 2022 does not assume the exercise of the Company's share options since the assumed exercise of share options would result in a decrease in loss per share.

From continuing and discontinued operations

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings/(loss):		
Earnings/(loss) for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings/(loss) per share	<u>971,286</u>	<u>(533,954)</u>

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

From discontinued operations

During the year ended 31 May 2022, basic and diluted loss per share for the discontinued operations are both RMB0.46 per share based on the loss for the year from the discontinued operations of approximately RMB462,970,000 and the denominators detailed above for both basic and diluted loss per share.

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 May 2023 (2022: Nil), nor has any dividend been proposed since the end of the reporting period.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets		
Financial assets at FVTPL		
— Unlisted equity investments ⁽ⁱ⁾⁽ⁱⁱ⁾	<u>102,576</u>	<u>99,429</u>
Current assets		
Financial assets at FVTPL		
— Wealth management products ⁽ⁱⁱⁱ⁾	<u>1,037,402</u>	<u>359,049</u>

Notes:

- (i) The unlisted equity investments as at 31 May 2023 are the Group's investments in ordinary shares with preferential rights of Oriental Selection (Henan) Food Technology Co., Ltd. ("**Henan Oriental**") and preferred shares of EEO Education Technology Co., Ltd. ("**EEO**") incorporated in the PRC and the Cayman Islands respectively. On 5 April 2022, the investment in Beijing Edutainment World Education Technology Co., Ltd. was transferred from financial assets at FVTPL to investment in associate.
- (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 as a debt instrument under IFRS 9 and measured at financial assets at FVTPL.
- (iii) Wealth management products are purchased from various banks with expected rate of return ranging from 2.17 % to 3.00 % (2022: 2.25 % to 3.55 %) per annum, and maturity period ranging from 1 day to 180 days (2022: 1 day to 60 days). The principals and returns of these wealth management products are not guaranteed.

During the year ended 31 May 2023, the Group did not make any sales to EEO and Henan Oriental (2022: Nil).

During the year ended 31 May 2023, the Group did not made any purchases from EEO (2022: RMB4,638,000) and Henan Oriental.

10. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Products	114,688	4,600
Products in transit	26,264	33
	140,952	4,633

11. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	48,381	25,884
Less: allowance for credit losses	<u>(10,454)</u>	<u>(11,315)</u>
	<u>37,927</u>	<u>14,569</u>
Other receivables:		
Receivables from third-party payment platforms	131,640	15,134
Receivable for government subsidy	26,152	—
Rental deposits ⁽ⁱ⁾	7,738	194
Deductible input on VAT	6,448	3,069
Institutional customers business deposits	3,366	3,018
Advances to employees	2,118	739
Others	<u>3,583</u>	<u>845</u>
	<u>181,045</u>	<u>22,999</u>
Trade and other receivables	<u><u>218,972</u></u>	<u><u>37,568</u></u>

Note:

(i) The rental deposits represent refundable rental deposits that are due within one year.

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
1–90 days	2,530	11,749
91–180 days	953	921
181 days–1 year	33,995	1,503
1–2 years	<u>449</u>	<u>396</u>
	<u><u>37,927</u></u>	<u><u>14,569</u></u>

12. CONTRACT LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contract liabilities in relation to:		
Students for online education service	168,903	139,595
Institutional customers for online education service	25,423	23,645
Membership points	58,741	—
Others	455	—
	<u>253,522</u>	<u>163,240</u>

13. REFUND LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Refund liabilities		
Arising from right of refund	<u>27,665</u>	<u>13,926</u>

The refund liabilities relate to customers' right of refund prepaid course fee or course fee where related service is already provided. The Group uses its historical experience to estimate returns on a portfolio level using the expected value method.

14. TRADE PAYABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
1–90 days	237,918	11,900
91–180 days	88,553	2,503
181 days–1 year	4,786	5,629
1 year–2 years	2,374	3,316
>2 years	1,632	250
	<u>335,263</u>	<u>23,598</u>

DEFINITIONS

Unless otherwise stated or set out below, capitalised terms have the same meaning as defined below.

“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 an English-learning application
“Audit Committee”	the audit committee of the Board
“Auditor”	Deloitte Touche Tohmatsu
“Board”	the board of Directors
“Business Update Announcements”	the Company’s announcements published on 25 October 2021 and 21 January 2022
“China” or “the PRC”	the People’s Republic of China
“Company”, “we”, “us”, “our” or “East Buy”	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
“Corporate Governance Code”	the <i>Corporate Governance Code</i> as set out in Appendix 14 to the Main Board Listing Rules, as amended from time to time
“Director(s)”	the director(s) of our Company
“FVTPL”	fair value through profit or loss
“FY2022”	the financial year ended 31 May 2022
“Global Offering”	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus and set out in the section headed “Structure of the Global Offering” therein)
“GMV”	Gross merchandise volume
“Group”	the Company and its subsidiaries from time to time or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$”	Hong Kong dollars, lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China

“IELTS”	International English Language Testing System, an international standardised test for English language proficiency jointly owned by the British Council, IDP: IELTS Australia and Cambridge Assessment English
“IFRS(s)”	the International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“K-12”	Kindergarten to Grade Twelve
“Listing Rules”	the <i>Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i> , as amended, supplemented or otherwise modified from time to time
“Model Code”	the <i>Model Code for Securities Transactions by Directors of Listed Issuers</i> as set out in Appendix 10 to the Main Board Listing Rules
“New Oriental Group”	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”
“New Regulations”	“Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education” published in July 2021 by the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council of the PRC and the related implementation rules, regulations and measures promulgated by competent authorities
“Prospectus”	the prospectus of the Company in relation to the listing of the Shares on the Main Board of the Stock Exchange and the Global Offering dated 15 March 2019
“Reporting Period” or “FY2023”	the financial year ended 31 May 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Share(s)”	ordinary share(s) in the share capital of the Company, currently with a par value of US\$0.00002 each
“Shareholder(s)”	holder(s) of our Share(s)
“Share 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
“SKU”	stock-keeping units

“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscribers”	New Oriental Group and Tigerstep
“Tigerstep”	Tigerstep Developments Limited, a company incorporated under the Laws of the British Virgin Islands, and a connected person of the Company
“TOEFL”	Test of English as a Foreign Language, an international standardised test for English language proficiency designed and administered by the Educational Testing Service (or ETS)
“United States” or “U.S.”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“%”	percent

By order of the Board of
East Buy Holding Limited
YU Minhong
Chairman of our Board

Hong Kong, 25 August 2023

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