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EASTBUY

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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the continuing connected transactions under the Existing EDU Framework Agreement and the Existing Tigerstep Framework Agreement, the details of which are disclosed in the May 2022 Announcement and the 2021 Announcement.

On 25 August 2023, the Company (for itself and on behalf of the Group) entered into: the 2023 Agreements, being (a) the 2023 EDU Framework Agreement with New Oriental; and (b) the 2023 Tigerstep Framework Agreement with Tigerstep, to update and renew the two framework agreements and set annual caps.

For each of the transactions under the 2023 Agreements, the highest applicable percentage ratio calculated with reference to the highest of the annual caps (if applicable) is more than 0.1% but less than 5%. Accordingly, each of the transactions under the 2023 Agreements is subject to the reporting, announcement and annual review requirements but is exempted from the circular and independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the May 2022 Announcement and the 2021 Announcement in relation to, among other things:

- (a) the Existing EDU Framework Agreement entered into between the Company and New Oriental; and
- (b) the Existing Tigerstep Framework Agreement entered into between the Company and Tigerstep.

With respect to the above framework agreements, the Company and the respective counterparties have entered into the 2023 Agreements to update and renew the two framework agreements and set annual caps. The principal terms of the 2023 Agreements are set out below.

2023 EDU FRAMEWORK AGREEMENT

The principal terms of the 2023 EDU Framework Agreement are set out below:

Date:

25 August 2023.

Parties:

- (i) the Company (for itself and on behalf of the Group); and
- (ii) New Oriental (for itself and on behalf of the New Oriental Group).

Term:

25 August 2023 to 31 May 2024.

Transactions:

1. *Promotional Services*

Transaction description

Under this transaction, New Oriental Group and our Group shall provide to each other advertising, marketing and promotional services, including traffic re-direction, cross-marketing and promotional services, and advertisement services and consulting.

Pricing policy

The transaction fees shall be agreed between the parties on a fair and reasonable basis with reference to market comparable rates and determined according to a fixed percentage of gross billings generated from such promotional activities or a commission per number of student enrolments over a set period of time.

Historical amounts and annual caps

The historical transaction amounts and annual caps are set out below:

<i>RMB</i>	Historical Amounts			<i>Annual caps</i>
	<i>FY2021</i>	<i>FY2022</i>	<i>FY2023</i>	<i>FY2024</i>
Paid/payable by us	6,400,000	18,630,000	34,920,000	<i>52,420,000</i>
Received/receivable by us	800,000	160,000	130,000	<i>12,050,000</i>

Reasons and basis for the annual caps

The annual caps for this transaction are based on, among other factors, a commission per number of student enrolments or a percentage of gross billings, and we anticipate student enrolments to increase for both of us and New Oriental Group as a result of our cross channel promotional efforts, we have set the annual caps to account for our anticipated expenditure and earnings under this transaction.

2. *Sub-licensing of TPO Examination Materials*

Transaction description

Under this transaction, our Group shall sub-license to the New Oriental Group examination materials, including TOEFL materials, services and resources.

Pricing policy

Our Group shall charge New Oriental Group license fees to be agreed between the parties on a fair and reasonable basis with reference to, among others, the significance of the licences to New Oriental Group, original licensing costs and other comparable companies offering similar sub-licences for English language examination materials and services. The licensing fees are fixed annually at a predetermined price per package ordered that is set with reference to, among others, the retail price offered by ETS, the private educational testing and measurement organisation that is the administrator of TOEFL.

Historical amounts and annual cap

The historical transaction amounts and annual cap are set out below:

<i>RMB</i>	<i>Historical Amounts</i>			<i>Annual cap</i>
	<i>FY2021</i>	<i>FY2022</i>	<i>FY2023</i>	<i>FY2024</i>
Received/receivable by us	15,100,000	11,370,000	8,270,000	4,590,000

Reasons and basis for the annual cap

The annual cap for this transaction is based on the following factors: (i) historical transaction amounts; (ii) the agreement with, and costs of originally licensing, from ETS; (iii) our anticipated increase in demand by New Oriental’s schools, taking into account the popularity of courses that involve TPO examination materials, the growth of the English language learning and testing market in China; and (iv) market comparable rates for sublicensing TPO educational materials from our competitors or independent third party providers. The annual cap is calculated according to the product of (i) price per package ordered; and (ii) the estimated anticipated growth in maximum annual order volume.

3. *Procurement of Goods*

Transaction description

Under this transaction, New Oriental Group shall provide goods to our Group, including education materials (such as published books and reading materials, teaching materials, tutorial questions and examination materials and student learning materials) and other resources (such as intelligent learning products and learning machines).

Pricing policy

Our Group shall pay the New Oriental Group fees agreed between the parties on a fair and reasonable basis, based on factors including the costs of producing and licensing the materials, fees charged to third-party customers and fees charged by competitors for similar or comparable materials.

Historical amounts and annual cap

The historical transaction amounts and annual cap are set out below:

<i>RMB</i>	Historical Amounts			<i>Annual cap</i>
	FY2021	FY2022	FY2023	<i>FY2024</i>
Paid/payable by us	9,600,000 ^(Note)	16,960,000 ^(Note)	11,220,000	26,820,000

Note: these transactions under the category of “procurement of goods” were previously described as falling into “provision of educational materials” and the portions of “provision of resources related to the livestream commerce business” and “provision of resources related to the intelligent learning products business” that are expenses in nature under the 2021 EDU Framework Agreement. Please refer to the 2021 Announcement and January 2022 Announcement for details of these former transactions.

Reasons and basis for the annual cap

Since FY2022, we have been operating our new livestream commerce business. Certain of the education materials sold on, and resources used to help operate, our livestream commerce platform are sourced from New Oriental Group. The annual cap for this transaction is based on historical amounts and the availability of various materials from New Oriental Group, considering the anticipated business needs of our Group for the year and the product of: (i) the goods procured; (ii) the fixed item catalogue price; (iii) a bulk procurement discount, if any; (iv) the expected order volume for each type of goods procured; (v) the estimated projected market growth for our livestream commerce platform and intelligent learning products business; (vi) the fees charged, and change in rates of fees charged, by New Oriental Group to third-party customers for the same or similar resources (where applicable); and (vii) estimated increase in demand for a larger range of products offered through our livestream commerce platform and intelligent learning products business, as our product and service lines grow and improve.

4. *Provision of Goods*

Transaction description

We will provide certain goods and resources generated by our Group to New Oriental Group, including licensing of educational intellectual property (such as copyrighted teaching materials and academic materials produced by our teaching staff), selling goods to New Oriental Group through our livestream commerce platform (such as agricultural products, food and beverages, and other products), and selling smart stationary and learning products to New Oriental Group.

Pricing policy

The transaction fees to be set by our Group (and to be charged to New Oriental Group) and as agreed between the parties on a fair and reasonable basis, based on the following: (a) for the licensing of intellectual property: scope of use, per unit licensing cost, and duration. (b) for other goods: the costs of acquisition/production, fees charged to third-party customers and fees charged for similar or comparable materials by third-party suppliers (if possible).

Historical amounts and annual cap

The historical transaction amounts and annual cap are set out below:

<i>RMB</i>	Historical Amounts			<i>Annual cap</i>
	FY2021	FY2022	FY2023	<i>FY2024</i>
Receivable by us	Nil ^(Note)	5,320,000 ^(Note)	15,050,000	47,570,000

Note: these transactions under the category of “provision of goods” were previously described as falling into “licensing of educational intellectual property” and the portions of “provision of resources related to the livestream commerce business” and “provision of resources related to the intelligent learning products business” that are revenue in nature under the 2021 EDU Framework Agreement. Please refer to the 2021 Announcement and January 2022 Announcement for details of these former transactions.

Reasons and basis for the annual cap

The annual cap for this transaction is based on the pricing policy and expected order amount from New Oriental Group, based on the expected customer demand amount of New Oriental Group, considering (i) the estimated growth in demand of resources of New Oriental Group; (ii) estimates in the changes in availability of, and fees charged for, similar or comparable resources from third-party suppliers; and (iii) the provision of new products to New Oriental Group as our Group’s product and services line grows or improves.

5. *Online and Offline Educational Resources*

Transaction description

Our Group and New Oriental Group shall provide online and offline (respectively) resources to each other, namely:

- (a) the online educational resources provide by our Group will include pre-recorded or live online courses and tutorials, online packages, and audio-visual resources.
- (b) the offline educational resources provided by New Oriental Group will include learning facilities, access to learning centers, dormitories, and administrative, consulting and management services, to complement and support our online products and services provided to our students.

Pricing policy

The transaction fees to be set by our Group (and to be charged to New Oriental Group) shall be agreed between the parties on a fair and reasonable basis, with the online educational resources charged at a per student price, and made with reference to, among other things, the number of students accessing the particular product or course. Similarly, the transaction fees to be charged by New Oriental Group for our procurement of offline educational resources shall be agreed by the parties on a fair and reasonable basis and determined by, among other things, the type of resources being offered by New Oriental Group.

Historical amounts and annual caps

The historical transaction amounts and annual caps are set out below:

<i>RMB</i>	Historical Amounts			<i>Annual caps</i>
	FY2021	FY2022	FY2023	<i>FY2024</i>
Paid/payable by us	500,000	5,120,000	1,090,000	<i>2,540,000</i>
Received/receivable by us	Nil	1,940,000	8,040,000	<i>10,500,000</i>

Reasons and basis for the annual caps

The annual caps for this transaction are set based on the following factors:

- (a) for online educational resources provided by us: (i) historical amounts; (ii) the estimated growth in student numbers enrolling for New Oriental's courses; (iii) estimates in the changes in availability of, and fees charged for, similar or comparable educational resources from third-party suppliers; and (iv) the provision of new products to New Oriental Group as our product and services line grows or improves.
- (b) for offline educational resources procured by us: (i) the estimated number of students expected to enroll in, and projected market growth for, our online courses with the on-site intensive learning component; (ii) the fees charged, and change in rates of fees charged, by New Oriental Group to third-party customers for the same or similar offline educational resources (where applicable); and (iii) estimated changes in student enrolment numbers in, and/or our fee rates for, the online courses with the on-site intensive learning component (charged to students) attributable to changes in our online courses and products as our product and service line grows and/or improves and, depending on the success of the test-trial offering, extending our on-site intensive learning services to our other online courses.

2023 TIGERSTEP FRAMEWORK AGREEMENT

The principal terms of the 2023 Tigerstep Framework Agreement are set out below:

Date:

25 August 2023.

Parties:

- (i) the Company (for itself and on behalf of the Group); and
- (ii) Tigerstep (for itself and on behalf of the Tigerstep Group).

Term:

25 August 2023 to 31 May 2026.

1. *Property Leases with lease terms of more than one year*

Transaction description

Under this framework agreement, Tigerstep Group has agreed to lease certain properties to our Group to be used as, among other purposes, office space, recording studios and administrative premises. The transaction is for leases of more than one year in duration.

Rental amount

The Group shall pay the Tigerstep Group rent at an amount agreed upon periodically between the parties, calculated at a rental rate for a specified period multiplied by the total duration of the lease. The per area price will be determined based on comparable rental amounts charged in nearby locations and for comparable premises.

Historical amounts and annual caps

Since the adoption of IFRS 16 (International Financial Reporting Standards), rental leases of more than one year are represented as a right to use an asset.

RMB	Historical Amounts		Annual caps		
	FY2022	FY2023	FY2024	FY2025	FY2026
Paid/Payable by us	Nil	6,960,000	1,000,000	1,000,000	9,000,000

Reasons and basis for the annual caps

The annual caps for this transaction represent the estimated respective maximum value of the right-of-use assets relating to leases to be or expected to be entered into by the Group in FY2024 to FY2026.

2. *Property Management Services and Short-term Property Leases*

Transaction description

Under this framework agreement, Tigerstep Group has agreed to lease certain properties to our Group to be used as, among other purposes, office space, recording studios and administrative premises. The transaction is for leases of less than one year in duration.

In connection with the property leases, Tigerstep Group will also provide its tenants with management services, such as property maintenance, concierge services, utilities, cleaning of common areas and other tenant services typically provided by a property management agency, as well as short-term sharing of premises on an at-cost basis.

Pricing policy

The Group shall pay the Tigerstep Group a monthly maintenance fee based on the services provided and location, with reference to on comparable property management service fees charged in nearby locations and for comparable premises and services.

Historical amounts and annual caps

Since the adoption of IFRS 16 (International Financial Reporting Standards), rental leases of more than one year are represented as a right to use an asset and property management fees and short-term property rentals are represented as a separate continuing connected transaction.

<i>RMB</i>	<u>Historical Amounts</u>		<u>Annual caps</u>		
	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>
Paid/Payable by us	1,300,000	180,000	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>

Reasons and basis for the annual caps

The annual caps for this transaction are based on the aggregate property service fees payable under each lease entered into or to be entered into in FY2024 to FY2026.

REASONS AND BENEFITS OF THE 2023 AGREEMENTS

The Company has compared the market rates and the products and services provided by comparable third-party market providers and is of the view that it is more beneficial to the Company and its Shareholders to enter into these transactions with New Oriental and Tigerstep rather than comparable third party-providers, taking into account pricing competitiveness, the quality and breadth of products and services provided by various suppliers, and the benefits obtained from maintaining and growing the synergy between the Group and its parent New Oriental group and offering a cohesive and seamless online-offline user experience for our students and users.

CONFIRMATION FROM THE DIRECTORS

One of the Directors, Mr. Yu, is a director and the chairman of the board of directors of New Oriental and wholly-owns and controls Tigerstep. Accordingly, Mr. Yu has a material interest in the 2023 Agreements and has abstained from voting on these agreements (and the underlying transactions) at the Board meeting on 25 August 2023.

The Directors (including the independent non-executive Directors, but excluding Mr. Yu who has abstained from considering the 2023 Agreements) consider the 2023 Agreements, and the transactions thereunder, to be: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the framework agreements governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

INTERNAL CONTROL

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 its 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 its listing and that it continues to implement, to ensure that its connected transactions, including its continuing connected transactions, such as those under the 2023 Agreements, 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 connected transactions conducted during the financial year in accordance with the Listing Rules.

INFORMATION ABOUT THE PARTIES

Our Group 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), as its core product, and a cultural communication company that provides customers with pleasant experience. Meanwhile, we are also a leading online provider of extracurricular education services in China with a comprehensive portfolio of well-recognised brands known for high-quality courses and content, with a core expertise in online after-school tutoring and test preparation. We provide our courses and products through different online platforms and mobile applications in multiple formats.

New Oriental is a comprehensive education services provider that operates a network of schools, learning centers and bookstores across China, and is dual listed on the Stock Exchange (stock code: 9901) and the New York Stock Exchange (stock symbol: EDU). New Oriental is our substantial shareholder (as defined in the Listing Rules).

Tigerstep is an investment holding company wholly-owned and controlled by Mr. Yu, our Director.

LISTING RULES IMPLICATIONS

New Oriental is a controlling shareholder (as defined in the Listing Rules) and Tigerstep is wholly-owned and controlled by Mr. Yu, a Director. Accordingly, New Oriental, Tigerstep and their respective associates, are connected persons of the Company and each of the transactions is a connected transaction.

For each of the transactions under the 2023 Agreements, the highest applicable percentage ratio calculated with reference to the highest of the annual caps (if applicable) is more than 0.1% but less than 5%. Accordingly, each of the transactions under the 2023 Agreements is subject to the reporting, announcement and annual review requirements but is exempted from the circular and independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“2021 Announcement”	the announcement of the Company dated 14 May 2021 regarding the 2021 EDU Framework Agreement and the Existing Tigerstep Framework Agreement
“2023 Agreements”	the 2023 EDU Framework Agreement and the 2023 Tigerstep Framework Agreement
“2021 EDU Framework Agreement”	the framework agreement dated 14 May 2021 entered into between the Company and New Oriental (as amended by the supplemental agreement dated 21 January 2022) in relation to certain continuing connected transactions of the Company, detail of which are set out in the 2021 Announcement and the January 2022 Announcement

“2023 EDU Framework Agreement”	the framework agreement dated 25 August 2023 entered into by our Company and New Oriental to renew the Existing EDU Framework Agreement, details of which are set out in this announcement
“2023 Tigerstep Framework Agreement”	the framework agreement dated 25 August 2023 entered into by the Company and Tigerstep to renew the Existing Tigerstep Framework Agreement, details of which are set out in this announcement
“Board”	the board of Directors
“China” or “PRC”	The People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macao Special Administrative Region and Taiwan
“Company”, “us”, “we” or “our”	East Buy Holding Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 7 February 2018, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1797)
“connected person(s)”	has the meaning ascribed to it by the Listing Rules
“Directors”	the directors of the Company
“ETS”	Educational Testing Service, a private non-profit educational testing and assessment organisation, which administer tests such as TOEFL and GRE (Graduate Record Examination)
“Existing EDU Framework Agreement”	the framework agreement dated 27 May 2022 entered into by the Company and New Oriental in relation to the provision of promotional services, sub-licensing of TPO examination materials, procurement of goods, provision of goods and online and offline educational resources between the Group and the New Oriental Group, details of which are set out in the May 2022 Announcement
“Existing Tigerstep Framework Agreement”	the framework agreement dated 14 May 2021 entered into between the Company and Tigerstep in relation to the leasing of certain properties from Tigerstep Group to the Group, details of which are set out in the 2021 Announcement
“FY”	the financial year ended or ending 31 May

“Group”	the Company and its subsidiaries (as defined in the Listing Rules)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“January 2022 Announcements”	the announcement of the Company dated 21 January 2022 about certain existing continuing connected transactions with New Oriental Group under the 2021 EDU Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“May 2022 Announcement”	the announcement of the Company dated 27 May 2022 regarding the Existing EDU Framework Agreement
“Mr. Yu”	Mr. YU Minhong, our Director and chairman of our Board
“New Oriental”	New Oriental Education & Technology Group Inc., a company incorporated under the laws of the Cayman Islands on 16 March 2006, which is dual listed on the Main Board of the Stock Exchange (Stock Code: 9901) and the New York Stock Exchange (Trading Symbol: EDU) and our controlling shareholder (as defined in the Listing Rules)
“New Oriental Group”	New Oriental and its subsidiaries (including consolidated affiliated entities) but excluding our Group
“percentage ratios”	has the meaning ascribed to it by the Listing Rules
“Prospectus”	the Company’s prospectus dated 15 March 2019
“RMB”	Renminbi, the lawful currency of China
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it by the Listing Rules
“Tigerstep”	Tigerstep Developments Limited, a company incorporated under the laws of the British Virgin Islands and wholly-owned by Mr. Yu

“Tigerstep Group”	Tigerstep and its subsidiaries
“TOEFL”	Test of English as a Foreign Language, a standardized test of English language proficiency administered by ETS
“TPO”	TOEFL Practice Online, the official practice tests using authentic past test questions, from ETS, the maker of TOEFL tests

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

Hong Kong, 25 August 2023

As of the date of this announcement, the Board comprises the following members: 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.