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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE EDUCATION BUSINESS**

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



The Company is pleased to announce that on 21 November 2023, the Board approved the Disposal, being the proposed disposal of the Education Business to our parent company, New Oriental.

The Disposal is part of a business re-delineation by the Wider New Oriental Group to more clearly separate its business lines and better align its business segments with the environment in which it operates. At present, the Group and New Oriental Group operate in overlapping industries, with their business delineated according to the medium through which their products/services are delivered. After the Disposal, the Group and New Oriental Group will operate in separate and distinct industries, with the Group no longer operating in the online education space, and instead, becoming a pure-play private label products and livestreaming business operator.

THE DISPOSAL

Overview

Below is a summary of the material terms of the Disposal Agreement governing the Disposal of the Education Business from the Group to New Oriental Group:

Date: 21 November 2023

Parties:

- (a) Company
- (b) Beijing Xuncheng
- (c) Dexin Dongfang
- (d) Xuncheng HK
- (e) New Oriental China
- (f) Elite Concept

Target: The Education Business currently operated by the Group, including:

- (a) the entire equity interests of Youbo HK, currently a wholly-owned subsidiary of the Company, with a registered capital of HK\$1, which is principally engaged in online education;
- (b) the entire equity interests of Kuxue Huisi, currently a wholly-owned subsidiary of Beijing Xuncheng with a registered capital of RMB10 million, which is principally engaged in online education;
- (c) the entire equity interests of Xi'an Ruiying, currently a wholly-owned subsidiary of Xuncheng HK with a registered capital of RMB250 million, which is principally engaged in education advisory services; and
- (d) associated intellectual property assets, business contractual rights and obligations, accounts receivables and payables, inventory, other related assets, and employment resources set out in the Disposal Agreement that relate to the Education Business and ancillary to the Group's "college education" and "institutional customers" business segments.

Following the Disposal, the Target Entities will be deconsolidated from the Group.

Consideration: An aggregate of RMB1.5 billion, payable in cash.

Basis of consideration:

This consideration was agreed by the parties after arm's length negotiations, with reference to an independent valuation. The independent valuation adopted the market approach method, assessed as of 30 September 2023, and took into account the following key factors:

- the enterprise value-to-sales and enterprise value of comparable Hong Kong and U.S. listed education companies that operate online extracurricular education services (selected based on, among others, the industry and financial positions of the Education Business, similarities in business model, business stage, and operations); and
- the assumption that historical revenue figures generated by the Education Business between the period of 1 October 2022 and 30 September 2023 would be maintainable.

The Board determined that the market approach was the most appropriate valuation method, given that there were a number of comparable listed companies available, which was able to provide an appropriate basis for the valuation, while the other valuation methods would produce less reliable results given inherent challenges in projecting the profitability of the Education Business, particularly within a fluctuating regulatory and economic environment, and failures to take into account other important attributing values.

Taking into account the above, the Board considered the independent valuation to be a fair and reasonable basis to calculate the consideration amount, having reviewed this against, among others, the historical operational and financial performance of the Education Business (including key financial results generated from the Target Interests), the general business prospects of the Education Business as compared with the investment amount already contributed and would likely need to be further injected into the Education Business to realise and maintain these business prospects, and the factors set out in "Reasons for and Benefits of the Disposal" in this announcement.

Settlement:

The consideration will be settled within 10 business days of the closing date, being 1 March 2024 or a date as otherwise agreed by all parties to the agreement.

Conditions:

The closing conditions include:

- the representations and warranties being true, accurate and complete on the date of the Disposal Agreement and equity delivery date;
- obtaining all relevant corporate approvals, constitutional amendments, and necessary consents and authorisations to effect the equity transfer of the Target Entities; and
- as of the equity delivery date, there being no actual or reasonably foreseeable occurrence of a material adverse impact on the Target Entities (including its financials and business operations).

Upon completion of the Disposal, the Education Business will no longer form part of the Group, the Group will no longer operate an online education business, and there will no longer be any connected transactions subsisting in respect of the Education Business between the Group and New Oriental Group. Accordingly, all agreements and transactions relating to the Group’s online education business will be either terminated or transferred to (or re-entered into by) New Oriental Group, as part and parcel with the transfer of the Education Business.

Information about the Education Business

The Education Business includes the Target Entities, through which the Group operates its education and education-related business operations, and comprise the “college education” and “institutional customers” business segments, which are detailed in the Company’s historical annual and interim reports.

The table below sets out the key financial information attributable to the Education Business for the two years ended 31 May 2023:

RMB’000	2022	2023
Net profit before taxation	1,299	117,556
Net profit after taxation.	1,299	120,991

The book value (being the net liabilities value) of the Education Business as at 30 September 2023 was approximately RMB153.1 million.

For further information about the Education Business, please refer to the annual and interim reports of our Company, which are available on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (ir.eastbuy.com).

Financial impact of the Disposal and intended use of proceeds

The Company currently expects to record a gain on the Disposal of approximately RMB1,653.1 million. This amount is estimated based on the total consideration of the Disposal less the net liabilities of approximately RMB153.1 million of the Education Business as of 30 September 2023. This amount is unaudited and subject to final confirmation. The Group intends to use the proceeds from the Disposal for its general working capital and growing its remaining business, in the manner to be further set out in the Company’s circular.

INFORMATION ABOUT THE GROUP AND NEW ORIENTAL GROUP

The Group: The Group operates in the internet technology sector. As at the date of this announcement, the Group operates private label products and livestreaming e-commerce businesses (notably, through the livestreaming channel “East Buy (東方甄選)” across various platforms, and the Education Business (namely, online college education and online education for institutional customers). After the Disposal, the Group will be a pure-play private label products and livestreaming business operator, and the Education Business (including the Target Entities) will be deconsolidated from the Group.

Beijing Xuncheng is an indirect 100% consolidated subsidiary of the Company controlled through contractual arrangements. Beijing Xuncheng is principally engaged in online education and private label products and livestreaming business.

Dexin Dongfang is an indirect wholly-owned subsidiary of the Company and 100% directly controls Beijing Xuncheng through contractual arrangements. Dexin Dongfang is principally engaged in providing software and technology services.

Xuncheng HK is a direct wholly-owned subsidiary of the Company and 100% directly owns Dexin Dongfang. Xuncheng HK is primarily an investment holding company.

New Oriental Group: New Oriental is a comprehensive educational services provider that operates a network of schools, learning centres and bookstores across China, and its American depository shares are listed on the New York Stock Exchange (NYSE: EDU) and its shares are listed on the Stock Exchange (SEHK: 9901). New Oriental is the parent and controlling shareholder of the Group. To the best knowledge of the Company, New Oriental has one substantial shareholder, being Tigerstep Developments Limited, which held approximately 11.8% of New Oriental’s issued share capital as of the date of New Oriental’s Form 20-F (published on the website of the U.S. Securities Exchange Commission on 25 September 2023).

New Oriental China is a 100% consolidated subsidiary of New Oriental controlled through contractual arrangements. New Oriental China is principally engaged in, among other things, offline education and educational consulting.

Elite Concept is a 100% subsidiary of New Oriental and is principally engaged in educational consulting.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal is part of an internal reorganisation of business lines by New Oriental of its subsidiaries (which includes the Group), driven by:

- (a) changes in China's regulatory environment around after-school tutorial businesses, which resulted in the Group ceasing its preschool and Kindergarten to Year-12 online business segments;
- (b) changes in learning and lifestyle habits of China's students and the customer base of the Wider New Oriental Group as a result of COVID-19, which resulted in a blurring of lines between online and offline education and a transition towards offline-merge-online learning and lifestyle habits; and
- (c) the Company's development of its private label products and livestreaming business, which has gained significant traction among users in China (please refer to the Company's annual report for the financial year ended 31 May 2023 for more details).

This change in environment has caused the Wider New Oriental Group to reconsider the business delineation between New Oriental Group and the Group. The Disposal is part of Wider New Oriental Group's re-delineation of its business, following which, each group would be able to better focus on one specific and distinct industry (namely, New Oriental Group to focus on the education industry, and the Group to focus on private label products and livestreaming industry).

This business re-delineation will benefit the Company, New Oriental Group and respective shareholders as a whole, for the primary reasons that:

- (a) the existing business delineation (namely, New Oriental Group operating offline education and the Group operating online education) makes less sense in a new social environment where students (including college and institutional students) increasingly prefer, and sometimes expect, education to be offline-merge-online, with the line between online and offline platforms becoming increasingly blurred;
- (b) the business re-delineation enables each group to focus on its own separate and distinct industry. For the Company, this would enable the Group's management to enhance its focus on, and allocate its resources towards, one specific industry (rather than multiple industries), which in turn, would mean more concentrated resource allocation that would lead to greater financial returns for Shareholders;
- (c) this clearer delineation of business lines within the Wider New Oriental Group would enable the management of each of New Oriental Group and the Group to assess more clearly the business performance and market position of their respective businesses in that industry;
- (d) the Disposal would position the Group as a pure-play private label products and livestreaming business operator, which in turn, would enable investors to more easily value the Group's business and its market position. The business re-delineation would also enable investors to apply different valuation methodologies to each of New Oriental Group and the Group, based on their market positions and performance within their distinct industries; and

- (e) the business re-delineation would provide Shareholders and investors with greater flexibility to decide in which industry (or industries) they would like to invest. In particular, at present, Shareholders and investors are exposed to regulatory and market conditions associated with both the education and private label products and livestreaming industries in China, whereas after the Disposal, Shareholders and investors will have the choice whether to continue investing in both industries or to only invest in one of the two industries.

Based on the above, the Board considers the Disposal to be in the interests of the Company and Shareholders as a whole.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Director confirmation and material interests in the Disposal

The Directors (other than (i) the independent non-executive Directors, whose opinions will be given in the circular after taking into account advice from Gram Capital, the Independent Financial Adviser; and (ii) Mr. Yu Minhong, who has abstained from voting on the Disposal) consider the terms of the Disposal (and the Disposal Agreement) to be fair and reasonable, and the Disposal (and the Disposal Agreement) to be on normal commercial terms or better for the Group and in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole.

Aside from Mr. Yu, who is a director of both the Company and New Oriental and who has accordingly elected to abstain from participating and voting at the Board meeting held to consider the Disposal, none of the other Directors have a material interest in the Disposal.

Listing Rules implications

The highest of the applicable size test ratios (calculated in accordance with Chapter 14 of the Listing Rules) for the Disposal falls between 5% and 25%. Additionally, the Disposal involves New Oriental, which is a connected person of the Company. Accordingly, the Disposal constitutes a discloseable and connected transaction of the Company and is subject to, among others, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

EGM and circular

The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the terms of the Disposal.

The Company will convene an EGM for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreement (and Disposal). As at the date of this announcement, New Oriental holds 54.9% of the issued shares of the Company, and Tigerstep Developments Limited, a controlled corporation of Mr. Yu Minhong, holds 2.7% of the issued shares of the Company. New Oriental and Tigerstep Developments Limited will abstain from voting on the resolutions on this matter. To the best knowledge, information and belief of the Directors, after making all reasonable enquiries, no other Shareholder will be required to abstain from voting on these resolutions at the EGM.

A circular containing, among other details, information about the Disposal, a letter from Gram Capital (as the Independent Financial Adviser) to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, a letter from the Independent Board Committee to the Independent Shareholders in respect of the Disposal, and a notice of extraordinary general meeting to be convened for approving the Disposal, is expected to be despatched to Shareholders on or before the end of January 2024 to enable the Company sufficient time to prepare for the circular and EGM.

POSSIBLE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

New Oriental is contemplating a potential subscription of new shares in the Company under specific mandate. The subscription would be separate from, and not interdependent upon, the Disposal, and would represent New Oriental's confidence and support in the Company after the Disposal. Terms of the subscription are still being discussed, no transaction documents relating to the subscription have been signed, and if proceeded with, the subscription will be subject to approval from Shareholders. The Company will make a further announcement to update the market about the subscription in due course.

Shareholders and potential investors should note that the Disposal is subject to the satisfaction of certain conditions and approval by the Independent Shareholders at the EGM. As such, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company. If in doubt, Shareholders and potential investors of the Company are recommended to consult with their professional adviser(s).

DEFINITIONS

In this announcement, unless the context suggests otherwise, the following terms have the meanings set out below:

“Beijing Xuncheng”	Beijing New Oriental Xuncheng Network Technology Co., Ltd.* 北京新東方迅程網絡科技有限公司, a company established under PRC law on 11 March 2005 and a 100% consolidated and controlled subsidiary of the Company, a member of the Group, and acting as a seller under the Disposal Agreement
“Board”	the board of Directors
“China” or “PRC”	The People's Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company”	East Buy Holding Limited 東方甄選控股有限公司 (formerly known as Koolearn Technology Holding Limited 新東方在綫科技控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 7 February 2018, the shares of which are listed on the Main Board of the Stock Exchange (SEHK: 1797)

“connected person(s)”	has the meaning ascribed to it by the Listing Rules
“Dexin Dongfang”	Beijing Dexin Dongfang Network Technology Co., Ltd.* 北京德信東方網絡科技公司, a company established under PRC law on 21 March 2018 and a wholly-owned subsidiary of the Company, a member of the Group, and acting as a seller under the Disposal Agreement
“Director”	a director of the Company
“Disposal”	the proposed disposal of the Education Business from the Group to New Oriental Group in accordance with the Disposal Agreement
“Disposal Agreement”	the agreement entered into among the Company, Beijing Xuncheng, Dexin Dongfang, Xuncheng HK, New Oriental China and Elite Concept setting out the terms and conditions of the Disposal
“Education Business”	the target of the Disposal, comprising (a) the entire equity interest of Dongfang Youbo (HK) Education Limited (東方優播(香港)教育有限公司), a company incorporated in Hong Kong on 13 August 2020 (“ Youbo HK ”); (b) the entire equity interest of Beijing Kuxue Huisi Network Technology Co., Ltd.* 北京酷學慧思網絡科技有限公司, a company established under PRC law on 1 February 2013 (“ Kuxue Huisi ”); (c) the entire equity interest of Xi’an Ruiying Huishi Network Technology Co., Ltd.* 西安睿盈慧師網絡科技有限公司, a company established under PRC law on 3 April 2020 (“ Xi’an Ruiying ”); and (d) associated assets, through which the Group operates its “college education” and “institutional customers” business segments; with the entities in (a) to (c) herein being the “ Target Entities ”
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of considering and approving the Disposal Agreement (and Disposal), the details of which will be set out in a circular to be issued by the Company at a later date
“Elite Concept”	Elite Concept Holdings Limited 晉盟控股有限公司, a company incorporated in Hong Kong on 3 December 2007 and a subsidiary of New Oriental, a member of New Oriental Group, and acting as a purchaser under the Disposal Agreement
“Group”	the Company and its subsidiaries (including consolidated affiliated entities)

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors (namely, Mr. Lin Zheyang, Mr. Tong Sui Bau; and Mr. Kwong Wai Sun Wilson), established by the Company to advise the Independent Shareholders in respect of the Disposal
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Oriental”	New Oriental Education & Technology Group Inc. (新東方教育科技(集團)有限公司*), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 March 2006, the shares of which are secondary listed on the Main Board of the Stock Exchange under Chapter 19C of the Listing Rules (SEHK: 9901) and the American depository receipts are listed on the New York Stock Exchange (NYSE: EDU)
“New Oriental China”	New Oriental Education & Technology Group Co., Ltd.* 新東方教育科技集團有限公司, a company established under PRC law on 2 August 2001 and a subsidiary of New Oriental, a member of New Oriental Group, and acting as a purchaser under the Disposal Agreement
“New Oriental Group”	New Oriental and its subsidiaries, but excluding the Group
“Shareholder(s)”	holder(s) of shares in our Company; and “Independent Shareholders” are all Shareholders other than any Shareholder who has a material interest in the Disposal and would be required under the Listing Rules to abstain from voting on the resolutions approving the Disposal; for the avoidance of doubt, Independent Shareholders does not include New Oriental or Tigerstep Developments Limited

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wider New Oriental Group”	the Group and New Oriental Group
“Xuncheng HK”	New Oriental Xuncheng Technology (HK) Limited 新東方迅程科技(香港)有限公司, a company incorporated in Hong Kong on 2 March 2018 and a wholly-owned subsidiary of the Company, a member of the Group, and acting as a seller under the Disposal Agreement

* *for identification purposes only*

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

Hong Kong, 21 November 2023

As at 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.