



# 燕之屋

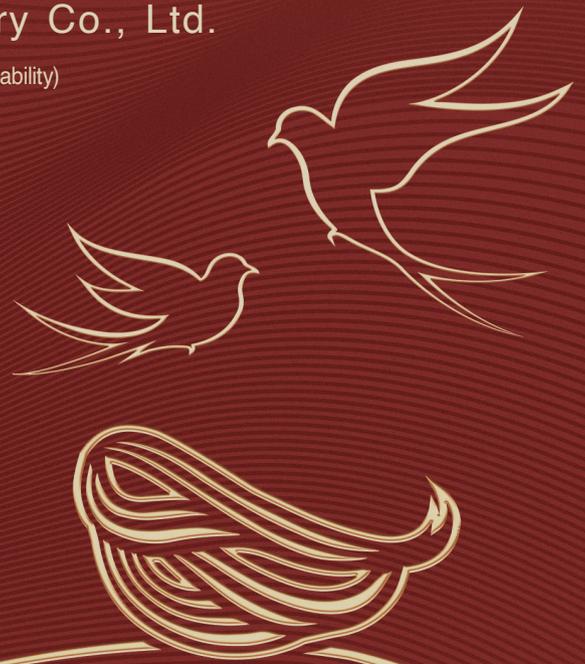
YAN PALACE

廈門燕之屋燕窩產業股份有限公司

Xiamen Yan Palace Bird's Nest Industry Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1497



## GLOBAL OFFERING

Joint Sponsors



Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



# IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



燕之屋  
YAN PALACE

## XIAMEN YAN PALACE BIRD'S NEST INDUSTRY CO., LTD. 廈門燕之屋燕窩產業股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

### Global Offering

Number of Offer Shares under the Global Offering	: 32,000,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 3,200,000 H Shares (subject to reallocation)
Number of International Offer Shares	: 28,800,000 H Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$11.00 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application and subject to refund)
Nominal value	: RMB0.2 per H Share
Stock code	: 1497

### Joint Sponsors



Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display—1. Documents Delivered to the Registrar of Companies" in Appendix V has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (for themselves and on behalf the Underwriters), and our Company on or around Friday, December 8, 2023, but in any event no later than 12:00 noon on Friday, December 8, 2023. The Offer Price will be not more than HK\$11.00 per Offer Share and is currently expected to be not less than HK\$8.80 per Offer Share. If, for any reason, the Overall Coordinators (for themselves and on behalf the Underwriters), and our Company are unable to reach an agreement on the Offer Price by 12:00 noon on Friday, December 8, 2023, the Global Offering will not become unconditional and will lapse immediately. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$11.00 per Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price should be less than HK\$11.00 per Hong Kong Offer Share.

The Overall Coordinators (for themselves and on behalf the Underwriters), may, with consent of our Company, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at <http://www.yanzhiwu.com> as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Overall Coordinators (for themselves and on behalf the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States, except pursuant to an available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <http://www.yanzhiwu.com>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

November 30, 2023

## IMPORTANT

### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at <http://www.yanzhiwu.com>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may use one of the following application channels:

<u>Application Channel</u>	<u>Platform</u>	<u>Target Investors</u>	<u>Application Time</u>
<b>HK eIPO White Form service</b>	<b>IPO App</b> (which can be downloaded by searching “ <b>IPO App</b> ” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a> ) or <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, November 30, 2023 to 11:30 a.m. on Thursday, December 7, 2023, Hong Kong time.  The latest time for completing full payment of application monies will be 12:00 noon on Thursday, December 7, 2023, Hong Kong time.
<b>HKSCC EIPO channel</b>	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

## IMPORTANT

Your application through the **HK eIPO White Form** service or the HKSCC EIPO channel must be for a minimum of 400 Hong Kong Offer Shares and in one of the numbers set out in the table. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment
	HK\$		HK\$		HK\$		HK\$
400	4,444.38	8,000	88,887.48	70,000	777,765.46	900,000	9,999,841.50
800	8,888.75	10,000	111,109.36	80,000	888,874.80	1,000,000	11,110,935.00
1,200	13,333.13	12,000	133,331.22	90,000	999,984.16	1,200,000	13,333,122.00
1,600	17,777.50	14,000	155,553.09	100,000	1,111,093.50	1,400,000	15,555,309.00
2,000	22,221.86	16,000	177,774.95	200,000	2,222,187.00	1,600,000 <sup>(1)</sup>	17,777,496.00
2,400	26,666.24	18,000	199,996.84	300,000	3,333,280.50		
2,800	31,110.62	20,000	222,218.70	400,000	4,444,374.00		
3,200	35,554.99	30,000	333,328.06	500,000	5,555,467.50		
3,600	39,999.37	40,000	444,437.40	600,000	6,666,561.00		
4,000	44,443.75	50,000	555,546.76	700,000	7,777,654.50		
6,000	66,665.61	60,000	666,656.10	800,000	8,888,748.00		

*Notes:*

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the **HK eIPO White Form** service), while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## EXPECTED TIMETABLE

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*If there is any change in the following expected timetable<sup>(1)</sup> of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at <http://www.yanzhiwu.com> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

Hong Kong Public Offering commences .....9:00 a.m. on  
Thursday, November 30, 2023

Latest time to complete electronic applications under  
the **HK eIPO White Form** service through one  
of the below ways<sup>(2)</sup>

(1) the **IPO App**, which can be downloaded by  
searching “**IPO App**” in App Store or Google  
Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp)  
or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)

(2) the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) .....11:30 a.m. on  
Thursday, December 7, 2023

Application lists open<sup>(3)</sup> .....11:45 a.m. on  
Thursday, December 7, 2023

Latest time for completing payment of  
**HK eIPO White Form** applications by effecting  
internet banking transfers(s) or PPS payment  
transfer(s) and giving **electronic application**  
**instructions** to HKSCC<sup>(4)</sup> .....12:00 noon on  
Thursday, December 7, 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close<sup>(3)</sup> .....12:00 noon on  
Thursday, December 7, 2023

Expected Price Determination Date<sup>(5)</sup> .....Friday, December 8, 2023

Announcement of the Offer Price, the level  
of indications of interest in the International  
Offering, the level of applications in the  
Hong Kong Public Offering and the basis  
of allocation of the Hong Kong Public  
Offering to be published and on the website  
of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)  
and the Company's website at  
<http://www.yanzhiwu.com><sup>(6)</sup> at or before .....11:00 p.m. on  
Monday, December 11, 2023

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## EXPECTED TIMETABLE

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The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at <http://www.yanzhiwu.com> and [www.hkexnews.hk](http://www.hkexnews.hk) respectively .....at or before 11:00 p.m. on Monday, December 11, 2023
- from the "IPO Results" function in the **IPO App** or at [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) (or [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result)) .....11:00 p.m. on Monday, December 11, 2023 to 12:00 midnight on Sunday, December 17, 2023
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from .....Tuesday, December 12, 2023 to Friday, December 15, 2023

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from ..... 6:00 p.m. on Friday, December 8, 2023

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before<sup>(7)</sup> .....Monday, December 11, 2023

**HK eIPO White Form** e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before<sup>(8)(9)</sup> .....Tuesday, December 12, 2023

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at .....9:00 a.m. on Tuesday, December 12, 2023

*The application for the Hong Kong Offer Shares will commence on Thursday, November 30, 2023 through Thursday, December 7, 2023, being longer than normal market practice of three and a half days. Investors should be aware that the dealings in H Shares on the Stock Exchange are expected to commence on Tuesday, December 12, 2023.*

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**Notes:**

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

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## EXPECTED TIMETABLE

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- (3) If there is/are a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 7, 2023, the application lists will not open and will close on that day. For further details, please see the section headed “How to Apply for Hong Kong Offer Shares—E. Severe Weather Arrangements” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares—A. Application for Hong Kong Offer Shares” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, December 8, 2023 (which, at the earliest, could be Thursday, December 7, 2023), and, in any event, not later than 12:00 noon on Friday, December 8, 2023. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us by 12:00 noon on Friday, December 8, 2023, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” in this prospectus has not been exercised. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund check. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or H Share certificates in person from our H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, December 12, 2023 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-Auto Refund payment instructions. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through the HKSCC EIPO channel should refer to the section headed “How to Apply for Hong Kong Offer Shares—D. Despatch/Collection of H Share Certificates and Refund of Application Monies” in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

H Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares—D. Despatch/Collection of H Share Certificates and Refund of Application Monies”.

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## EXPECTED TIMETABLE

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**The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see the sections headed “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” in this prospectus, respectively.**

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

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*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of marketing, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a leading brand in China’s edible bird’s nest (“EBN”) product market, dedicated to the development, production and marketing of high-quality modern EBN products. We are the largest EBN product company in the traceable EBN market in China with a market share of 14.0% in terms of retail value in 2022, according to the F&S Report. We also ranked No. 1 by the number of EBN specialty storefronts and the volume of CAIQ-certified imports in the EBN product market in China in 2022, according to the same source. We have developed an advanced and sophisticated product research and development capability, a diversified product portfolio, a robust quality assurance scheme, and an established sales network, which has allowed us to prevail in the market competition.

With the broad and venerable cultural foundations and history of consumptions, China has been the preeminent market and home to the largest consumer base for EBN products. Driven by the rising living standard and the growing health awareness among Chinese consumers, EBN has been perceived as healthy food products with various functional benefits among many Chinese consumers. As an industry leader, we have outperformed industry average, with a revenue growth from RMB1,301.2 million in 2020 to RMB1,729.9 million in 2022, at a CAGR of 15.3%. Our total retail value in the market also increased at a high CAGR of 12.3% from 2020 to 2022, which was 8.6 percentage points higher than the industry average and was the highest among the top five EBN brands during the same years, according to the F&S Report. According to the same source, China’s EBN market, in terms of retail value, is expected to grow from RMB43.0 billion in 2022 to RMB92.1 billion in 2027, at a CAGR of 16.5%. We believe we are well-positioned to capture the substantial market opportunity, leveraging our market share and revenue growth.

Consumer experience is our top priority. We leverage modern technology to continually drive product innovation that elevates consumer experience. Our product portfolio primarily consists of three product categories, i.e., pure EBN products, “EBN+” products and “+EBN” products, to meet the differentiated consumer needs for experience in different life scenarios. In 2022, we had 250 SKUs, among which 194 were pure EBN SKUs under four major product series, including *One Nest* (碗燕), Freshly Stewed Bird’s Nest (鮮燉燕窩), Crystal Sugar Bird’s Nest (冰糖官燕), and dried EBN (乾燕窩). In addition, leveraging our extensive research of active ingredients extraction from EBN, we have expanded the value chain of the EBN industry by developing other EBN products, including “EBN+” products (which are ready-to-serve EBN products enhanced with other ingredients and/or nutrients), such as *One Nest — Vitality* (碗燕—元氣款) and Crystal Sugar Bird’s Nest with Ginseng (人參冰糖官燕), and “+EBN” products (which are products that feature EBN as an enhancement for elevated nutrition or other benefits), such as EBN porridge and EBN skincare products.

We have developed a geographically diverse brick-and-mortar sales network, consisting of both self-operated stores and distributor-operated stores. As of May 31, 2023, we had a nationwide offline sales network consisting of 91 self-operated stores and 214 offline distributors covering 614 distributor-operated stores in China. The number of our offline distributors increased from 136 as of January 1, 2020 to 214 as of May 31, 2023. Among the 136 distributors as of January 1, 2020, 111, or 81.6%, of them had remained with us as of May 31, 2023. To capture the rapid growth of e-commerce in recent years, we have

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## SUMMARY

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also expanded our online presence on major e-commerce or social media platforms, such as Tmall, JD.com, Douyin and Xiaohongshu. In addition, we have launched products specifically designed for online channels, such as Freshly Stewed Bird's Nest, which has quickly gained popularity among younger consumers.

We stay close to our customers. Through the Yan Palace (燕之屋) membership mini program, our Golden Yan Club (金燕薈) membership program, and other membership programs on major e-commerce platforms, we have cultivated a loyal membership network of customers with a tiered membership system to drive customer stickiness and repeated purchase. As of the Latest Practicable Date, we had over 1.8 million customers registered in our membership programs. Through this membership network, we organize various interactive events to maintain direct engagement with our customers. We have gained considerable insight from our interaction with customers, which allows us to continually optimize our product offerings and customer services. In 2020, 2021 and 2022, we had approximately 143,700, 168,200 and 204,800 paying customers registered in our membership programs, respectively, accounting for 25.0%, 22.1% and 23.5% of our total registered customers as of December 31, 2020, 2021 and 2022, respectively. In the five months ended May 31, 2023, we had approximately 117,600 paying customers registered in our membership programs, accounting for 7.2% of our total registered customers as of May 31, 2023. In 2020, 2021, 2022 and the five months ended May 31, 2023, purchases from such paying customers registered in our membership programs was RMB616.0 million, RMB806.4 million, RMB1,057.5 million and RMB500.0 million, respectively, representing an average purchase amount per registered paying customer of approximately RMB4,280, RMB4,790, RMB5,150 and RMB4,240, respectively.

Our philosophy and primary focus are bringing people beauty and wellness, quality and heritage of EBN products. We collaborate with upstream suppliers to ensure strict control over raw material procurement, implement stringent supplier selection process, and source natural, high-quality and cruelty-free EBN from Southeast Asia. We relentlessly bring EBN to consumers in their natural and pure form.

We achieved robust growth and profitability during the Track Record Period. Our revenue increased from RMB1,301.2 million in 2020 to RMB1,729.9 million in 2022, at a CAGR of 15.3%, and increased by 12.3% from RMB696.9 million in the five months ended May 31, 2022 to RMB782.6 million in the five months ended May 31, 2023. Our net profit increased from RMB123.4 million in 2020 to RMB205.9 million in 2022, at a CAGR of 29.2%, and increased by 20.0% from RMB83.8 million in the five months ended May 31, 2022 to RMB100.5 million in the five months ended May 31, 2023. Our net profit margin was 9.5%, 11.4%, 11.9%, 12.0% and 12.8% for 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. Our adjusted net profit (non-IFRS measure) increased from RMB123.9 million in 2020 to RMB211.1 million in 2022, at a CAGR of 30.5%, and increased by 32.4% from RMB85.9 million in the five months ended May 31, 2022 to RMB113.7 million in the five months ended May 31, 2023. According to the F&S Report, our profitability during the Track Record Period was higher than the industry average, which was estimated to be 5.0% to 9.0% during the same periods. See "Financial Information" for more information.

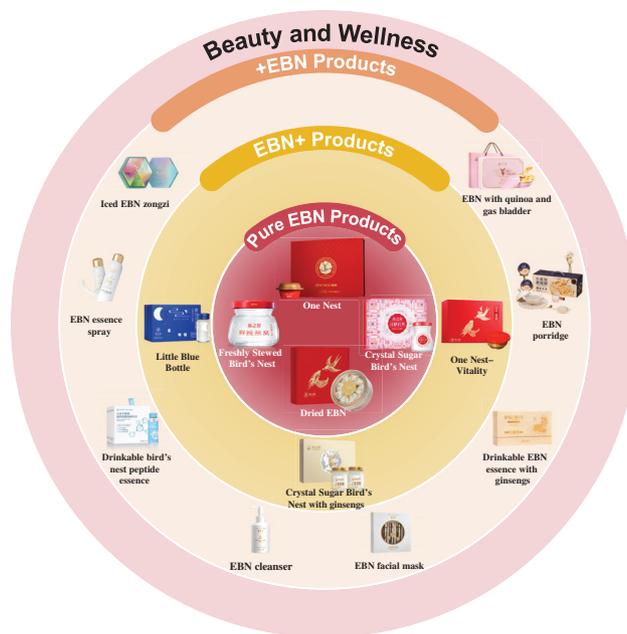
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# SUMMARY

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## Our Products

We currently have primarily three major product categories, i.e., pure EBN products, EBN+ products and +EBN products. During the Track Record Period, our pure EBN products (with an EBN feed rate of over 1% and up to 6% for ready-to-serve products) consisted primarily of (1) *One Nest* (碗燕), our bowl-shape-canned EBN product series which promotes the lifestyle of beauty and wellness, (2) Freshly Stewed Bird's Nest (鲜炖燕窝), our bottle-canned EBN product series primarily targeting e-commerce consumers, (3) Crystal Sugar Bird's Nest (冰糖官燕), our primary bottle-canned crystal sugar flavored EBN product series, and (4) dried EBN, our traditional EBN product series for customers to prepare their own serving of delicacy. In addition to pure EBN products, we have also developed (i) EBN+ products, primarily including EBN-based products with additional ingredients added to create enhanced flavors and cater to different consumption scenarios, and (ii) +EBN products, primarily including food products using EBN or EBN extracts to enhance flavors and functions such as EBN porridge, and EBN skincare products that use bird's nest peptides as an enhancement. We will continue to iterate and diversify our product portfolio in response to the evolving consumer demand. The following diagram is a simplified illustration of our product matrix.



## SUMMARY

The following table sets forth a breakdown of our revenue by product category for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue
							(Unaudited)			
							(RMB in thousands except for percentages)			
Pure EBN products . . . . .	1,253,900	96.4	1,442,951	95.8	1,638,127	94.7	665,161	95.4	738,613	94.3
— One Nest . . . . .	559,288	43.0	661,412	44.0	672,640	38.9	287,958	41.3	283,406	36.2
— Freshly Stewed Bird's Nest . . . . .	321,144	24.7	423,264	28.1	485,372	28.1	188,664	27.1	215,168	27.5
— Other bottle-canned bird's nest <sup>(1)</sup> . . . . .	201,298	15.5	193,318	12.8	305,105	17.6	122,816	17.6	169,259	21.6
— Dried EBN . . . . .	172,170	13.2	164,957	10.9	175,010	10.1	65,723	9.4	70,780	9.0
EBN+ and +EBN products . . . . .	43,051	3.3	56,115	3.7	73,103	4.2	28,619	4.1	37,237	4.8
Others <sup>(2)</sup> . . . . .	4,206	0.3	7,931	0.5	18,715	1.1	3,096	0.5	6,726	0.9
<b>Total revenue . . . . .</b>	<b>1,301,157</b>	<b>100.0</b>	<b>1,506,997</b>	<b>100.0</b>	<b>1,729,945</b>	<b>100.0</b>	<b>696,876</b>	<b>100.0</b>	<b>782,576</b>	<b>100.0</b>

*Notes:*

(1) Include primarily Crystal Sugar Bird's Nest.

(2) Include non-EBN products, promotional gifts to customers, and products for internal sales.

### Pure EBN Products

#### One Nest (碗燕)

One Nest features ready-to-serve EBN contained in bowl-shaped cans. Launched in 2012, One Nest is our signature product series that revolutionarily standardized the manufacturing process of EBN. According to the F&S Report, One Nest was one of the earliest mass-produced, ready-to-serve EBN products in China. By standardizing the manufacturing process of ready-to-serve EBN products, we believe One Nest allows consumers to avoid the intricate and time-consuming process of cooking, which frustrates many consumers and deters them from purchasing EBN products. Our standardized manufacturing process enables us to preserve EBN's original taste in One Nest, and at the same time, ensures consistent quality and safety of the products. Through One Nest, we have established ourselves as a leading EBN product brand, according to the F&S Report. In 2022, we had 54 pure EBN SKUs sold under One Nest product series.

#### Freshly Stewed Bird's Nest (鲜嫩燕窝)

We believe e-commerce consumers have the demand for higher freshness requirements and launched our Freshly Stewed Bird's Nest, which is available primarily for online channels. Our fresh stewed EBN products are bottle-canned and stewed at 115 degrees Celsius, which led to a relatively short shelf life but ensures the freshness. Consumers could order our weekly, monthly or annual packages for such products at different prices. Depending on the consumption frequency specified in a particular package, we deliver three or seven bottles in different volumes to consumers every six or seven days. We believe this package ordering program has enhanced customer stickiness. In addition to our cooperation with industry-leading express courier companies, we have also established a production base that primarily manufactures Freshly Stewed Bird's Nest in Songjiang District, Shanghai to ensure faster delivery. See "Business—Production—Production Bases." In 2022, we had 75 SKUs sold under Freshly Stewed Bird's Nest product series.

#### Other Bottle-canned Bird's Nest

Other bottle-canned bird's nest is our traditional EBN product series, primarily including Crystal Sugar Bird's Nest. This product series is produced in accordance with traditional Chinese recipes that preserve the original taste of EBN as a delicious dish in traditional Chinese cuisine. Compared to Freshly Stewed Bird's Nest, Crystal Sugar Bird's Nest products generally have a longer shelf life of 24 months. In 2022, we had 35 pure EBN SKUs sold under other bottle-canned bird's nest.

#### Dried EBN

We rigorously select high-quality raw nests in the intact shape of a shallow cup for customers to prepare their own serving of delicacy. We grade such intact raw nests depending on their length, height and weight. For example, we grade intact raw nests with a length not less than 12.5 cm, a height not less

## SUMMARY

than 4.0 cm, and a weight not less than 6.5 grams as 6A nests. Consumers could turn these intact raw nests into various dishes of their choosing through their own preparation process, which at least includes soaking and feather picking. In addition, we also provide consumers with dried EBN that have gone through certain processes, such as soaking, feather picking, cleaning and drying, so that these products are available for instant stewing, avoiding hours of preparation by our customers. In 2022, we had 30 SKUs sold under our dried EBN product series.

The following table sets forth a breakdown of our sales volume and average selling price per minimum unit or gram by product series for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>
One Nest (pure EBN) . . . . .	3,430,930	RMB163	3,855,506	RMB172	3,868,281	RMB174	1,648,520	RMB175	1,596,938	RMB177
bowls		per bowl	bowls	per bowl	bowls	per bowl	bowls	per bowl	bowls	per bowl
Freshly Stewed Bird's Nest . . . . .	5,943,315	RMB54	8,116,586	RMB52	8,941,642	RMB54	3,564,531	RMB53	4,066,314	RMB53
bottles		per bottle	bottles	per bottle	bottles	per bottle	bottles	per bottle	bottles	per bottle
Other bottle-canned bird's nest (pure EBN) <sup>(2)</sup> . . . . .	5,162,726	RMB39	4,366,735	RMB44	7,162,425	RMB43	2,719,766	RMB45	4,056,142	RMB42
bottles		per bottle	bottles	per bottle	bottles	per bottle	bottles	per bottle	bottles	per bottle
Dried EBN . . . . .	6,064	RMB28	5,949	RMB28	6,497	RMB27	2,319	RMB28	2,658	RMB27
kilograms		per gram	kilograms	per gram	kilograms	per gram	kilograms	per gram	kilograms	per gram

*Notes:*

- (1) Calculated by dividing the total revenue from a given product series in the period indicated with the total sales volume of such product series sold in same period.
- (2) Includes primarily Crystal Sugar Bird's Nest.

### **EBN+ Products**

We have also developed EBN+ products (with an EBN feed rate of 1% or above and up to 5%), primarily including EBN-based products with additional tonic ingredients to create enhanced flavors and cater to different consumption scenarios, such as *One Nest — Vitality* (碗燕—元氣款) and Crystal Sugar Bird's Nest with Ginseng (人參冰糖官燕). In addition, we have also launched *Little Blue Bottle* (晚安小藍瓶) product series, other innovative products that contain gamma-aminobutyric acid, which is known for producing a calming effect to improve sleep quality. By our combination of EBN and other ingredients, we believe that the flavor and the perceived health benefits of our EBN+ products were further enhanced. In 2022, we had 22 SKUs for EBN+ products.

### **+EBN Products**

Leveraging our in-depth understanding of EBN extract accumulated over decades of product research and development, we have expanded the value chain of the EBN industry by developing innovative +EBN products, including food products, such as EBN porridge, EBN zongzi, various EBN beverages, and introduced a line of EBN skincare products that use bird's nest peptides as an enhancement. Our +EBN products contain EBN or EBN extracts as an enhancement for elevated nutrition or other benefits. +EBN food products are products that use EBN (with an EBN feed rate of less than 1%) and other food ingredients as raw materials. +EBN skincare products are products that contain EBN or EBN extracts. In 2022, we had 34 SKUs for +EBN products.

In March 2023, we commercially launched our skincare product series featuring small molecule bird's nest peptide as an enhancement under the sub-brand of "*Yan Palace — Yan Bao Shi*" (燕寶詩). With our proprietary modern enzymatic hydrolysis technology, we are able to convert functional macromolecular protein of EBN extracts into active small molecules peptide, which has the functions of repairing skin damage, anti-aging and anti-oxidation, among others. We are one of the first movers in the industry that launched skincare products featuring bird's nest peptide, according to the same source. As of the Latest Practicable Date, our skincare product series included facial masks, essence, essence mist, facial cleanser and hand cream.

## SUMMARY

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(Unaudited)									
	(RMB in thousands except for percentages)									
Pure EBN products . . .	544,891	43.5%	706,375	49.0%	845,427	51.6%	347,947	52.3%	389,141	52.7%
— One Nest . . . . .	310,900	55.6%	385,406	58.3%	414,195	61.6%	177,914	61.8%	176,711	62.4%
— Freshly Stewed Bird's Nest . . . . .	83,598	26.0%	156,209	36.9%	202,817	41.8%	76,605	40.6%	98,361	45.7%
— Other bottle-canned bird's nest <sup>(1)</sup> . . . . .	86,664	43.1%	98,733	51.1%	158,830	52.1%	65,642	53.4%	84,852	50.1%
— Dried EBN . . . . .	63,729	37.0%	66,027	40.0%	69,585	39.8%	27,786	42.3%	29,217	41.3%
EBN+ and +EBN products . . . . .	14,520	33.7%	25,355	45.2%	36,169	49.5%	14,331	50.1%	18,818	50.5%
Others <sup>(2)</sup> . . . . .	(3,702)	(88.0)%	(4,947)	(62.4)%	(3,344)	(17.9)%	(2,715)	(87.7)%	(1,948)	(29.0)%
<b>Total . . . . .</b>	<b>555,709</b>	<b>42.7%</b>	<b>726,783</b>	<b>48.2%</b>	<b>878,252</b>	<b>50.8%</b>	<b>359,563</b>	<b>51.6%</b>	<b>406,011</b>	<b>51.9%</b>

Notes:

(1) Includes primarily Crystal Sugar Bird's Nest.

(2) Includes non-EBN products, promotional gifts to customers, and products for internal sales.

### Our Sales Network

We have a broad sales network for our products, covering both online and offline channels. In addition to the engagement of distributors to distribute our products through their online and offline stores, we also sell directly to customers through self-operated online and offline stores. Furthermore, we have engaged e-commerce platforms as our customers to further expand our online channels. As of May 31, 2023, we had a nationwide offline sales network consisting of 91 self-operated stores and 214 offline distributors covering 614 distributor-operated stores in China. The following table sets forth the number of our offline stores by type as of the date indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
<b>Offline stores</b>				
Self-operated stores . . . . .	40	89	89	91
Distributor-operated stores . . . . .	483	544	615	614
<b>Total . . . . .</b>	<b>523</b>	<b>633</b>	<b>704</b>	<b>705</b>

Our online sales network consists of self-operated online stores, distributor-operated online stores and e-commerce platforms. As of May 31, 2023, we had 23 self-operated online stores and 13 distributor-operated online stores on mainstream e-commerce or social media platforms such as JD.com, Tmall and Douyin. In addition, we began to engage e-commerce platforms to distribute our products through platform-operated online stores in 2018 to further expand our online presence. As of May 31, 2023, we had 15 e-commerce platforms as our customers, including JD.com, Vipshop and Tmall Supermarket, among others. The following table sets forth the number of our online stores by type as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
<b>Online stores</b>				
Self-operated stores . . . . .	12	18	23	23
Distributor-operated stores . . . . .	6	8	13	13
<b>Total . . . . .</b>	<b>18</b>	<b>26</b>	<b>36</b>	<b>36</b>

## SUMMARY

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue
	(Unaudited)									
	(RMB in thousands except for percentages)									
Offline channels . . . . .	578,506	44.5	738,711	49.0	791,991	45.8	333,941	47.9	353,209	45.2
— Sales to offline distributors . . .	409,777	31.5	509,917	33.8	477,525	27.6	198,716	28.5	208,563	26.7
— Direct sales to offline customers . . . . .	168,729	13.0	228,794	15.2	314,466	18.2	135,225	19.4	144,646	18.5
Online channels . . . . .	722,651	55.5	768,286	51.0	937,954	54.2	362,935	52.1	429,367	54.8
— Direct sales to online customers . . . . .	575,220	44.1	564,587	37.4	695,265	40.2	264,361	38.0	327,802	41.8
— Direct sales to e-commerce platforms <sup>(1)</sup> . . . . .	137,545	10.6	189,196	12.6	227,071	13.1	92,228	13.2	93,700	12.0
— Sales to online distributors . . .	9,886	0.8	14,503	1.0	15,618	0.9	6,346	0.9	7,865	1.0
<b>Total . . . . .</b>	<b>1,301,157</b>	<b>100.0</b>	<b>1,506,997</b>	<b>100.0</b>	<b>1,729,945</b>	<b>100.0</b>	<b>696,876</b>	<b>100.0</b>	<b>782,576</b>	<b>100.0</b>

*Note:*

(1) Include sales to platform-operated online stores by JD.com, Vipshop and Tmall Supermarket, among others.

### Raw Materials and Packaging Materials

The principal raw materials we use in the production of our products are raw nests. During the Track Record Period, substantially all of raw nests used in our production process were sourced from suppliers in Indonesia, the largest raw nest production country in the world. We have built strong and stable relationships with various suppliers for raw nests in Indonesia. In 2020 and 2021, we also sourced a total of RMB1.9 million of raw nests from suppliers in China, which, to the best knowledge of our Directors, imported these raw nests from Malaysia and Thailand. We currently do not intend to further diversify our raw nest supplier base by engaging relevant suppliers in Malaysia and Thailand, primarily because we intend to focus on procuring raw nests from Indonesia, as such raw nests are of a higher and more consistent quality and Indonesia is the largest raw nest production country. In the event where we are to source raw nests from suppliers in these countries, the supplier candidates will be subject to our comprehensive supplier selection and management policy. See “Business—Raw Materials, Packaging Materials and Suppliers—Our Suppliers—Supplier Selection and Management.” In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our purchase for raw nests was RMB770.1 million, RMB603.5 million, RMB617.0 million, RMB195.0 million and RMB284.3 million, respectively. According to the F&S Report, we ranked first for four consecutive years from 2019 to 2022 in terms of procurement volume of imported raw nests with the CAIQ traceability labels. Apart from raw materials, we also source packaging materials, which primarily consist of polypropylene bowls (an FDA-approved food contact plastic), glass bottles, as well as cardboard and metal packaging materials, to produce our products. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our purchase for packaging materials was RMB86.7 million, RMB85.3 million, RMB110.9 million, RMB38.3 million and RMB36.4 million, respectively. During the Track Record Period, we did not experience any significant shortage of raw material and packaging material supplies, and the raw materials and packaging materials provided by our suppliers did not have any significant quality issues.

### Our Suppliers

We purchase raw materials, packaging materials, and logistics and transportation services from suppliers for our business operations. During the Track Record Period, substantially all of our suppliers for raw nests were located in Indonesia. Our suppliers for packaging materials are primarily located in Zhejiang, Fujian and Jiangxi provinces, China. We have maintained long-term and stable business relationships with major raw nest suppliers in Indonesia and expect to maintain amicable relationships with them. In the five months ended May 31, 2023, more than 46% of our purchase amount of raw nests were attributable to suppliers with over five years’ business relationship with us. We believe our long-term stable business relationships with these suppliers also enable us to minimize the risks of unexpected fluctuation in the price of raw nests. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of supply agreements that had a significant impact on our production and did not have any material disputes with our suppliers.

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## SUMMARY

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### Production Bases

As of the Latest Practicable Date, we had three production bases in China, located in Xiamen City, Fujian Province, Songjiang District, Shanghai and Guanghe County, Gansu Province, respectively, with an aggregate gross floor area of approximately 39,300 square meters. As of December 31, 2022, we had the largest production bases for EBN products in China in terms of aggregate gross floor areas, according to the F&S Report.

Our production base in Xiamen, with a gross floor area of approximately 31,100 square meters, is our first and primary production base, where we focus on the production of substantially all the series of our products. Our production base in Shanghai, with a gross floor area of approximately 6,200 square meters, is our secondary production base, which is mostly designed for the production of Freshly Stewed Bird's Nest. We established our Shanghai production base in 2021 to shorten the delivery distance in light of the short shelf life of our Freshly Stewed Bird's Nest. In 2019, we established our Guanghe production base with a gross floor area of approximately 2,000 square meters, primarily for the lowered labor costs and the availability of production facilities. Our Guanghe production base is designed primarily for the feather picking process, through which we manually remove impurities such as feathers from raw nests.

### COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors: (1) our leadership in China's EBN product market with sustained growth; (2) our continued product innovation and success underpinned by our research and development capabilities; (3) our high-quality and scientifically validated EBN products in their natural and pure form; (4) our established sales network with differentiated product offerings; (5) our distinguished status as a leader in formulating industry standards and an active contributor to public welfare; and (6) our dedicated, visionary and experienced management team leading a group of elite talents in the industry.

### GROWTH STRATEGIES

We intend to pursue the following strategies to further grow our business: (1) expand our product portfolio and strengthen our research and development capabilities; (2) continue to expand and deepen our sales network; (3) continue to invest in branding building and foster strong and lasting customer relationships; (4) strengthen operational capacities in supply chain, expand production capacities and invest in intelligent manufacturing; and (5) strengthen the digitalization of our business processes.

### RISKS AND CHALLENGES

Our business and the Global Offering involve certain risks, which are set out in the section headed "Risk Factors" in this prospectus. Some of the major risk factors that we face include: (1) damage to our brand or reputation; (2) failure to successfully upgrade our existing products or to develop, launch and promote new products; (3) product quality and safety issue; (4) shift in consumer demand for our products; (5) failure to further increase sales revenue from our online channels or to manage the coordination of our offline and online channels; (6) deterioration in relationships with distributors; (7) fluctuations in prices and changes in the quality of raw materials and packaging materials; (8) dependence on suppliers for raw nests in Indonesia; (9) failure to comply with laws and regulations on environmental, social and corporate governance matters; (10) failure to manage our inventory effectively; (11) our distributors' failure to manage their inventory level effectively; and (12) incidents or publicity involving food-related illnesses and adverse public or medical opinions about the health effects of consuming our products. As different investors may have different interpretations and criteria when determining the significance of a risk, you should carefully read the "Risk Factors" section in its entirety before you decide to invest in our Shares.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following is a summary of our historical financial information as of and for the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2022 and 2023, extracted from the Accountants' Report set out in Appendix I to this prospectus. The summary below should be read in conjunction with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes, and the information set forth in the section headed "Financial Information" in this prospectus. Our consolidated financial information was prepared in accordance with IFRSs.

## SUMMARY

### Summary of Results of Operations

The following table sets forth a summary of our results of operations for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
	(RMB in thousands)			(Unaudited)	
<b>Revenue</b> . . . . .	<b>1,301,157</b>	<b>1,506,997</b>	<b>1,729,945</b>	<b>696,876</b>	<b>782,576</b>
Cost of sales . . . . .	(745,448)	(780,214)	(851,693)	(337,313)	(376,565)
<b>Gross profit</b> . . . . .	<b>555,709</b>	<b>726,783</b>	<b>878,252</b>	<b>359,563</b>	<b>406,011</b>
<b>Profit before taxation</b> . . . . .	<b>159,826</b>	<b>230,173</b>	<b>264,566</b>	<b>107,851</b>	<b>129,528</b>
<b>Profit and total comprehensive income for the year/period</b> . . . . .	<b>123,425</b>	<b>172,359</b>	<b>205,878</b>	<b>83,755</b>	<b>100,497</b>
<b>Attributable to:</b>					
Equity shareholders of the Company . . . . .	122,017	167,353	191,840	78,772	95,058
Non-controlling interests . . . . .	1,408	5,006	14,038	4,983	5,439
<b>Profit and total comprehensive income for the year/period</b> . . . . .	<b>123,425</b>	<b>172,359</b>	<b>205,878</b>	<b>83,755</b>	<b>100,497</b>

### Non-IFRS Measure

In order to supplement our consolidated financial statements presented in accordance with the IFRSs, we use adjusted net profit (non-IFRS measure) as an additional financial measure, which is not required by, or not presented in accordance with IFRSs. Our adjusted net profit (non-IFRS measure) represents our profit and total comprehensive income for the year/period, adjusted to add back equity-settled share-based payment expenses and listing expenses that we recognized in our consolidated statements of profit or loss and other comprehensive income during the Track Record Period less related income tax. Equity-settled share-based payment expenses are adjusted for as they are non-cash in nature and were not expected to result in future cash payments. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. However, adjusted net profit (non-IFRS measure) presented by us may not be comparable to the similar financial measure presented by other companies. There are limitations to the non-IFRS measure used as an analytical tool, and you should not consider it in isolation or regard it as a substitute for our results of operation or financial position analysis that is in accordance with IFRSs.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
	(RMB in thousands)			(Unaudited)	
<b>Profit and total comprehensive income for the year/period</b> . . . . .	<b>123,425</b>	<b>172,359</b>	<b>205,878</b>	<b>83,755</b>	<b>100,497</b>
Add:					
Equity-settled share-based payment expenses . . . . .	438	21,813	5,253	2,189	2,189
Listing expenses . . . . .	—	—	—	—	14,650
Less:					
Income tax in relation to listing expenses . . . . .	—	—	—	—	3,663
<b>Adjusted net profit (non-IFRS measure)</b> . . . . .	<b>123,863</b>	<b>194,172</b>	<b>211,131</b>	<b>85,944</b>	<b>113,673</b>

## SUMMARY

Our net profit increased from RMB123.4 million in 2020 to RMB205.9 million in 2022, at a CAGR of 29.2%, and increased by 20.0% from RMB83.8 million in the five months ended May 31, 2022 to RMB100.5 million in the five months ended May 31, 2023, primarily as a result of our continued efforts to grow our business, optimize sales channels and launch products that cater to the evolving consumer demand.

### Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Total non-current assets . . . . .	70,839	191,147	205,031	203,154
Total current assets . . . . .	578,935	605,579	773,323	599,487
Total current liabilities . . . . .	418,817	424,257	493,145	365,924
Net current assets . . . . .	160,118	181,322	280,178	233,563
Total assets less current liabilities . . . . .	230,957	372,469	485,209	436,717
Total non-current liabilities . . . . .	19,192	19,332	13,199	22,021
Net assets . . . . .	211,765	353,137	472,010	414,696
Non-controlling interests . . . . .	4,378	16,184	17,614	23,053

Our net current assets increased from RMB160.1 million as of December 31, 2020 to RMB181.3 million as of December 31, 2021, primarily due to (1) an increase of RMB33.4 million in prepayments, (2) an increase of RMB18.9 million in cash and cash equivalents, (3) an increase of RMB17.0 million in trade and other receivables, and (4) a decrease of RMB8.9 million in trade and other payables, partially offset by (i) an increase of RMB36.7 million in contract liabilities, and (ii) an increase of RMB30.7 million in current taxation. Our net current assets increased from RMB181.3 million as of December 31, 2021 to RMB280.2 million as of December 31, 2022, primarily due to (1) an increase of RMB181.3 million in cash and cash equivalents, and (2) a decrease of RMB9.0 million in current taxation, partially offset by (i) an increase of RMB34.9 million in trade and other payables, and (ii) an increase of RMB37.7 million in contract liabilities. Our net current assets decreased from RMB280.2 million as of December 31, 2022 to RMB233.6 million as of May 31, 2023, primarily due to a decrease of RMB163.4 million in cash and cash equivalents, partially offset by (1) a decrease of RMB72.9 million in trade and other payables, and (2) a decrease of RMB30.9 million in current taxation.

Our net assets increased from RMB211.8 million as of December 31, 2020 to RMB353.1 million as of December 31, 2021 and further to RMB472.0 million as of December 31, 2022, and decreased to RMB414.7 million as of May 31, 2023, primarily due to the combined effect of (1) the profit and total comprehensive income generated, dividends paid, and equity settled share-based transactions conducted in each period during the Track Record Period, and (2) issuance of new shares in 2021. In particular, (i) our net profit was RMB123.4 million, RMB172.4 million, RMB205.9 million and RMB100.5 million in 2020, 2021, 2022 and the five months ended May 31, 2023, respectively; (ii) we declared dividends to our then Shareholders of RMB120.0 million, RMB100.0 million, RMB80.0 million and RMB160.0 million in the same periods, respectively; (iii) we conducted equity settled share-based transactions of RMB0.4 million, RMB21.8 million, RMB5.3 million and RMB2.2 million in the same periods, respectively; and (iv) we issued new shares of RMB40.4 million in 2021. See also consolidated statements of changes in equity in the Accountants' Report in Appendix I to this prospectus.

## SUMMARY

### Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
	(RMB in thousands)			(Unaudited)	
Net cash generated from operating activities . . . . .	49,013	213,722	305,879	85,344	10,610
Net cash generated from/(used in) investing activities . . . . .	60,085	(46,450)	(21,024)	(53,768)	1,470
Net cash used in financing activities . .	(54,166)	(148,400)	(103,532)	(92,472)	(175,495)
Cash and cash equivalents at end of the year . . . . .	150,573	169,495	350,818	108,599	187,403

### KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated.

	As of/for the year ended December 31,			As of/for the five months ended May 31,	
	2020	2021	2022	2022	2023
				(Unaudited)	
<b>Profitability ratios</b>					
Gross profit margin . . . . .	42.7%	48.2%	50.8%	51.6%	51.9%
Net profit margin . . . . .	9.5%	11.4%	11.9%	12.0%	12.8%
Return on equity . . . . .	59.2%	61.0%	49.9%	23.7%	22.7%
Return on total assets . . . . .	22.3%	23.8%	23.2%	11.2%	11.3%
<b>Liquidity ratios</b>					
Current ratio . . . . .	1.4x	1.4x	1.6x	1.5x	1.6x
Gearing ratio . . . . .	42.6%	9.3%	5.7%	8.5%	8.7%

See “Financial Information—Key Financial Ratios” for details.

### OUR GROUP OF CONTROLLING SHAREHOLDERS

During the Track Record Period, Mr. Huang, our founder, chairman and executive Director, Mr. Zheng, our vice chairman and executive Director, Mr. Li, our general manager and executive Director, Xiamen Suntama, an entity controlled by Mr. Huang (together with Mr. Huang, Mr. Zheng and Mr. Li, the “Concert Parties”) acted in concert and are our group of Controlling Shareholders. In addition, Jinyan Tengfei LP (Mr. Huang is its general partner) and Ms. Xue (the spouse of Mr. Zheng) are also deemed as our group of Controlling Shareholders pursuant to the Listing Rules. As of the Latest Practicable Date, pursuant to the Listing Rules, approximately 41.40% of the total issued share capital of our Company are owned by our group of Controlling Shareholders collectively. See “Relationship with Our Controlling Shareholders” for more information.

### CONNECTED TRANSACTIONS

We have entered into certain transactions with certain connected persons (as defined under Chapter 14A of the Listing Rules), and following the Listing, the transactions contemplated thereunder will continue and constitute continuing connected transactions under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement, circular and independent shareholders’ approval requirement as applicable, as set out in Chapter 14A of the Listing Rules in respect of such continuing connected transaction. See “Connected Transactions” for details of the connected transactions.

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## SUMMARY

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### PRE-IPO INVESTMENTS

Since 2014, with confidence in our business development and management, many investors invested in our Company, such as Guangyao Tianxiang, Hongyan Investment, Yangming Kangyi, Jingjun Hongyan, Xiamen Jinyanlai, Torch Investment, Tianyi Runli and certain individual investors. See “History, Development and Corporate Structure—Pre-IPO Investments” for details of the principal terms of our Pre-IPO Investments and the identity and background of our Pre-IPO Investors.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Conversion of Unlisted Shares into H Shares, on the basis that, among other things, we satisfy the profit test under Rule 8.05(1) of the Listing Rules.

### LISTING EXPENSES

We expect to incur a total of RMB49.8 million of listing expenses (assuming an Offer Price of HK\$9.90 per Offer Share, being the mid-point of the indicative Offer Price range between HK\$8.80 and HK\$11.00, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering. We recognized listing expenses of RMB14.7 million in our consolidated statement of profit or loss and other comprehensive income for the five months ended May 31, 2023. We estimate that RMB20.5 million of listing expenses will be charged to our consolidated statement of profit or loss and other comprehensive income after the Track Record Period. The remaining RMB14.6 million is directly attributable to the issue of our Shares to the public and is expected to be deducted from equity.

Listing expenses include RMB22.4 million of fees for legal advisors and the Reporting Accountants, RMB16.2 million of other fees unrelated to the underwriting, and RMB11.2 million of underwriting commissions payable to the Underwriters and transaction fees (including SFC transaction levy, AFRC transaction levy, and Stock Exchange trading fee) in connection with the offering of Offer Shares under the Global Offering. The listing expenses above represent approximately 17.1% of our gross proceeds from the Global Offering and were our best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

### OFFERING STATISTICS

All statistics in the following table are based on the fact that (1) the Global Offering and sub-division have been completed and 32,000,000 Offer Shares are issued pursuant to the Global Offering and sub-division; and (2) the Over-allotment Option is not exercised.

	<b>Based on an Offering Price of HK\$8.80 per Offer Share</b>	<b>Based on an Offering Price of HK\$11.00 per Offer Share</b>
Market Capitalization of our Shares <sup>(1)</sup> . . . . .	HK\$4,096.4 million	HK\$5,120.5 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share <sup>(2)</sup> . . . . .	HK\$1.26	HK\$1.41

*Notes:*

- (1) The calculation of market capitalization is based on 465,500,000 Shares expected to be in issue immediately upon completion of the Global Offering and sub-division (assuming the Over-allotment Option is not exercised).
- (2) The unaudited pro forma consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjusting for the estimated net proceeds from the Global Offering and sub-division and on the basis that 465,500,000 Shares were in issue, assuming that the Global Offering and sub-division have been completed on May 31, 2023 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company.

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## SUMMARY

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### **FUTURE PLANS AND USE OF PROCEEDS**

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$9.90 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$262.6 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes: (1) approximately 10%, or HK\$26.3 million for research and development activities to expand our product portfolio and our product features; (2) approximately 25%, or HK\$65.7 million for expanding and consolidating our sales network; (3) approximately 15%, or HK\$39.4 million for strengthening our brand building and marketing promotion efforts; (4) approximately 35%, or HK\$92.0 million for strengthening our supply chain management capabilities; (5) approximately 5%, or HK\$12.9 million for strengthening our digital infrastructure; and (6) approximately 10.0%, or HK\$26.3 million for working capital and other general corporate purposes.

See “Future Plans and Use of Proceeds” for further information relating to our future plans and use of proceeds from the Global Offering, including the adjustment on the allocation of the proceeds in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range.

### **DIVIDENDS**

According to the Articles of Association and applicable laws and regulations, our profit distribution proposal is formulated by our Board, and upon approval by the Board and the Board of Supervisors, it is submitted to a Shareholders’ general meeting for consideration where it must be passed by Shareholders representing more than half of the voting rights of the Shareholders who attend the general meeting. Our Board will declare dividends, if any, in RMB with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. All of our Shareholders have equal rights to distributable profits, and our profits will be distributed on a pro-rata basis.

Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board. Both current and new Shareholders are entitled to our accumulated retained earnings prior to the Listing, subject to compliance with our Articles of Association and relevant regulatory requirements.

During the Track Record Period, we declared dividends to our then Shareholders of RMB120.0 million, RMB100.0 million, RMB80.0 million and RMB160.0 million in 2020, 2021, 2022 and the five months ended May 31, 2023, respectively, in light of our cumulative business growth. As of May 31, 2023, all of such dividends declared during the Track Record Period had been fully settled by bank transfer to our then Shareholders. See also Note 30(b) to the Accountants’ Report in Appendix I to this prospectus.

### **RECENT DEVELOPMENT**

Subsequent to the Track Record Period and up to the date of this prospectus, our business operation remained stable in all material aspects. We continued to expand our nationwide offline sales network and the number of our offline distributors increased from 214 as of May 31, 2023 to 225 as of the Latest Practicable Date. During the same period, the numbers of our self-operated offline stores and distributor-operated offline stores both slightly increased from 91 and 614 as of May 31, 2023 to 94 and 632 as of the Latest Practicable Date, respectively.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirmed that subsequent to the Track Record Period and up to the date of this prospectus, (1) there was no material adverse change in the market conditions and the regulatory environment in which our Group operates that would affect our financial or operating position materially

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## SUMMARY

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and adversely; (2) there was no material adverse change in our business, revenue structure, profitability, cost structure, financial position and prospects; and (3) no event had occurred that would affect the information shown in our Accountants' Report in Appendix I to this prospectus materially and adversely.

### REGULATORY DEVELOPMENTS

#### Regulation on Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities.

Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted. We received the filing notice issued by the CSRC dated September 25, 2023 indicating that we have completed the filing application. Nonetheless, in the event of any future events that are material to us or failure to complete overseas securities offering and listing within 12 months from the date of the filing notice, we are under the obligation to report such events to or update the filing application with the CSRC.

#### Regulation on Cybersecurity Review and Data Security

On December 28, 2021, the Cyberspace Administration of China (the "CAC") and several other PRC authorities jointly issued the Cybersecurity Review Measures (網絡安全審查辦法), which became effective on February 15, 2022. The Cybersecurity Review Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities that affect or may affect national security, must apply for cybersecurity review. The Cybersecurity Review Measures also provide that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. On November 14, 2021, the CAC published Regulations on Cyber Data Security Management (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the "Draft Regulations on Cyber Data Security Management") for public comments, which applies to activities relating to the use of networks to carry out data processing activities in China.

Our Directors and our PRC Legal Advisor are of the view that the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security Management, if implemented in current form, will not have material adverse effects on our business operations or the proposed Listing, and that they do not foresee any material impediments for us to comply with the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security Management in all material aspects, on the following basis:

- (1) The relevant PRC authorities are unlikely to identify us as a critical information infrastructure operator, primarily because (i) as of the Latest Practicable Date, we had not received any notice or determination from relevant PRC authorities identifying us as a critical information infrastructure operator, (ii) our business does not and will not involve the operation of critical information infrastructure as defined under the Security Protection Regulations for Critical Information Infrastructure (關鍵信息基礎設施安全保護條例), which, in case of destruction, loss of function or leak of data, may result in serious damage to the national security, the national economy and the people's livelihood and public interests, (iii) as of the Latest Practicable Date, we had not encountered any incident of data or personal information leakage,

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## SUMMARY

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violation of data protection and privacy laws and regulations, or investigation or other legal proceeding that may materially and adversely affect our business operation, and (iv) we have installed a well-established system to prevent such data and personal information leakage.

- (2) The membership data management platform which we plan to develop as part of our growth strategies would not collect any information outside of the scope of that collected and maintained by our current membership system. In particular, the main function of our planned membership data management platform is to integrate our members' information from various channels. See "Future Plans and Use of Proceeds."

However, as of the Latest Practicable Date, the scope of critical information infrastructure operators and the scope of network products or services or data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant government authorities. See "Risk Factors—Risks Relating to Our Business—We may be subject to additional cybersecurity review or inspection by government authorities."

### **COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS**

The outbreak of COVID-19 has affected the Chinese and global economy. During the COVID-19 outbreak, we experienced temporary suspension to our production bases and disruptions to the operations of our stores in affected regions from time to time. We also had to reduce the regular visits to our offline stores and distributors due to uncertainties regarding the pandemic. The COVID-19 outbreak also affected our suppliers for logistics and transportation services, and caused some delays in our product delivery. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, the COVID-19 outbreak had not had a material adverse effect on our business, results of operations and financial condition. However, any future impact caused by the COVID-19 pandemic will depend on its subsequent development. We are closely monitoring the development of the COVID-19 pandemic and continually evaluating any potential impact on our business operations. See "Risk Factors—Risks Relating to Our Business—An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the outbreak of COVID-19, could have a material adverse effect on the demand for our products and our business operations."

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## DEFINITIONS

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*In this prospectus unless the context otherwise requires the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary” in this prospectus.*

“Accountants’ Report”	the accountants’ report for three years ended December 31, 2022 and the five months ended May 31, 2023 prepared by KPMG, the text of which is set out in Appendix I to this prospectus
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus
“Audit Committee”	the audit committee of the Board
“Beijing Tianfeiyuan”	Beijing Tianfeiyuan Trading Co., Ltd. (北京天飛燕商貿有限責任公司), a limited liability company established in the PRC on March 22, 2021, a non-wholly owned subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAC”	the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate
“CAIQ”	the Chinese Academy of Inspection and Quarantine (中國檢驗檢疫科學研究院)
“Capital Market Intermediary(ies)” or “CMI(s)”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant

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## DEFINITIONS

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“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“Changchun Jinyanhui”	Changchun Jinyanhui Trading Co., Ltd. (長春市金燕蒼商貿有限責任公司), a limited liability company established in the PRC on March 19, 2021, a non-wholly owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”	Xiamen Yan Palace Bird’s Nest Industry Co., Ltd. (廈門燕之屋燕窩產業股份有限公司) (formerly known as Xiamen Yan Palace Bioengineering Co., Ltd. (廈門燕之屋生物工程股份有限公司)), a joint stock company established in the PRC with limited liability on December 23, 2020, or, where the context requires (as the case may be), its predecessor, Xiamen Yan Palace Biological Engineering Development Co., Ltd. (廈門燕之屋生物工程發展有限公司), a company established in the PRC with limited liability on October 31, 2014
“Company Law” or “PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Huang, Mr. Zheng, Mr. Li, Ms. Xue, Xiamen Suntama and Jinyan Tengfei LP
“Conversion of Unlisted Shares into H shares”	the conversion of 296,919,300 Unlisted Shares into H Shares on a one-for-five basis upon the completion of Global Offering, as described in further detail in “Share Capital”

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## DEFINITIONS

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“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSDC (Hong Kong)”	China Securities Depository and Clearing (Hong Kong) Company Limited
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“F&S Report”	a commissioned industry report prepared by Frost & Sullivan
“Filing Measures”	the Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises (關於境內企業境外發行上市備案管理安排的通知), promulgated by the CSRC on February 17, 2023
“FINI”	Fast Interface for New Issuance, a new digital platform through which IPO market participants and regulators can manage the end-to-end settlement process for new listings in Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a consulting firm that provides market research and analysis
“Fuzhou Bao Yanlai”	Fuzhou Bao Yanlai Trading Co., Ltd. (福州寶燕來商貿有限公司), a limited liability company established in the PRC on June 29, 2017, and a wholly owned subsidiary of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “the Group”, “we”, or “us”	the Company and its subsidiaries from time to time or, where the context so 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
“Guanghe Yan Palace”	Guanghe Yan Palace Biotechnology Development Co., Ltd. (廣河縣燕之屋生物科技發展有限公司), a limited liability company established in the PRC on August 20, 2019, and a wholly owned subsidiary of our Company

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## DEFINITIONS

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“Guangyao Tianxiang Company”	Xiamen Guangyao Tianxiang Investment Co., Ltd. (廈門光耀天祥投資有限公司), a limited company established in the PRC on September 1, 2014
“Guangyao Tianxiang LP”	Xiamen Guangyao Tianxiang Equity Investment Partnership LP (廈門光耀天祥股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 29, 2015 and one of our substantial shareholders
“Guangzhou Wanyan”	Guangzhou Wanyan Trading Co., Ltd. (廣州碗燕商貿有限公司), a limited liability company established in the PRC on December 25, 2017, and a wholly owned subsidiary of our Company
“H Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB0.2 each, which is/are to be subscribed for and traded in HK dollars and to be listed on the Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited
“Harbin Jinyanhui”	Harbin Jinyanhui Trading Co., Ltd. (哈爾濱市金燕薈商貿有限責任公司), a limited liability company established in the PRC on March 16, 2021, a non-wholly owned subsidiary of our Company
“ <b>HK eIPO White Form</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the <b>IPO App</b> or the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form Service Provider</b> ”	the <b>HK eIPO White Form</b> service provider as designated by our Company as specified in the <b>IPO App</b> or the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a Clearing Participant or a Custodian Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

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## DEFINITIONS

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“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 3,200,000 H Shares initially being offered by the Company for subscription under the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer by the Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in “Structure of the Global Offering—The Hong Kong Public Offering”
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in “Underwriting—Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 29, 2023 relating to the Hong Kong Public Offering entered into by the Joint Sponsors, the Overall Coordinators, Hong Kong Underwriters, our Company, Mr. Huang, Mr. Zheng, Mr. Li, Ms. Xue, Xiamen Suntama and Jinyan Tengfei LP, as further described in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering”
“Hongyan Investment LP”	Beijing Hongyan Equity Investment Center (Limited Partnership) (北京弘燕股權投資中心(有限合夥)), a limited partnership established in the PRC on October 20, 2014
“IDR”	Indonesian Rupiah, the official currency of Indonesia
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules
“International Offer Shares”	the 28,800,000 H Shares being initially offered for subscription at the Offer Price under the International Offering together with, where relevant, any additional H Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation as described under “Structure of the Global Offering”

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## DEFINITIONS

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“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, in each case on and subject to the terms and conditions described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering and expected to be entered into by the Joint Sponsors, the Overall Coordinators, the International Underwriters, our Company, Mr. Huang, Mr. Zheng, Mr. Li, Ms. Xue, Xiamen Suntama and Jinyan Tengfei LP on or about the Price Determination Date, as further described in “Underwriting—Underwriting Arrangements and Expenses— International Offering”
“IPO App”	the mobile application for the <b>HK eIPO White Form</b> service which can be downloaded by searching “ <b>IPO App</b> ” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a>
“Jinjun Hongyan LP”	Pingtian Jinjun Hongyan Investment Partnership LP (平潭金駿鴻燕投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 20, 2018
“Jinyan Tengfei LP”	Xiamen Jinyan Tengfei Equity Investment Partnership (Limited Partnership) (廈門金燕騰飛股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 14, 2020 and an employee incentive platform of our Group and one of our Controlling Shareholders
“Joint Bookrunners”	China International Capital Corporation Hong Kong Securities Limited, GF Securities (Hong Kong) Brokerage Limited, Citigroup Global Markets Asia Limited ( <i>in relation to the Hong Kong Public Offering</i> ), Citigroup Global Markets Limited ( <i>in relation to the International Offering</i> ) and Valuable Capital Limited
“Joint Global Coordinators”	China International Capital Corporation Hong Kong Securities Limited, GF Securities (Hong Kong) Brokerage Limited and Citigroup Global Markets Asia Limited
“Joint Lead Managers”	China International Capital Corporation Hong Kong Securities Limited, GF Securities (Hong Kong) Brokerage Limited, Citigroup Global Markets Asia Limited ( <i>in relation to the Hong Kong Public Offering</i> ), Citigroup Global Markets Limited ( <i>in relation to the International Offering</i> ), Valuable Capital Limited, Futu Securities International (Hong Kong) Limited and Tiger Brokers (HK) Global Limited

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## DEFINITIONS

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“Joint Sponsors”	China International Capital Corporation Hong Kong Securities Limited and GF Capital (Hong Kong) Limited
“Latest Practicable Date”	November 20, 2023, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the H Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about December 12, 2023, on which the H Shares are listed and on which dealings in the H Shares are first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Mr. Huang”	Mr. HUANG Jian (黃健), our chairman of the Board of Directors, executive Director and one of our Controlling Shareholders
“Mr. Li”	Mr. LI Youquan (李有泉), our general manager, executive Director and one of our Controlling Shareholders
“Mr. Zheng”	Mr. ZHENG Wenbin (鄭文濱), our vice chairman of the Board of Directors, executive Director and one of our Controlling Shareholders
“Ms. Xue”	Ms. XUE Fengying (薛鳳英), one of our Controlling Shareholders and the spouse of Mr. Zheng
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	the final price per Offer Share (exclusive of any brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in “Structure of the Global Offering”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares

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## DEFINITIONS

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“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the other International Underwriters), pursuant to which we may be required to issue up to an aggregate of 4,800,000 additional H Shares (representing 15% of the Offer Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, if any, details of which are described in “Structure of the Global Offering—Over-allotment Option”
“Overall Coordinator(s)”	China International Capital Corporation Hong Kong Securities Limited and GF Securities (Hong Kong) Brokerage Limited
“PRC Legal Advisor”	Hylands Law Firm, being the legal advisor to the Company as to the PRC laws
“Pre-IPO Investor(s)”	the investor(s) investing our Company, details of which are set out in the section headed “History, Development and Corporate Structure—Pre-IPO Investments”
“Price Determination Date”	the date, expected to be on or about Friday, December 8, 2023 (Hong Kong time), when the Offer Price is determined and, in any event, no later than 12:00 noon on Friday, December 8, 2023
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation (國家稅務總局)
“SCNPC”	Standing Committee of the National People’s Congress, the permanent body of the National People’s Congress of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Yan Palace”	Shanghai Yan Palace Sinong Biotechnology Co., Ltd. (上海燕之屋絲濃生物科技有限責任公司), a limited liability company established in the PRC on May 8, 2021, and a wholly owned subsidiary of our Company

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## DEFINITIONS

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“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB0.2 each upon the completion of the Share Subdivision; before the completion of the Share Subdivision, ordinary share(s) in the share capital of our Company with a nominal value of RMB1.0 each
“Share Subdivision”	the sub-division of the Shares by the Company where the Company subdivided its Share from one Share of RMB1.0 each into five Shares of RMB0.2 each, which is approved on May 25, 2023 and effective upon the Listing
“Shareholder(s)”	holder(s) of our Share(s)
“Shenzhen Jinyanlai”	Shenzhen Jinyanlai Trading Co., Ltd. (深圳金燕來商貿有限公司), a limited liability company established in the PRC on April 21, 2017, and a wholly owned subsidiary of our Company
“Stabilizing Manager”	GF Securities (Hong Kong) Brokerage Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Strategy Committee”	the strategy committee of the Board
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of our Company
“Taiyuan Jixiangyan”	Taiyuan Jixiangyan Trading Co., Ltd. (太原市吉祥燕商貿有限公司), a limited liability company established in the PRC on May 20, 2021, a non-wholly owned subsidiary of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tianyi Runli LP”	Jinjiang Tianyi Runli Equity Investment Partnership (Limited Partnership) 晉江天壹潤禮股權投資合夥企業(有限合夥), a limited partnership established in the PRC on April 24, 2023
“Tianyi Tongchuang LP”	Fuzhou Tianyi Tongchuang Investment Partnership (Limited Partnership) (福州天壹同創投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 29, 2020
“Torch Investment”	Xiamen Torch Industrial Development Equity Investment Fund Co., Ltd. (廈門火炬產業發展股權投資基金有限公司), a limited liability company established in the PRC on March 10, 2015
“Track Record Period”	the period consisting of the three years ended December 31, 2022 and the five months ended May 31, 2023

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## DEFINITIONS

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“Trial Measures”	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法), promulgated by the CSRC on February 17, 2023
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or the “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“Unlisted Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB0.2 each upon the completion of the Share Subdivision, which are not listed on any stock exchange; before the completion of the Share Subdivision, ordinary share(s) in the share capital of our Company with a nominal value of RMB1.0 each, which are not listed on any stock exchange
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“Xiamen Jinyange”	Xiamen Jinyange Trading Co., Ltd. (廈門金燕閣商貿有限公司), a limited liability company established in the PRC on January 8, 2018, and a wholly owned subsidiary of our Company
“Xiamen Jinyanlai LP”	Xiamen Jinyanlai Investment Partnership (Limited Partnership) (廈門金燕來投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 17, 2015
“Xiamen Suntama”	Xiamen Shuangdanma Industrial Development Co., Ltd. (廈門市雙丹馬實業發展有限公司), a limited liability company established in the PRC on November 11, 1997 and one of our Controlling Shareholders
“Yan E-Commerce”	Xiamen Yan Palace Electronic Commerce Technology Co., Ltd. (廈門燕之屋電子商務科技有限公司), a limited liability company established in the PRC on May 6, 2020, and a wholly owned subsidiary of our Company
“Yan Health”	Yan Palace Health Technology Development Co., Ltd. (燕之屋健康科技發展有限公司), a limited liability company established in the PRC on January 7, 2019, and a wholly owned subsidiary of our Company

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## DEFINITIONS

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“Yan Sinong”	Xiamen Yan Palace Si Nong Food Co., Ltd. (廈門市燕之屋絲濃食品有限公司), a limited liability company established in the PRC on November 23, 2007, and a wholly owned subsidiary of our Company
“Yangming Kangyi LP”	Fujian Yangming Kangyi Biopharmaceutical Venture Capital LP (福建陽明康怡生物醫藥創業投資企業(有限合夥)), a limited partnership established in the PRC on November 17, 2014
“Yunnan Zanlong”	Yunnan Zanlong Trading Co., Ltd. (雲南贊隆商貿有限公司), a limited liability company established in the PRC on October 31, 2014, a non-wholly owned subsidiary of our Company
“Zhiqiao Industry”	Xiamen Zhiqiao Industry Co., Ltd. (廈門市致巧實業有限公司), a limited liability company established in the PRC on November 2, 2017, and a wholly owned subsidiary of our Company
“%”	Percent

In this prospectus, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or entities have been included in this prospectus in both the Chinese and English languages; the English versions are for identification purposes only and in the event of any inconsistency, the Chinese versions shall prevail.

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## GLOSSARY

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*This glossary contains certain technical terms used in this prospectus in connection with us and our business. Such terms and their meaning may not correspond to standard industry definitions or usage.*

“distributor-operated stores”	our retail stores that are controlled or operated by our distributors and sub-distributors
“edible bird’s nests” or “EBN”	nests created by swiftlets with their saliva. EBN is highly valued in Chinese culture and has been a renowned delicacy in Chinese cuisine for over 400 years. It is known for its nutritional profile, which includes, among others, sialic acid, amino acid, collagen, glycoprotein, antioxidants, calcium, potassium, iron, magnesium and hormones. Traditional Chinese medicine attributes various health benefits to EBN, such as promoting overall wellness, boosting the immune system, enhancing focus and concentration, increasing energy and metabolism and regulating circulation. Modern scientific studies conducted by authoritative sources have further validated the perceived health benefits of EBN products
“EBN feed rate”	EBN content as a percentage of the net weight of a particular EBN product
“EBN+ products”	ready-to-serve EBN products (with an EBN feed rate of 1% or above and up to 5%) enhanced with other ingredients and/or nutrients, such as ginseng and gamma-aminobutyric acid
“ISO 9001”	the international standard that specifies requirements for a quality management system and helps organizations ensure they meet customer and other stakeholder needs within statutory and regulatory requirements related to a product or service
“new tier-1 cities”	Hangzhou, Chengdu, Suzhou, Nanjing, Chongqing, Wuhan, Tianjin, Changsha, Xi’an, Qingdao, Zhengzhou, Ningbo, Foshan, Dongguan and Hefei
“our stores”	offline retail stores in our sales network, including self-operated and distributor-operated stores
“pure EBN products”	include dried EBN and ready-to-serve products made from EBN (with an EBN feed rate of over 1% and up to 6%) and water, with or without crystal sugar or sugar substitutes
“self-operated stores”	our retail stores that are controlled and operated by us
“SKU”	short for stock keeping unit, a unique identifier for each distinct product that can be purchased

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## GLOSSARY

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“swiftlet”	a small bird of the swift family which is found in Southeast Asia. Its opaque and whitish bird nest is made exclusively of solidified saliva and is the main ingredient of bird’s nest soup, a delicacy of Chinese cuisine
“swiftlet farming”	the practice of responsibly cultivating and harvesting the nests of swiftlets by constructing purpose-built houses that mimic the birds’ natural nesting conditions, allowing for the sustainable production of valuable nests while minimizing disruption to the swiftlets’ natural habitats
“tier-1 cities”	Beijing, Shanghai, Guangzhou and Shenzhen
“tier-2 cities”	Kunming, Shenyang, Dalian, Jinan, Linyi, Weifang, Yantai, Wuxi, Changzhou, Xuzhou, Nantong, Fuzhou, Quanzhou, Wenzhou, Jinhua, Jiaxing, Shaoxing, Harbin, Guiyang, Nanning, Shijiazhuang, Baoding, Changchun, Nanchang, Huizhou, Zhuhai, Zhongshan, Taiyuan and Lanzhou
“+EBN products”	include certain food and skincare products that contain EBN or EBN extracts as an enhancement for elevated nutrition or other benefits. +EBN food products are products that use EBN (with an EBN feed rate of less than 1%) and other food ingredients as raw materials, such as EBN porridge. +EBN skincare products are products that contain EBN or EBN extracts, such as EBN facial masks and EBN essence

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## FORWARD-LOOKING STATEMENTS

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*We have included in this prospectus forward looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward looking statements.*

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and
- certain statements in the sections headed “Risk Factors,” “Industry Overview,” “Regulatory Overview,” “Business,” “Financial Information,” “Relationship with Our Controlling Shareholders” and “Future Plans and Use of Proceeds” with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

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## **FORWARD-LOOKING STATEMENTS**

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Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward -looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*Potential investors should read and consider carefully all the information set out in this prospectus, and, in particular, should evaluate the following risks and uncertainties before deciding to make any investment in our H Shares. You should pay particular attention to the fact that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our H Shares and could cause you to lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

**Any damage to our brand or reputation may materially and adversely affect our business and results of operations. Government investigations over food safety incidents in China’s EBN industry and the resulting negative publicity could adversely affect our business and reputation.**

Our business relies on consumers’ recognition of and their trust in our brand. Our brand and reputation may be damaged by distributors’ improper conduct, counterfeit of our products, product defects, product liability claims, consumer complaints, negative rumors, negative media coverage or any other form of negative publicity. In particular, we engage distributors to distribute our products and authorize them to use our brand name and images in their course of sales for our products. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the revenue generated from our distributors, both online and offline, as a percentage of our total revenue was 32.3%, 34.8%, 28.5%, 29.4% and 27.7%, respectively. Any improper conduct of our distributors may materially and adversely affect our business and results of operations. In addition, we have established ourselves as the leader in China’s EBN industry. Counterfeiters may illegally manufacture and market EBN products under our brand. The occurrence of such incidents may have a negative impact on our reputation and brands.

Negative publicity about our business creates the possibility of heightened attention from the public, the regulators and the media. Heightened regulatory and public concerns over customer protection and customer safety issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to our large number of transactions and continued business expansion. Any negative report regarding our business, profitability, financial condition and results of operations, regardless of its truthfulness, could damage our brand image and severely affect the sales of our products and possibly lead to product liability claims, litigations or damages. Government investigations over food safety incidents in China’s EBN industry and the resulting negative publicity may materially and adversely affect our business and reputation. The EBN industry in China has historically faced governmental scrutiny over food safety issues, in particular, prior to the publication of the first industry standard for EBN products in China in 2014. For instance, a high level of nitrite content was discovered in certain red EBN products by the industry and commerce department of Zhejiang Province in 2011 (the “Red EBN Incident”). This incident involved EBN product manufacturers in China who sourced raw nests from Malaysia, including Xiamen Suntama, and caused widespread distrust of EBN products among consumers. As advised by our PRC Legal Advisor, at the time of the Red EBN Incident, there were neither regulatory requirements on nitrite content generally applicable to all food products nor regulatory requirements specifically applicable to EBN products, and such incident prompted the introduction of the first regulatory requirement on nitrite content in EBN products in February 2012. Therefore, the red EBN products then sold by Xiamen Suntama did not violate any regulatory requirements on nitrite content. As further advised by our PRC Legal Advisor, Xiamen Suntama was not subject to any food safety litigation, government investigation, regulatory proceeding or penalty in connection with the Red EBN Incident, given that (1) there is no public record of food safety litigations, government investigations, regulatory proceedings or penalties against Xiamen Suntama relating to the Red EBN Incident according to desktop searches conducted by our PRC Legal Advisor, and (2) as confirmed by Xiamen Suntama, it did not receive any notice of any food safety litigation, government investigation,

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## RISK FACTORS

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regulatory proceeding or penalty in connection with the Red EBN Incident. However, any similar government investigation or negative publicity in the future, whether directed at our business or the industry as a whole, could have adverse effects on our brand image and severely impact the success of our products. There is no assurance that our business would not become a target of regulatory or public scrutiny in the future, or that such scrutiny would not significantly damage our reputation, undermine our operations, and hinder our business prospects.

In addition, improper behaviors or statements of our spokespersons, endorsers and other celebrities we have cooperated with, and our employees may result in substantial harm to our brand, reputation and operations. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects.

**Any failure to successfully upgrade our existing products or to develop, launch and promote new products may adversely affect our business development plans and profitability.**

The choices and preferences of consumers may be influenced by new products that appear in the market. To support our product upgrade and expansion plans, we need to devote significant resources in researching and developing our products and recruiting production and marketing professionals as well as selecting raw material and packaging material suppliers that are appropriate for our products. All these tasks require substantial planning, effective execution, significant expenditures, and as a result, we face the risk of wasting all such resources without yielding desirable results. We cannot assure you that our upgraded or new products will be able to generate positive cash flows or become profitable within a short period of time or at all. If we fail to bring upgraded or new products to the market in a cost-effective manner, our profitability, results of operations and business prospects may be adversely affected.

**Any product quality and safety issue could materially and adversely affect our results of operations.**

We believe that the quality of our products is critical to our success. Our quality control systems primarily consist of quality control measures for raw materials and packaging materials, production process, inventory storage, and delivery and sales. See “Business—Production—Production Process” and “—Quality Control.” The effectiveness of our quality control systems depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees comply with our quality control policies and procedures. We cannot assure you that the design of our quality control systems will be effective at all times. We also cannot assure you that all our employees will always comply with the quality control policies and will not make any mistakes when executing quality control procedures. In addition to risks associated with the processing and labeling of our products, certain third parties, such as (1) suppliers of raw materials and packaging materials, (2) logistics service providers, and (3) distributors, could also affect the quality of our products or lead to inventory obsolescence if these third parties fail to provide raw materials, packaging materials or services to us with satisfactory quality.

Any product quality issue resulted from failure of our quality control systems or other reasons could expose us to product liability claims, negative publicity, government scrutiny, investigation or intervention, administrative actions and product recalls or returns, which could materially and adversely affect our brand, reputation, results of operations, financial condition and business prospects.

**Our business relies on consumer demand for our products. Any shift in consumer demand, or any unexpected situation with a negative impact on consumer demand may materially and adversely affect our business and results of operations.**

Our business relies on consumer demand for our products, which depends substantially on factors such as consumers’ spending patterns, preferences and tastes, income, perceptions of and confidence in our product quality and food safety, and awareness of healthy lifestyle. Changes in any of the above factors

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## RISK FACTORS

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at any time could result in decline in consumer demand for our products. In particular, consumers' perceptions of and confidence in our product quality and food safety may significantly affect consumer demand for our products. Additionally, consumers' preference over EBN products may be influenced by their perceptions of the health benefits of EBN. Consumer perception of the health benefits of EBN will develop with scientific advancement, which may in turn affect consumer demand for our products. EBN consumption could have an adverse effect on health. The potential health risks of EBN consumption include excessive nitrite content, which can cause serious health effects such as methaemoglobinaemia. For instance, a high level of nitrite content was discovered in certain red EBN products by the industry and commerce department of Zhejiang Province in 2011. For details of the Red EBN Incident, see “—Any damage to our brand or reputation may materially and adversely affect our business and results of operations. Government investigations over food safety incidents in China's EBN industry and the resulting negative publicity could adversely affect our business and reputation.” Hormonal compounds have been detected in EBN, and its use has been occasionally linked to hormonal side effects, such as precocious puberty. In addition, EBN might potentially pose a risk of triggering allergic reactions for individuals with sensitivities to its proteins. Notably, allergies to EBN have been reported to occur with greater frequency in children between 0 to 15 years old than to other allergens, causing symptoms including angioedema, wheezing, urticaria, and abdominal cramps. As EBN contains epidermal growth factor, which may contribute to cellular and vascular proliferation, there is a potential risk that this could influence the progression of cancerous cells or the symptoms of uterine fibroids. Furthermore, the presence of bacteria in EBN, if any, could, in exceptional cases, lead to food-borne illnesses, ranging from severe diarrhea to infections such as meningitis. Traces of excessive heavy metal content have also been identified in certain EBN products. Perceptions of these risks may have been shaped by publications associating EBN with potential health risks among potential consumers. These negative publications (if taken by consumers) may cause consumer preference to shift away from EBN products and adversely affect consumer demand for our products. Any incidents involving food-related illnesses, adulteration, contamination or mislabeling, whether or not accurate, as well as adverse public or medical opinions about the health effects of consuming our products, could negatively affect consumer confidence in our product quality and food safety.

Our business development will depend, in part, on our ability to (1) anticipate, identify or adapt to such changes, (2) introduce new products and adjust marketing strategies in a timely manner, and (3) develop appropriate sales and distribution networks accordingly. Although we dedicate manpower and financial resources to consumer-centric market research and analysis to upgrade our existing products and to develop, design and launch new products, we cannot assure you that our product portfolio will lead or follow the market trends. Any changes in consumer preferences and tastes may impose downward pressure on the sales and pricing of our products or lead to increases in our selling and distribution expenses.

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## RISK FACTORS

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**We may not be successful in further increasing sales revenue from our online channels or may fail to manage the coordination of our offline and online channels, both of which could adversely affect our results of operations.**

Our revenue generated from sales made through our online channels experienced increases during the Track Record Period. Our online sales network consists of self-operated online stores, distributor-operated online stores, and e-commerce platforms. As of May 31, 2023, we had 23 self-operated online stores and 13 distributor-operated online stores on mainstream e-commerce or social media platforms such as JD.com, Tmall and Douyin. In addition, we began to engage e-commerce platforms to distribute our products through platform-operated online stores in 2018 to further expand our online presence. As of May 31, 2023, we had acquired 15 e-commerce platforms as our customers, including JD.com, Vipshop and Tmall Supermarket, among others. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the revenue generated from sales made through our online channels accounted for 55.5%, 51.0%, 54.2%, 52.1% and 54.8% of our total revenue in the same periods, respectively. However, as online and social media platforms continue to grow in popularity, any significant growth in our sales through online channels in the future may give rise to competition between offline and online channels. If we fail to balance the marketing efforts or optimize product mix and pricing strategies among our online and offline channels, or otherwise fail to effectively manage the integration of these channels, the competition among these channels may adversely affect our business, financial condition and results of operations.

We expect to further enhance our online strategies and increase sales revenue from our online channels. However, we may not be able to maintain a high growth rate of our online sales. If we fail to manage the continuous development of our online sales, our business, financial condition and results of operations may be adversely affected. In addition, we may incur additional expenses in connection with service fees that we are contractually required to pay to the relevant parties in order to continue using their e-commerce platforms, which in turn may have a material adverse impact on our results of operations and profitability.

Our results of operations could also be affected by our online brand marketing and advertising activities. If our online marketing and advertising activities do not continue to be successful, our business and operating results may be materially and adversely affected. In addition, we believe marketing trends in China are evolving, which requires us to experiment with new sales channels to keep pace with industry developments and consumer preferences. Moreover, as we continue to make efforts in this regard, we expect our operational and marketing expenses relating to cooperation with new channels to continue to increase.

**We depend on sales to our distributors for considerable amount of our revenue, and distributors are expected to remain important in our sales network. If distributors are not able to operate successfully or we fail to maintain good relationships with such distributors, our business, financial condition and results of operations could be materially and adversely affected.**

Our distributors are important to our business. As of December 31, 2020, 2021 and 2022 and May 31, 2023, there were 161, 203, 238 and 227 distributors in our distribution network, respectively. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, revenue generated from our distributors accounted for 32.3%, 34.8%, 28.5%, 29.4% and 27.7% of our total revenue, respectively. Despite the majority of our revenue was generated from direct sales to retail customers during the Track Record Period, we expect that distributorship will remain an important component of our sales network.

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## RISK FACTORS

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Our distributors may not be able to market and sell our products successfully or maintain their competitiveness as a result of various factors. For example, our offline distributors may not be able to find suitable locations to operate distributor-operated stores, and they may not be able to renew their leasing contracts with lessors upon expiration, both of which may adversely affect our offline distributors' operations and competitiveness. In addition, our online distributors may not be able to successfully organize online marketing campaigns or promotional events that achieve desired results. If the sales volumes of our products to consumers are not maintained at a satisfactory level, our distributors may not place orders for new products with us, or they may reduce orders or request discounts on the purchase price. The loss of our distributors, or reduced orders from them, could adversely affect our access to consumers and our sales volume and revenue.

Although we require our distributors to comply with their distribution agreements with us, non-compliance with the distribution agreements by any of our distributors could disrupt our sales and may even affect our results of operations. We also could be liable for damages or fines due to defects or spoilage on the products marketed and sold by our distributors, which may have an adverse effect on our financial condition.

If we fail to successfully maintain our relationships with a significant number of distributors or our distributors fail to operate successfully, our ability to effectively sell our products could be negatively impacted. These and similar actions could also negatively affect our corporate and product image, which could result in loss of customers and a decline in sales. In addition, distributors selling the same products at uniform retail prices may result in marketing overlaps, cannibalization or even competition among these distributors. We cannot assure you that the expansion of our sales network will continue to be successful or will generate income as expected.

**Fluctuations in prices and changes in the quality of raw materials and packaging materials could materially and adversely affect our profitability and results of operations.**

Our ability to control our costs, in part, depends on our ability to secure raw nests, our primary raw materials, from Indonesia, and packaging materials, that meet our quality standards at reasonable prices. Our packaging materials primarily consist of polypropylene bowls (an FDA-approved food contact plastic), glass bottles, cardboard, and metal packaging materials. The cost of raw materials accounted for 76.7%, 79.3%, 77.3%, 77.8% and 77.7% of our total cost of sales in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. Going forward, we expect our cost of raw materials to continue to account for a large portion of our cost of sales.

The procurement price of raw nests and packaging materials could be volatile due to a variety of factors beyond our control. The price of raw nests and packaging materials may be affected by factors such as the global and PRC economic condition, relevant government regulations and policies, and changes in supply and demand. In particular, the supply of raw nests from Indonesia may be negatively affected by factors such as adverse climate conditions and relationship between Indonesia and China.

We rely on suppliers to supply raw nests and packaging materials that meet our quality standards. We may fail to ensure the comprehensiveness and effectiveness of their quality control systems. Although we conduct sampling inspection for raw nests and packaging materials after they are delivered to us by suppliers, we cannot assure you that we will be able to detect all quality defects in a timely manner.

Any increase in the prices of raw nests and packaging materials may cause us to adjust our product prices upward, which could in turn reduce the competitiveness of our products. In cases where raw nests and packaging materials prices increase, and we choose not to increase the price of our products to maintain competitiveness despite the increases in costs, it would render us unable to pass on such costs to our customers and adversely affect our profitability.

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## RISK FACTORS

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**We do not conduct any swiftlet farming and primarily depend on suppliers in Indonesia for raw nests. If we are not able to source adequate raw nests from suppliers in Indonesia or fail to maintain good relationships with such suppliers, our business, financial condition and results of operations could be materially and adversely affected.**

Suppliers in Indonesia are crucial to our business. We source substantially all of raw nests as primary raw materials for our products from them. In the five months ended May 31, 2023, more than 46% of our purchase amount of raw nests were attributable to suppliers with over five years' business relationship with us. However, if we fail to successfully maintain our business relationships with a significant number of suppliers for raw nests, or our suppliers are prohibited from or are not able to supply raw nests to us due to regulatory measures or administrative penalties imposed on them by the relevant authorities in Indonesia or China, or we fail to secure alternative suppliers, our ability to effectively produce our products could be negatively impacted. In addition, the customs clearance procedures for importing raw nests could be lengthy and may adversely affect the timely supply of such raw materials for our EBN products. If we encounter lengthy customs clearance for imported raw nests, we may experience delays in the production of our products. Potential trade or regulatory embargoes imposed either by Indonesia or China could result in delays or shortages of the supply for raw nests. If we are not able to source adequate raw nests, our business, financial condition and results of operations could be materially and adversely affected.

**Increasing focus with respect to environmental, social and corporate governance matters may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations on environmental, social and corporate governance matters, and failure to achieve or potential modification or discontinuation of certain or all environmental, social and corporate governance targets and/or plans, may subject us to penalties and/or adversely affect our business, financial condition and results of operations.**

Relevant regulatory authorities and public advocacy groups have been increasingly focused on environment, social and corporate governance (“ESG”)-related issues in recent years, making our business more sensitive to ESG-related issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds and other influential investors have also been increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and relevant regulatory authorities on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of the ESG practices of the target companies. Any ESG concern or issue could also increase our regulatory compliance costs.

If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and relevant regulatory authorities or are perceived to have not responded appropriately to the growing concern for ESG-related issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition and the price of our Shares could be materially and adversely affected. Furthermore, to promote environmental responsibility and reduce our environmental footprint, we have established certain environmental targets and plans that are aligned with our overall business strategy and objectives. See “Business—Environmental, Social And Corporate Governance Policy.” Failure to achieve or potential modification or discontinuation of certain or all such ESG targets and/or plans may also adversely affect our corporate image, which could in turn result in adverse impacts on our business, financial condition and results of operations.

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## RISK FACTORS

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**Any failure to manage our inventory effectively would materially and adversely affect our results of operations, financial condition and cash flows.**

As of December 31, 2020, 2021 and 2022 and May 31, 2023, we had inventories of RMB277.0 million, RMB279.7 million, RMB271.8 million and RMB260.4 million, respectively. In 2020, 2021, 2022 and the five months ended May 31, 2023, our inventory turnover days were 91.2 days, 130.2 days, 118.2 days and 106.7 days, respectively. Our business relies on consumer demand for our products, which in turn depends substantially on factors such as consumers' spending patterns, preferences and tastes, income, perceptions of and confidence in our product quality and food safety, and awareness of healthy lifestyle. Any change in consumer demand for our products or the occurrences of catastrophic events may have an adverse impact on our product sales, which may lead to inventory obsolescence, decline in inventory value or inventory write-off.

In addition, maintaining a certain amount of inventory also exposes us to the risk of inventory loss. As we have not purchased inventory insurance in full, in the event of natural disasters or other accidents such as fires caused by our employees or third parties, we may not be able to obtain sufficient compensation from the insurance company to cover our losses.

Furthermore, as we will not be able to recoup our cash paid for raw materials and packaging materials during the production process until the finished products are sold to our customers, and the purchase price is settled, our business is subject to significant working capital requirements given our considerable inventory level and inventory turnover days. If our inventory level increases substantially in the future, our financial condition and cash flows could be materially and adversely affected.

**Our distributors may not be able to manage their inventory level effectively and we may not be able to accurately track their sales and inventory level, which could cause us to incorrectly predict sales trends and may damage the stability of our distribution network.**

Failure to manage inventory level may strain our distributors' financial resources and impair their liquidity, which may lead to their reluctance or inability to purchase new products from us. If they experience decreased profitability or suffer losses as a result, they may quit our distribution network. Also, distributors may, with or without any merit, blame their slow turnover on us, harming our relationship with such distributors and potentially damaging our reputation among distributors. If any of such incident happens to our distributors, the stability of our distribution network may be severely impaired, and our business, financial condition and results of operations may be materially and adversely affected. In addition, we may not be able to accurately track their sales and inventory level. This could in turn lead to our inability to correctly predict sales trends and accurately forecast customer demand, resulting in excess inventory levels or a shortage of products. There can be no assurance that we will be able to successfully manage our inventory at a level appropriate for future customer demand.

**Incidents or publicity involving food-related illnesses, tampering, adulteration, contamination or mislabeling, whether or not accurate, as well as adverse public or medical opinions about the health effects of consuming our products, could harm our business. Any quality related issues for the EBN industry in general could also adversely affect our business and reputation.**

Instances or reports, whether true or not, of food-safety issues, such as illnesses, tampering, adulteration, contamination or mislabeling, either during manufacturing, packaging, transportation, storing or preparation, employee hygiene and cleanliness failures or improper employee conduct, have in the past severely injured the reputations of companies in the food sector. Other enterprises in the EBN industry may experience problems related to product quality and safety due to the quality standards they implement, quality defect, and inadequate compliance with and enforcement of inspection procedures under the food safety regulations. While we may not be involved in any of these events, any report linking

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## RISK FACTORS

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us to such instances could cause consumers to be doubtful or fearful and could possibly lead to product liability claims, litigation and/or temporary store closures, severely hurting our sales. In addition, instances of food or beverage-safety issues, even those involving solely the stores of competitors or distributors (regardless of whether those distributors are associated with us), could, by resulting in negative publicity about us, the EBN industry or the food industry in general, adversely affect our sales on a regional, national or global basis. A decrease in consumer traffic as a result of food-safety concerns or negative publicity, or as a result of a temporary closure of any of our stores, product recalls or food safety claims or litigation, could materially harm our business and results of operations.

**Failure to maintain effective pricing strategies and any downward changes in the prices of our products may have a material adverse effect on our business and results of operations.**

Demand for our products is generally sensitive to price. Our approach to pricing our products has had, and may continue to have, a significant impact on our revenue and profit margin. In addition, our competitors' pricing strategies are beyond our control and could significantly affect the results of our pricing strategies. If we fail to meet our customers' price expectations, or if we are unable to compete effectively with our competitors when they engage in aggressive pricing strategies and could not effectively adjust our cost structure due to potential downward changes in the prices of our products, it could have a material adverse effect on our business, financial condition and results of operations.

**We may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading under PRC laws.**

Our advertising materials are produced by our in-house advertising department or relevant third party service providers. PRC laws and regulations prohibit advertising companies from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations, impairs the national dignity of the PRC, involves designs of the PRC national flag, national emblem or national anthem, is considered reactionary, obscene, superstitious or absurd, is fraudulent, or disparages similar products. We may also be subject to claims by customers misled by information in our advertisements. If the advertising materials produced by our third-party service providers contain inappropriate or misleading information, we may not be able to recover our losses from such advertisers by enforcing the indemnification provisions in the contracts, which may result us in diverting management's time and other resources from our business and operations to defend against these infringement claims. As a result, our business, financial condition and results of operations could be materially and adversely affected. Although we had not been subject to any non-compliance incident, government investigation or material consumer claim or complaint in connection with advertising during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that no such incident will occur in the future.

**Our sales and marketing activities may not be effective in attracting consumers, which may in turn adversely affect our results of operations.**

We adopt a multi-channel marketing approach that allows us to reach and influence a broad target customer base. Our focus is on maintaining and enhancing brand awareness through professional marketing and branding strategies. We conduct advertising campaigns via traditional channels such as television, radio and billboards. Additionally, we leverage e-commerce and social media platforms to promote our brand and products, collaborating with influencers and implementing targeted marketing campaigns on emerging platforms, such as Douyin and Xiaohongshu. Our marketing efforts also include sponsorship and celebrity endorsements. See "Business—Marketing and Branding." We may incur considerable selling and distribution expenses for our sales and marketing activities. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our selling and distribution expenses were RMB317.8 million, RMB399.0 million, RMB503.9 million, RMB205.8 million and RMB208.5 million, respectively, representing 24.4%, 26.5%, 29.1%, 29.5% and 26.6% of our total revenue in the same periods,

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respectively. In the same periods, our advertising and promotion fees were RMB236.0 million, RMB269.0 million, RMB326.3 million, RMB137.3 million and RMB125.1 million, respectively, representing 74.3%, 67.4%, 64.8%, 66.7% and 60.0% of our selling and distribution expenses, respectively.

We cannot assure you that our sales and marketing activities will enable us to achieve our sales targets. The effectiveness of sales and marketing activities is relatively difficult to predict and evaluate. Their effects may be delayed, resulting in a delayed revenue growth which may not be fully reflected during the period in which the sales and marketing activities took place. If the results of our sales and marketing activities fail to meet our expectation, or if we fail to conduct the sales and marketing activities as planned, our results of operations, financial condition, market share, brand and reputation may be adversely affected.

**We rely on our distributors to place our products into the market, and our distributor management may not be as effective as we anticipate. Our offline distributors have the autonomy to further develop his offline sub-distributors within the designated city, over whom we are not able to assert direct control.**

As of May 31, 2023, our distributor sales network consisted of 214 offline distributors and 13 online distributors, covering 614 distributor-operated offline stores and 13 distributor-operated online stores in China. As we believe that distributorship is an important component of our sales network, any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancelation of orders from one or more of our distributors;
- failure to renew distribution agreements and maintain relationships with our existing distributors;
- failure to establish relationships with new distributors on favorable or even standard terms; and
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors.

We may not be able to successfully manage our distributors, and the cost of any consolidation or further expansion of our distributor sales network may exceed the revenue generated from these efforts. There can be no assurance that we will be successful in detecting any non-compliance by our distributors with the provisions of their distribution agreements. Non-compliance by our distributors may, among other things, negatively affect our brand, demand for our products and our relationships with other distributors. Furthermore, if the sales volumes of our products to distributors are not maintained at a satisfactory level, or if distribution orders fail to track end customers' demand, our distributors may not place orders for new products from us or decrease the quantity of their usual orders. If any of our distributors fail to distribute our products to their customers in a timely manner, overstock or carry out actions inconsistent with our business strategies, it may affect our future sales. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products, and therefore, adversely affect our financial condition and results of operations.

During the Track Record Period, our offline distributors have the autonomy to further develop his offline sub-distributors within the designated regions. We cannot assure you that offline sub-distributors will at all times comply with our overall sales and distribution policies or that they will not compete with each other for market share in respect of our products. If any of offline sub-distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions inconsistent with our business strategies, it may affect our future sales, which may in turn materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**Our historical financial condition and results of operations may not be representative of our future performance. If we are unable to successfully manage our growth, our business and prospects may be materially and adversely affected.**

We experienced rapid expansion during the Track Record Period. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our revenue was RMB1,301.2 million, RMB1,507.0 million, RMB1,729.9 million, RMB696.9 million and RMB782.6 million, respectively. Our net profit margin in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023 was 9.5%, 11.4%, 11.9%, 12.0% and 12.8%, respectively. Our significant revenue growth during the Track Record Period was attributable to our continued efforts to grow our business, optimize sales channels, and launch products that cater to the evolving consumer demand. We cannot assure you that the demand for our products will continue to grow at a similar rate in the future due to reasons including market saturation as well as competition from new market participants and alternative products. We also cannot assure you that we will be able to sustain high profitability in the future, which depends on whether we can continue (1) generating a high level of sales revenue; (2) managing effectively the production costs; and (3) managing effectively the costs and expenses associated with operations, sales and marketing. If we fail to effectively manage our growth or sustain our profitability, our business, financial condition and results of operations could be adversely affected.

In addition, as we believe that our business will continue to grow, we will continue to encounter challenges in implementing our managerial, operating and financial strategies to keep up with our growth. The major challenges in managing our business growth include, among other things:

- effectively managing the daily operations of our retail sales network, including our self-operated online stores and self-operated offline stores;
- effectively managing our distribution network expansion;
- controlling costs in a competitive environment;
- continuing to introduce new products and timely upgrade existing products to cater to evolving consumers' tastes;
- promoting, maintaining and capitalizing on our brand awareness;
- retaining existing customers and attracting new customers;
- remaining competitive in our industry;
- effectively managing our supply chain and ensuring our third-party suppliers continue to meet our quality and other standards and satisfy our future operations' needs;
- maintaining and upgrading our technology systems and market analytical capabilities in a cost-effective manner;
- attracting, training and retaining a growing workforce to support our operations;
- implementing a variety of new and upgraded internal systems and procedures as our business continues to grow; and
- ensuring full compliance with relevant laws and regulations.

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## RISK FACTORS

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In particular, we may not be able to effectively manage the daily operations of our self-operated stores to maintain or increase the sales volume of products. For example, each day our self-operated online stores receive a significant number of inquiries from e-commerce consumers, our customer service team may not be always able to efficiently communicate with them and increase customer satisfaction with our brand. In addition, we may not always be able to ship our products in a timely manner, subject to the capacities of our suppliers for logistics and transportation services, especially during certain e-commerce festivals.

Furthermore, we may not be able to effectively manage the expansion of our distribution network. The number and timing of distributor-operated stores opened during any given period are subject to a number of factors, including our distributors' ability to identify suitable locations for opening new stores, secure leases on commercially reasonable terms, obtain adequate funding for store expansion, execute the stores opening process efficiently and obtain all required licenses, permits and approvals for new stores, and our ability to effectively manage supply chain and control product quality, and recruit, train and retain skilled employees, among other things.

Any foregoing factors, either individually or in aggregate, may delay or hinder our plan to increase the number of stores in desirable locations at manageable cost levels. In addition, we may incur additional operating expenses at the store, distributor and headquarters levels as we continue to expand our sales network. If we fail to manage our expansion of stores in a cost-effective manner, our business, results of operations and financial condition may be materially adversely impacted. Furthermore, consumers' demand for our products may not be as strong as we expect to support our business growth, which may result in over-expansion of our sales network. In particular, we plan to expand our offline presence through the addition of both self-operated stores and distributor-operated stores. Although such expansion plan was determined by our management based on market analysis, we cannot assure you that actual market demands will meet our expectation. If our expansion plan proves to be too aggressive, we may experience a significant decrease in sales of our existing stores, and as a result, our business, results of operation, liquidity and financial condition would be materially adversely impacted.

We also face significant challenges in continuing to introduce new products and timely upgrade existing products to cater to the evolving consumers' tastes. To support our product upgrade and new product launching plans, we need to devote significant resources to researching and developing our products and recruiting production and marketing professionals that are appropriate for our products. We cannot assure you that our upgraded or new products will be able to generate positive cash flows or become profitable within a short period of time or at all. If we fail to bring upgraded or new products to the market in a cost-effective manner, our profitability, results of operations and business prospects may be adversely affected.

All of our efforts to address the challenges of our growth require significant managerial, financial and human resources. We cannot assure you that we will be able to execute managerial, operating and financial strategies to keep up with our growth. If we are not able to manage our growth or execute our strategies effectively, our growth may slow down, and our business and results of operations may be materially and adversely affected.

**An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the outbreak of COVID-19, could have a material adverse effect on the demand for our products and our business operations.**

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health

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developments in China or elsewhere, including but not limited to the severe acute respiratory syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or the novel coronavirus (COVID-19), could materially disrupt our business and operations.

The outbreak of COVID-19 has affected the Chinese and global economy. During the COVID-19 outbreak, we experienced temporary suspension to our production bases and disruptions to the operations of our stores in affected regions from time to time. We also had to reduce the regular visits to our offline stores and distributors due to uncertainties regarding the pandemic. The COVID-19 outbreak also affected our suppliers for logistics and transportation services, and caused some delays in our product delivery. The COVID-19 pandemic may also have the effect of heightening other risks disclosed in this section, including but not limited to those related to: (1) decreased consumer demand for our products, which may be caused by their fear of an economic downturn; (2) decreased offline marketing activities, caused by circumstances beyond our control; (3) disruption of the operations of our business partners, including our logistics service providers and suppliers for raw materials and packaging materials; and (4) increase volatility or significant disruption of global capital markets due in part to the COVID-19 pandemic, which may adversely affect our ability to access capital markets and other funding sources on acceptable terms or at all.

Any future impact caused by the COVID-19 pandemic will depend on its subsequent development. We cannot be entirely certain as to when the COVID-19 pandemic will be fully contained, and its impact will be completely alleviated. There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic, considering the severe global situation and occasional regional resurgence of COVID-19 cases in certain areas in China. We are closely monitoring the development of the COVID-19 pandemic and continually evaluating any potential impact on our business operations.

**Any delivery delay, improper handling of goods or increase in transportation costs of our logistic service providers could adversely affect our business and results of operations.**

We engage logistics service providers to transport products to our customers, including direct sale customers, distributors and e-commerce platform customers. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our courier fees were RMB38.8 million, RMB37.0 million, RMB40.0 million, RMB16.1 million and RMB17.0 million, respectively, accounting for 5.2%, 4.7%, 4.7%, 4.8% and 4.5% of our cost of sales, respectively. The services provided by our logistics service providers may be suspended or cancelled due to unforeseen events, which could cause interruption to the sales or delivery of our products. In addition, delivery delays may occur for various reasons beyond our control, including improper handling by our logistics service providers, labor disputes or strikes, acts of war or terrorism, outbreaks of epidemics, earthquakes and other natural disasters.

Any improper handling of our products by the logistics service providers could also result in product contamination or damage, which may in turn lead to product recalls, product liabilities, increased costs and damage to our reputation. As such, our business, financial condition and results of operations could be materially and adversely affected.

The transportation costs of our logistics service providers are subject to factors beyond our control, such as the fluctuation in the gasoline price, increases in road tolls and bridge tolls, and changes in transportation regulations. Any increase in the service costs of our logistics service providers may lead to an increase to our logistic expenses, which may in turn negatively affect our results of operations.

**Any natural disaster or other catastrophic event affecting our supply chain management, production process or the demand for our products may materially and adversely affect our business.**

Our ability in supply chain management and efficient manufacturing is critical to our success. Any delay or disruption in our supply chain may adversely affect our ability to perform our contractual obligations to our customers.

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## RISK FACTORS

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Our EBN products are manufactured through a series of sophisticated processes. Problems may arise during the production process for a variety of reasons, including quality defects in raw materials or packaging materials, lack of production conditions or suspension of production due to natural disasters (such as storms, earthquakes, fires and floods) or other catastrophic events (such as explosions, acts of terrorism, wars and outbreaks of epidemics), strikes, power outages, technical or mechanical problems, failure to follow production safety protocols, failure to promptly upgrade equipment and production and operational software systems, and the infection or hacking of such software systems. Any of the above occurrences could impair our business or our suppliers, which would in turn impede our ability to manufacture and deliver our products to our customers in a timely manner.

**Our investment in research and development, including relevant collaborations with third parties, may not generate expected outcomes.**

Our future success, in part, depends on our ability to continue to upgrade our existing products and to develop, design and launch new products, which requires significant human and capital resources. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our research and development expenses was RMB17.7 million, RMB19.0 million, RMB24.3 million, RMB8.8 million and RMB9.6 million, respectively. We intend to continue to strengthen our research and development capabilities, which can be capital intensive and time consuming. If we are unable to design, develop, manufacture and market new products successfully in a timely manner, our business and results of operations may be adversely affected. While we expect to continue to collaborate with third parties such as academicians, experts and professors from reputable research or education institutions in China, we cannot assure you that such efforts will be successful or that the new products we introduce will achieve widespread market acceptance. If we fail to generate ideal results from our research and development, there may be a waste of capital and human resources, which may adversely affect our business, results of operations and financial condition.

**Any major changes in relation to food safety regulations and relevant policies may affect our business.**

Manufacturers within the EBN industry in China must comply with PRC food safety laws and regulations. These food safety laws and regulations require all enterprises engaged in the production of food and beverages to obtain the food production permits. They also set out safety standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as requirements for food production and sites, facilities and equipment used for the transportation and sale of food. In recent years, the PRC government has been strengthening the supervision of food safety. The revised Food Safety Law of the People's Republic of China (中華人民共和國食品安全法) and the Regulation on the Implementation of the Food Safety Law of the People's Republic of China (中華人民共和國食品安全法實施條例) stipulate that businesses engaged in food production should conduct their production and operation activities according to the applicable laws and regulations and food safety standards, establish a comprehensive food safety management system, and take effective measures to prevent and control food safety related risks to ensure the safety of the food produced. This may increase the compliance costs of companies similar to us in China. In the event that the PRC government further makes changes on food safety regulation, our production, sales and distribution costs may increase, and we may be unable to successfully pass on these additional costs to our customers, which could adversely affect our business, results of operations and financial condition.

**We may be exposed to the risk of product infringement.**

We may be exposed to the risk of product infringement. We cannot assure you that there will be no counterfeit or forgery of our products, trademarks or brands in the market. Counterfeiters may illegally manufacture and market EBN products under our brand. Such counterfeit or forged products are usually

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difficult to be detected or banned in a timely manner. We are also not able to control the quality of these counterfeit or forged products, which may fail to meet relevant health and safety or other laws and regulations and could cause illness or health issues. The occurrence of such incidents may have an impact on our reputation and brand. Our reputation and brand are crucial to our profitability and competitiveness, any damage to our reputation or brand resulting from product infringement may adversely affect our profitability and competitiveness.

**Our investment, maintenance or upgrade regarding our production equipment and facilities, technologies and other equipment related to operations may not be carried out successfully, which may in turn adversely affect our business growth.**

In order to ensure the continuous operation and expansion of our business, we maintain the existing production equipment and facilities, expand the production capacity through upgrading our existing equipment and establishing new production facilities, purchase new production equipment and improve production techniques. In addition, we allocate our human resources and other resources to manage these undertakings. We cannot assure you that such investments, maintenance and upgrades could be carried out successfully, or generate positive cash flows or profitable return within a short period of time. Such investments, maintenance and upgrades may become ineffective or obsolete as a result of updates in technology or industry standards, which could result in a material adverse effect on our business and financial condition.

Our ability to achieve business growth is also subject to a wide range of market, operational and financial risks, including those arising from the competition with existing competitors, changing consumer spending patterns, as well as maintaining our high food safety standards and our relationships with customers. Under the influence of these risks, our investments and upgrades may not be able to generate the expected business growth, which may materially and adversely affect our financial condition and results of operations.

**We may not be able to retain or promptly recruit senior management members or other key personnel required for our operations.**

Our current business performance and future success depend substantially on the abilities and contributions of our senior management members, including Mr. Huang, founder and chairman of our Company, all executive Directors and other key personnel with industry expertise, know-how or experience in areas such as research and development, production, sales, marketing, financial management, human resources or risk management. Any loss of such personnel could materially and adversely affect our ability to sustain and develop our business. Moreover, we cannot assure you that our key personnel will not join a competitor or form a competing business or will follow the terms and conditions of their employment contracts. As competition for talents such as skilled technical personnel and experienced management is fierce in our industry, any loss of key personnel or failure to promptly recruit such personnel for our future business development may adversely affect our business.

**Our performance depends on our ability to maintain good relationship with our employees, and any deterioration in relationships with our employees, shortage of labor or material increase in wages may have an adverse effect on our results of operations.**

Our continued success, in part, depends on our ability to attract, motivate, retain and maintain good relationships with a sufficient number of qualified employees, such as production workers, retail store managers, marketing and sales specialists, and other administrative and management personnel. We cannot assure you that we will be able to recruit or retain a sufficient number of qualified employees for our business or maintain good relationships with them, nor can we assure you that we will not experience any shortage in labor. If there is a high turnover rate of employees and we fail to recruit enough qualified personnel and retain them due to various factors, such as failure to keep up with the rising employee salary levels, we may fail to implement our growth strategies.

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We strive to provide a safe and desirable working environment to our employees to prevent occupational hazards. However, we may be subject to liability claim, negative publicity and government investigation or intervention in relation to workplace safety or occupational hazards, in particular if our employees, third party service providers or the public suffer from personal injuries or casualties at our facilities or during the transportation of our products. Such incidents could worsen our relationship with our employees and damage our brand and reputation.

We cannot assure you that we will not have any labor disputes in the future. Any deterioration of our relationships with our employees could result in disputes, strikes, claims and relevant legal proceedings, which may disrupt our production and operations, and lead to loss of know-how and trade secrets. Any labor shortage could hinder our ability to maintain or expand our business operations, which may adversely affect our business operations and results of operations.

**We, our Directors, management and employees may be subject to litigation and regulatory investigations and proceedings, such as claiming in relation to food safety, commercial, labor, employment, antitrust or securities matters, and may not always be successful in defending ourselves against such claims or proceedings.**

We face potential liability, expenses for legal claims and harm due to our business nature. For example, customers could assert legal claims against us in connection with personal injuries related to food poisoning or tampering. The PRC government, media outlets and public advocacy groups have been increasingly focused on customer protection in recent years. See “Regulatory Overview—Laws and Regulations Relating to Consumer Protection.” Sales of defective products may expose us to liabilities associated with customer protection laws. Sellers may be responsible for compensation on customers’ loss even if the contamination of food is not caused by the sellers. We may also be held liable if our suppliers or other business partners fail to comply with applicable food-safety related rules and regulations. Though we can seek indemnity from the responsible parties, our reputation could still be adversely affected. In addition, our Directors, management and employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liability and expense in relation to commercial, labor, employment, antitrust, securities or other matters, which could adversely affect our reputation and results of operations.

After we become a publicly listed company, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims, which could harm our business, financial condition and results of operations.

**We may undertake strategic partnerships which may not be successful. If our collaboration with any of our strategic partners is terminated or curtailed, or if we are no longer able to benefit from the business collaborations with our strategic partners, our business may be adversely affected.**

Our business has benefited from our collaborations with our strategic partners in the areas such as online ordering and payment, supply chains and joint marketing. We cannot assure you that such alliances or partnerships will contribute to our business, and we might not be able to maintain our cooperative relationships with our strategic partners and their respective affiliates in the future. If the services provided by these strategic partners become limited, compromised, restricted, curtailed or less effective or become more expensive or unavailable to us for any reason, our business may be materially and adversely affected. To the extent we cannot maintain our cooperative relationships with any of these strategic partners, it may be difficult for us to identify other alternative partners at commercially reasonable terms, which may divert significant management attention from existing business operations and adversely impact our daily operation and customer experience.

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**Our employment practices may be adversely impacted under PRC labor-related laws. Implementation of the labor laws and regulations in China may adversely affect our business and results of operation.**

The Standing Committee of the National People's Congress (全國人民代表大會常務委員會) promulgated the Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the "Labor Contract Law"), which became effective on January 1, 2008 and was amended on December 28, 2012, and the State Council promulgated implementing rules for the Labor Contract Law on September 18, 2008. The Labor Contract Law and the implementing rules impose requirements concerning, among others, the execution of written contracts between employers and employees, the time limits for probationary periods, and the length of employment contracts. The interpretation and implementation of these regulations are still evolving, our employment practices may violate the Labor Contract Law and related regulations and we could be subject to penalties, fines or legal fees as a result. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

**We may not be able to detect or prevent fraud, bribery, or other misconduct committed by our employees, customers or other third parties.**

We may be exposed to fraud, bribery, or other misconduct committed by our employees, customers or third parties, which could subject us to financial losses and penalties from governmental authorities. Although our internal control procedures are designed to monitor our operations and ensure overall compliance, our internal control procedures may be unable to identify all non-compliances, suspicious transactions, fraud, corruption or bribery in a timely manner. Any illegal, fraudulent, corrupt or collusive activities by our employees, customers, suppliers or other third parties, including, but not limited to, those in violation of anti-corruption or anti-bribery laws such as kickbacks or bribery to our distributors by our employees, could subject us to negative publicity that could severely damage our brand and reputation and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by governmental authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

**Any failure to protect our intellectual property rights could undermine our competitive position, and litigation to protect our intellectual property rights may be costly and ineffective.**

We consider our trade secrets, trademarks, trade names, patents and other intellectual property important to our business. From time to time, our intellectual properties may have been infringed by third parties. Preventing intellectual property infringement is difficult, costly and time-consuming, and continued unauthorized use of our intellectual properties by unrelated third parties may damage our reputation and brand image. The measures we take to protect our trademarks, patents, trade secrets and other intellectual property rights may not be adequate to prevent intellectual property infringement by third parties. If we are unable to adequately protect our trademarks, patents, trade secrets and other intellectual property rights, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer.

**We may face intellectual property infringement claims by third parties, which could disrupt our business, cause substantial legal costs, and damage our reputation.**

We cannot assure you that our products will not infringe any intellectual property rights held by third parties in the future. We may face claims of infringement of third parties' proprietary rights or claims for indemnification resulting from infringement arising from our products. A third-party individual submitted

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an application to the National Intellectual Property Administration seeking to invalidate two of our registered trademarks. The National Intellectual Property Administration has rejected the invalidation application for one of these two trademarks and supported the invalidation application for the other. As of the Latest Practicable Date, we had filed all necessary materials with the relevant intellectual property court for an administrative proceeding against the later unfavorable result, and had not received the notice of the trial date. See “Business—Intellectual Property.” We cannot assure you, however, that we could succeed in this administrative proceeding or that similar incidents will not occur in the future. In addition, we may be unaware of intellectual property registrations or applications relating to our products or business operations that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties. We are subject to additional risks as a result of the hiring of our current and new employees, especially those that were previously employed by our competitors, who may misappropriate intellectual properties from their former employers.

Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our products or using relevant technology. Intellectual property litigation is expensive and time-consuming and could divert management’s attention from our business. A successful infringement claim against us could, among others things, make us to pay substantial damages, develop non-infringing technology, or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and cease manufacturing, selling or using products that have infringed a third party’s intellectual property rights. Any intellectual property claim or litigation, regardless whether we ultimately win or lose, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

### **We are subject to various risks relating to third-party payments.**

During the Track Record Period, we had 21 customers that settled their payments with us through third-party payors (the “Third-party Payment Arrangements”). Many small-sized EBN product distributors operated their business in the form of sole proprietorship (個體工商戶), which is a type of organization that typically prefers not to open a separate business bank account but to settle payments through personal bank accounts due to the complexity of using corporate bank accounts. In 2020, 2021, 2022 and the five months ended May 31, 2023, the aggregate amount of third-party payments was RMB23.5 million, RMB15.3 million, nil and nil, respectively, accounting for 1.8%, 1.0%, nil and nil of our total revenue in the same periods, respectively. We have ceased all Third-party Payment Arrangements since January 1, 2022. See “Business—Third-party Payment Arrangements.”

We are subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected. In addition, Third-party Payment Arrangements also exposed us to the risk of money laundering, as such arrangements may not be based on genuine business transactions. In the event that any of funds received by us under the Third-party Payment Arrangements were illegal proceeds, we may be subject to criminal liability, the funds we receive as well as the revenue we generate from such arrangements may be confiscated, and further fines may be imposed on us. Additionally, persons directly involved in these arrangements may face imprisonment, detention and fines.

### **We may not fully recover our deferred tax assets, which may affect our financial positions in the future.**

We had deferred tax assets of RMB4.3 million, RMB16.3 million, RMB36.1 million and RMB29.9 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. Our deferred tax assets relate to deductible temporary differences between the tax bases of assets and liabilities and their carrying

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amounts to the extent that the utilization of such differences and losses against future taxable profits is probable. Deferred tax assets also arise from unused tax losses and unused tax credits. This requires significant judgment on the tax treatments of transactions and an assessment of the probability that adequate future taxable profits will be available for the deferred tax assets to be utilized. The carrying amount of deferred income tax assets is reviewed at the end of each period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. We cannot guarantee we can recover or predict the movement of our deferred tax assets. Failure to recover deferred tax assets may adversely affect our financial position in the future. See Note 29(b) to the Accountants' Report in Appendix I to this prospectus for details of our deferred tax assets during the Track Record Period.

**Our failure to recover a significant portion of our trade receivables in a timely manner may have a material adverse effect on our business, results of operations and financial condition.**

We generate trade receivables in the ordinary course of business. Our trade receivables primarily consist of receivables due from third parties in connection with their purchases of our EBN products. For offline distributors, we require them to make payment before the delivery of our products. We may provide short-term payment period for certain offline distributors with excellent qualifications and stable business relationships with us. For online distributors, we generally deliver our products after receiving the orders from e-commerce consumers who have made the payments online and settle full payments with online distributors on a monthly basis for such orders. For e-commerce platform customers, we settle payment with them according to respective cooperation agreements with such customers and typically have an agreed payment cycle of 60 days. As of December 31, 2020, 2021 and 2022 and May 31, 2023, our trade receivables was RMB24.4 million, RMB39.7 million, RMB67.0 million and RMB62.2 million, respectively. In the event that our trade receivables increase significantly, and we fail to collect these receivables in a timely manner, our financial condition and business operations may be materially and adversely affected. See “Financial Information —Discussion of Certain Items from the Consolidated Statements of Financial Position—Trade and Other Receivables.”

**If we fail to perform our contractual obligation, our liquidity and financial positions may be materially and adversely affected in the future.**

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our contract liabilities were RMB102.1 million, RMB138.8 million, RMB176.5 million and RMB157.1 million, respectively. Our contract liabilities mainly represent advance payments received from our customers. Contract liabilities would be recognized as revenue upon the delivery of our products. All of our contract liabilities balance as of December 31, 2020, 2021 and 2022 and May 31, 2023 was recognized or expected to be recognized as revenue within our normal operating cycle. See “Financial Information—Discussion of Certain Items from the Consolidated Statements of Financial Position— Contract Liabilities” and Note 24 to the Accountants' Report in Appendix I to this prospectus. However, if we fail to fulfill our obligations with respect to our contract liabilities, we may not be able to convert such contract liabilities into revenue as expected. Furthermore, if we fail to fulfill our obligations with respect to our contract liabilities, customers may request not to prepay us in the future. Any of these circumstances could materially and adversely affect our business, results of operations, cash flow and liquidity condition.

**We may record impairment losses for goodwill and intangible assets in the future.**

As of December 31, 2020, 2021 and 2022 and May 31, 2023, we recorded goodwill of nil, RMB75.2 million, RMB75.2 million and RMB75.2 million, respectively. Such goodwill arose from our strategic acquisitions of Beijing Tianfeiyuan, Harbin Jinyanhui, Changchun Jinyanhui, and Taiyuan Jixiangyan, all of which engage in offline sales of EBN products. Goodwill is mainly attributable to the sales talent of these entities' work force and the synergies expected to be achieved from integrating such entities into our

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existing sales channels. See “History, Development and Corporate Structure—Major Acquisitions, Disposals and Mergers.” Our intangible assets consisted primarily of computer software and patent rights. We had intangible assets of RMB0.7 million, RMB0.9 million, RMB1.3 million and RMB1.0 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. Although no impairment loss for goodwill or intangible assets was recognized during the Track Record Period, we are required to test our goodwill for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired, and to test our intangible assets for impairment when there are impairment indicators. Material impairment losses could negatively affect our financial condition and results of operations.

**We are exposed to risks associated with the fair value change in financial assets measured at fair value through profit or loss.**

We had financial assets measured at fair value through profit or loss of RMB46.2 million, nil, RMB5.0 million and nil as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. Our financial assets measured at fair value through profit or loss represented our investments in short-term wealth management products issued by reputable commercial banks in China. During the Track Record Period, we measured our financial assets at fair value through profit or loss using observable inputs. See Note 31(d) to the Accountants’ Report in Appendix I to this prospectus. We cannot assure you that we will not have our financial assets at fair value measured using unobservable inputs in the future. We are subject to the risks that any of our counterparties, such as the banks that issued wealth management products, may not perform their contractual obligations, including the event where any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance by our counterparties with respect to the financial products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, the wealth management products issued by banks are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these products.

**We have incurred and may continue to incur substantial share-based payment expenses.**

We believe the grant of share-based compensation is important to our ability to attract, retain and motivate our management team and qualified employees. We recorded equity-settled share-based payment expenses of RMB0.4 million, RMB21.8 million, RMB5.3 million, RMB2.2 million and RMB2.2 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. Any additional grant of share-based compensation will further increase our share-based payment expenses, which may adversely affect our financial performance and dilute existing shareholders’ shareholding.

**Our information technology and software systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.**

We rely on our information technology and software systems to effectively manage various sales and distribution data, marketing activities and expenses data, production and operation data, and financial and human resources data. Any significant failure in our information technology and software systems could result in transaction errors, processing inefficiencies and loss of sales and customers, or lead to loss or leakage of confidential information. We collect and store sensitive personal information such as customer contact information and their addresses for the purpose of our business needs. The security of such information is of paramount importance. Any security and privacy breaches on customer information may damage our customer relations and our reputation and may expose us to legal liability.

Our information technology and software systems may be subject to damage or interruption, primarily due to unexpected emergency circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches, unauthorized access to our information systems,

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hackings intended to cause malfunctions, loss or corruption of data, software, hardware or other computer equipment, intentional or inadvertent transmission of computer viruses and other similar events. We may also encounter problems when upgrading our systems, which could disrupt our operations and adversely affect our results of operations.

**We are in possession of certain information regarding our customers, and the improper collection, storage, use or disclosure of such information could materially and adversely affect our business and reputation.**

With the prior consent of our customers, we collect and maintain personal information of our customers to the extent necessary for the sales and delivery of our products through e-commerce platforms or our membership program. The types of personal information we collect primarily include customer names, contact information and addresses for delivery. Unless otherwise provided in laws and administrative regulations, Personal Information Protection Law (個人信息保護法) (the “PIPL”) only allows us to collect personal information of customers with their prior consents and to the extent necessary. The PIPL also requires us to protect the privacy of our customers and prohibit unauthorized disclosure of their personal information. We may be liable for damages caused by divulging our customers’ personal information without consent. In addition, there is a risk that such information could be compromised in the event of a security breach at our internal system. Such information could be divulged due to, for example, theft or misuse arising from staff misconduct or negligence.

**We may be subject to additional cybersecurity review or inspection by government authorities.**

On June 10, 2021, the Data Security Law (數據安全法) was adopted by the Standing Committee of the National People’s Congress and became effective on September 1, 2021. On August 20, 2021, the PIPL was adopted by the Standing Committee of the National People’s Congress and became effective on November 1, 2021. Pursuant to the Measures for Cybersecurity Review (網絡安全審查辦法) (the “Cybersecurity Review Measures”), which became effective in February 2022, critical information infrastructure operators that purchase network products and services and data processing operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review, reflecting the increased attention of the government authorities on data security and protection. However, the Cybersecurity Review Measures provides no further explanation or interpretation for “listed abroad.” Given that the expression used in the Cybersecurity Review Measures is “listing in a foreign country” rather than “offshore listing” and that Hong Kong is likely to be considered as “offshore” rather than “foreign country,” it is not likely that a listing in Hong Kong will be considered as “listing in a foreign country.” Furthermore, the exact scope of “critical information infrastructure operators” under the Cybersecurity Review Measures and the current regulatory regime remains unclear, and the identification rules of critical information infrastructure operators still need to be formulated and clarified by relevant Protection Work Departments (the competent departments and supervision and management departments of important industries and sectors) in future legislation.

On November 14, 2021, the Cyberspace Administration of China (the “CAC”) published Regulations on Cyber Data Security Management (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the “Draft Regulations on Cyber Data Security Management”), which further elaborated a listing in Hong Kong should not be treated as “listing in a foreign country,” which was mentioned in the Cybersecurity Review Measures. According to Draft Regulations on Cyber Data Security Management, seeking to be listed in Hong Kong that affects or may affect the national security should be reported and undergo the cybersecurity review. According to the National Security Law of the PRC (中華人民共和國國家安全法) issued by Standing Committee of the National People’s Congress on July 1, 2015 and became effective on the same date, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other major interests of the state are relatively not faced with any danger and not threatened internally or externally and the capability to maintain a sustained security status.

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However, we cannot assure you that we will not be deemed as a data processor that “affects or may affect national security” in the future. We may be subject to cybersecurity review by the competent government authority even upon completion of our Listing. If the data processing activities of a Hong Kong listed company or a company that is in the process of applying for listing in Hong Kong are deemed as “affecting or may affect national security” and such company has failed to conduct cybersecurity review according to the relevant laws and regulations, such company will be requested to take rectification actions, subject to disciplinary warning, and/or imposed an administrative penalty ranging from RMB50,000 to RMB500,000 for a single violation incident. Furthermore, if such violation causes material impact or such company refuses to rectify the violation, such company may be subject to more severe penalties, such as revocation of relevant licenses and/or permits. Therefore, if our business is deemed to involve activities that “affect or may affect national security” when the Draft Regulations on Cyber Data Security Management become effective and we fail to conduct cybersecurity review according to the relevant laws and regulations and/or take rectification actions as required by the relevant competent government authority, we might be subject to more severe penalties, warnings or revocation of our licenses and/or permits, which could materially and adversely affect our business, reputation as well as financial performance.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Outbound Data Transfer (數據出境安全評估辦法), effective September 1, 2022. These measures shall apply to the security assessment of the provision of important data and personal information collected and generated by data processors in the course of their operations within the territory of the PRC by such data processors to overseas recipients, or the outbound data transfer. Where there are other provisions in laws and administrative regulations, such other provisions shall prevail. These measures specify that an outbound data transfer by a data processor that falls under any of the following circumstances, the data processor shall apply to the CAC for the security assessment via the local provincial-level cyberspace administration authority: (1) outbound transfer of important data by a data processor; (2) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than 1,000,000 people; (3) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; or (4) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the CAC. As advised by our PRC Legal Advisor, there is no outbound data transfer involved during our daily business operations.

Our Directors and our PRC Legal Advisor are of the view that the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security Management, if implemented in current form, will not have material adverse effects on our business operations or the proposed Listing. However, with the continuous expansion of our business and growth of our customer base, there can be no assurance that we will not be subject to national security review or the recent tightening of regulations on the collection and use of personal information by relevant government authorities in China will have no material adverse effect to our business operations in the future. If we cannot meet relevant requirements under the evolving applicable laws or regulations relating to data privacy, data protection or information security or any additional tax related requirements relating to data, or any compromise of security that results in unauthorized access, use or leakage of our customers’ personal information, we could face damage in our reputation or other negative consequences, such as investigations, fines, or suspension of our business, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, complying with various laws and regulations on cybersecurity and data security could cause us to incur additional costs or require us to change our business practices, including our data practices, which may significantly distract our management’s attention and adversely affect our business.

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**Our online sales depend on the proper operation of third-party e-commerce platforms and any serious interruptions of these platforms could adversely affect our operations.**

Our revenue generated from online sales channels was RMB722.7 million, RMB768.3 million, RMB938.0 million, RMB362.9 million and RMB429.4 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. As of May 31, 2023, we had 23 self-operated online stores and 13 distributor-operated online stores on mainstream e-commerce or social media platforms such as JD.com, Tmall and Douyin. During the Track Record Period, our revenue generated from online sales channels was primarily attributable to our business operations on or relating to JD.com and Tmall. Our online sales depend on the proper operation of those third-party e-commerce platforms. However, we do not have control over the operation of such third-party e-commerce platforms, and they may be vulnerable to damage or interruptions such as power failure, computer viruses, acts of hacking, vandalism and similar events. Any serious interruption or damage to the e-commerce platforms may have an adverse effect on our business, financial condition and results of operations.

**We are subject to various risks relating to third-party payment applications and services.**

We accept a variety of payment methods including WeChat Pay, Alipay and UnionPay through third-party payment services. We pay service fees for such payment services, which may increase over time and raise our operating costs. We may also be subject to fraud, security breaches and other illegal activities in connection with the various payment methods we offer. If any of these happens, we may be subject to fines or higher service fees for these payment services, and our business, financial condition and results of operations may be materially and adversely affected.

**If we fail to effectively implement our future expansion plans, our business prospects may be adversely affected.**

We may encounter risks when we develop new sales channels and markets in China and overseas. New sales channels and markets may have different regulatory requirements, competitive landscape, consumer preferences, spending patterns and operation environment from our existing channels and markets. We may need to increase our promotion efforts in these new sales channels and markets, establish appropriate operation model, distribution system, talent reserve, strengthen the financial management capability, and develop or adjust the information technology and software systems. In addition, we may need to search for suppliers and construct new production facilities based on the conditions of the new sales channels and markets. As a result, it may be relatively expensive and risky to expand new sales channels and markets and may take longer to reach targeted sales and profit levels.

We may from time to time pursue acquisitions that we believe would benefit our business. We have limited experience in acquisitions. We may not be able to successfully execute any proposed acquisitions. In addition, we may be exposed to challenges in integrating the acquired companies into our existing operations. If we fail to achieve the desired results from acquisitions, our financial condition and results of operations may be materially and adversely affected.

**We require a significant amount of capital to fund our operations and respond to business opportunities. If we cannot obtain sufficient capital on acceptable terms, our business, financial condition and prospects may be materially and adversely affected.**

Expanding our store network, building a well-known brand, and accumulating a large and growing customer base is costly and time-consuming. A vast majority of our capital is invested to fund the capital expenditures and associated costs arising from our daily operations. Our capital expenditures during the Track Record Period, consisting primarily of payments for purchase of property, plant and equipment and purchase of intangible assets, were RMB11.7 million, RMB24.8 million, RMB22.5 million, RMB9.2

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million and RMB4.7 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. Our ability to obtain additional capital in the future, however, is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry, and macro-economic and other conditions in China and globally. If we cannot obtain sufficient capital on acceptable terms to meet our capital needs, we may not be able to execute our growth strategies, and our business, financial condition and results of operations may be materially and adversely affected.

**We lease properties in various place as premises primarily for our self-operated stores, office spaces, warehouses or production bases. Any non-renewal of leases, substantial increase in rent, or any third-party or government challenge to our leasehold interest may affect our business and financial performance.**

As most of our self-operated stores are currently located at leased properties, our operations are susceptible to fluctuations in the property rental market. Before the expiry of each of our leases, we have to negotiate the terms of renewal with our respective lessors. The term of the lease agreements for our self-operated stores typically varies from one to two years, and the term for our office space typically varies from one to three years. There is no assurance that our existing leases would be renewed on similar or favorable terms or at all, in particular with respect to the amount of rent and the term of the lease. Any substantial increase in the rent of our leased properties may increase our property rental and related expenses, which could materially and adversely affect our profitability.

There is also no assurance that our existing leases will not be terminated early by the lessors before the expiry of the relevant term. In the event that we are required to relocate our self-operated stores or office space, there is no assurance that we will be able to identify comparable locations in a timely manner or at all or that we will secure a lease on comparable terms. We may also incur substantial reinstatement, relocation and renovation costs. In addition, it typically takes new stores a period of time to achieve a profitability rate comparable to the existing ones, due to factors such as the time needed to find suitable locations, build consumer awareness in the local community, renovate new stores, and integrate the operations of such stores into our existing sales network. Any non-renewal of lease of either of our self-operated stores or office space may have a material adverse effect on our business, results of operations and financial condition.

As of the Latest Practicable Date, we had entered into lease agreements with respect to 34 of our leased properties (accounting for 1.1% of the aggregate gross floor area of our leased properties relating to our business operations), where the lessors have not provided us with valid title certificates, real estate purchase agreements or permits from the landowner for sublease. If these lessors are not the legal owners or have not obtained the proper authorization from the legal owners of such premises, the legal owners of such premises or third-party tenants that have leased from the legal owners will have ground to challenge the validity of our leasehold interest in the affected premises. Additionally, as of the same date, the intended purposes contained in the title certificates or relevant authorization documents were inconsistent with the actual use of four leased properties (accounting for 0.3% of the aggregate gross floor area of our leased properties relating to our business operations). Among these four leased properties, the intended purpose contained in the title certificates or relevant authorization documents of three leased properties is residence and that for the remaining one is garage. However, as of the Latest Practicable Date, one was occupied as office space and three were occupied as warehouses.

Additionally, we did not register the lease agreements in respect of 119 lease properties with the competent authorities as of the Latest Practicable Date. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According

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to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease.

Should disputes or government actions due to title or usage challenges arise to the above-described properties, we may encounter difficulties in continuing to lease such properties and may be required to relocate. If any of our leases are terminated or voided as a result of challenges from third parties or government agencies, we would need to seek alternative premises and incur relocation costs. We cannot assure you that we will be able to relocate such operations to suitable alternative premises, and any such relocation may result in disruption to our business operations and result in loss of earnings. We also cannot assure you that we will be able to effectively mitigate the possible adverse effects that may be caused by such disruption, including loss and costs. Any of such disruption, loss or costs could materially and adversely affect our business, financial condition and results of operations.

**We received government grants during the Track Record Period, and any significant reduction of government grants offered to us may adversely affect our financial condition and results of operations.**

During the Track Record Period, we received certain government grants as rewards for our contribution to the local economic development. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, we recognized government grants of RMB17.2 million, RMB36.5 million, RMB24.6 million, RMB4.4 million and RMB1.1 million as other net income, respectively. We cannot assure you that we will continue to receive such government grants or that the amount of such grants will not be reduced in the future. Any significant reduction of government grants received by us may adversely affect our financial condition and results of operations.

**If our preferential tax treatment becomes unavailable or if the calculation of our tax liability is challenged by the PRC tax authorities, our results of operations may be adversely affected.**

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The PRC Enterprise Income Tax Law and its implementation rules have adopted a flat statutory enterprise income tax rate of 25% to all enterprises in China (if not entitled to any preferential tax treatment). During the Track Record Period, we paid an enterprise income tax rate of 25%, except for Guanghe Yan Palace, one of our subsidiaries, which enjoyed preferential tax treatment of an income tax rate of 15% and is expected to enjoy such preferential income tax treatment until December 31, 2030. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

**We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.**

Companies operating in the PRC are required to participate in various employee benefit plans, including social insurance fund and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees such as production line workers, as required by the relevant PRC laws and regulations. As a result, we may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations. See “Business—Our Employees.”

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As advised by our PRC Legal Advisor, if the competent PRC government authority determines that the social insurance contributions we made for our employees violate the requirements under the relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions were due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay the full amount of housing provident fund, the housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We made provisions of RMB3.9 million, RMB5.6 million, RMB7.9 million and RMB9.9 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. We cannot assure you that we will not be subject to any order to rectify the non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident fund contributions against us, or that we will not receive any claims in respect of the outstanding amount of the social insurance and housing provident fund contributions under national laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC government or relevant local authorities.

**Our insurance coverage is limited and may not be sufficient to cover all of our potential losses.**

We believe that we have purchased and maintained various insurances in accordance with relevant laws and regulations. See “Business—Insurance.” We cannot assure you that our insurances will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material adverse effect on our financial condition and results of operations.

**Our Controlling Shareholders have substantial influence over us, and their interests may not be aligned with the interests of our other Shareholders.**

Our Controlling Shareholders have substantial influence over us, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming that the Over-allotment Option is not exercised), our Controlling Shareholders will directly or indirectly, individually or together with others control 38.56% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares (as part of a sale of the Company) and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

**We could be involved in claims, disputes and legal proceedings in our ordinary course of business.**

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, infringement of intellectual property rights and environmental matters. In particular, the manufacture and sales of our products subject us to potential product liability claims if our products are proven to have failed to meet relevant health and safety or other laws and regulations, or cause or are alleged to have caused illness or health issues.

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## RISK FACTORS

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If we are unsuccessful in any product liability claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources and materially harm our reputation.

Claims, disputes or legal proceedings against us may be due to defects of supplies, such as raw materials and packaging materials, sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

### **RISKS RELATING TO OUR INDUSTRY**

#### **Failure to compete effectively may adversely affect our market share and profitability.**

Our industry is highly competitive, and the competition may further intensify. Some of our competitors have solid positions in the EBN market with long operating histories, global vision or greater financial, research and development or other resources. As a result, our competitors may introduce better products or adapt more quickly to the evolving industry trends or market demands. Our current or potential competitors may provide products that are highly similar to ours. We cannot assure you that imitation or counterfeiting of our products, logos or brands will not occur in the market. It is often difficult to identify or eliminate those imitated or counterfeit products in a timely manner. Such incidents may affect our reputation and brand.

It is also possible that there will be significant consolidation or development of alliances in our industry, which may enable our competitors to rapidly acquire significant market share. Furthermore, competition may cause competitors to substantially increase their advertising expenses and marketing activities or to engage in unreasonable or predatory pricing behavior, or may even result in activities, whether legal or illegal, designed to undermine our brand and reputation or to influence consumers' confidence in our products. Any failure to respond to such competition effectively may materially and adversely affect our brand, reputation, results of operations, financial condition and business prospects.

#### **The market in which we operate may be saturated with a growing number of EBN brands.**

According to the F&S Report, the number of EBN product companies in China grew steadily from approximately 8,000 in 2017 to 13,000 in 2022. However, we cannot assure you that there can always be sufficient customer demand, if at all, to support the continued expansion of China's EBN industry. If the key players within our industry continue to rapidly broaden their store network to out-compete each other and capture more market share, the market may be saturated to the extent our sales, results of operations and financial condition may be adversely impacted.

#### **Any slowdown or decline in the Chinese economy or EBN market in China could have an adverse impact on our business, results of operations and financial condition.**

We derive substantially all of our revenue from the sales of our products in China. The success of our business depends on the condition and growth of the Chinese market, which in turn depends on macro-economic conditions and individual income levels in China. We cannot assure you that projected growth rates of the Chinese economy and the Chinese consumer market will be realized under the current economic situation. Any future slowdowns, declines or instability in the Chinese economy or consumer spending could adversely affect our business, operating results and financial condition. We believe that consumer spending habits could be adversely affected during a period of recession in the economy and that uncertainties regarding future economic prospects could also affect consumer spending habits, any of which may have an adverse effect on certain enterprises operating within the EBN market in China, including us.

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### RISKS RELATING TO DOING BUSINESS IN CHINA

**The economic, political and social conditions in China could affect our business, results of operations, financial conditions and prospects.**

During the Track Record Period, substantially all of our revenue was derived from our businesses in China. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in China. In particular, factors such as consumer, corporate and government spending, business investment, level of economic development, and resource allocation could affect the growth of our business.

The PRC economy has experienced significant growth over the past decades since the implementation of China's reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be affected.

**The development of the PRC legal system and changes in the interpretation and enforcement of PRC laws, regulations and policies in China could affect us.**

Our Company is incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, these laws and regulations may be subject to different interpretation. As other civil law countries, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides. As these laws and regulations are continually evolving in response to the economic development and other conditions, the interpretation and implementation of PRC laws and regulations may affect the legal protections and remedies that are available to investors and us.

**PRC government's control of currency conversion and restrictions on the remittance of RMB into and out of China could limit our ability to utilize our revenues effectively, to pay dividends and other obligations, and affect the value of our H Shares.**

The remittance of currency in and out of China is subject to various laws and regulations. Our revenues and expenses are substantially denominated in Renminbi, and the net proceeds from the Global Offering and any dividends we pay on our H Shares will be in Hong Kong dollars. Under China's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from SAFE.

Foreign exchange transactions under our capital account are subject to foreign exchange controls under relevant regulations and require SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If we cannot convert the net proceeds into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB denominated assets onshore or deploy them in uses onshore where Renminbi is required. All of these factors could affect our business, results of operations, financial condition and prospects.

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## RISK FACTORS

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### **Fluctuations in exchange rates of Renminbi against Hong Kong dollar, U.S. dollar or other foreign currencies could affect our results of operations and the value of your investment.**

Fluctuations in the exchange rate of Renminbi against Hong Kong dollar, U.S. dollar and other foreign currencies are affected by, among other things, the changes in China's and international political and economic conditions. The proceeds from the Global Offering will be denominated in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollar, Hong Kong dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on our H Shares in foreign currencies. We have not utilized, and may not in the future utilize, any instrument to reduce our foreign currency risk exposure. All of these factors could affect our business, results of operations, financial condition and prospects, and could affect the value of, and dividends payable on, our H Shares in foreign currency terms.

### **We may be subject to the approval or other requirements of the China Securities Regulatory Commission or other PRC governmental authorities in connection with future security activities.**

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities (關於依法從嚴打擊證券違法活動的意見) (the "July 6 Opinion"), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. The July 6 Opinion aims to achieve this by establishing a regulatory system and revising the existing rules for overseas listings of Chinese entities and affiliates including potential extraterritorial application of Chinese securities laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted. We received the filing notice issued by the CSRC dated September 25, 2023 indicating that we have completed the filing application. Nonetheless, in the event of any future events that are material to us or failure to complete overseas securities offering and listing within 12 months from the date of the filing notice, we are under the obligation to report such events to or update the filing application with the CSRC.

In addition, we cannot guarantee that new rules or regulations promulgated in the future pursuant to the July 6 Opinion and any other related PRC rules and regulations will not impose any additional requirement on us or otherwise tightening the regulations on us. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial conditions. Furthermore, any uncertainty and/or negative publicity regarding such an approval, filing or other requirements may also have a material adverse effect on the price of our H Shares.

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## RISK FACTORS

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### **Investors of our H Shares may become subject to PRC taxation on dividends received from us and gains from the disposition of our H Shares.**

Non-Chinese resident individual holders of H Shares whose names appear on the register of members of H Shares (“Non-Chinese Resident Individual Holders”), are subject to Chinese individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號) dated June 28, 2011 and issued by the SAT, the tax rate applicable to dividends paid to Non-Chinese Resident Individual Holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between China and the jurisdiction in which the Non-Chinese Resident Individual Holder of H Shares resides, as well as the tax arrangement between China and Hong Kong. Non-Chinese Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. See “Regulatory Overview.” In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, Non-Chinese Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the Ministry of Finance and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, none of the aforesaid provisions has expressly provided that whether individual income tax shall be levied from non-mainland China resident individual holders on the transfer of shares in mainland China resident enterprises listed on overseas stock exchanges. To the best of our knowledge, the Chinese tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-Chinese resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its Chinese-sourced income, including dividends received from a Chinese company and gains derived from the disposition of equity interests in a Chinese company. This rate may be reduced under any special arrangement or applicable treaty between the China and the jurisdiction in which the non-Chinese resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣繳企業所得稅有關問題的通知(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-Chinese resident enterprise holders of H Shares (including HKSCC Nominees). Non-Chinese resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the Chinese tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the Chinese tax authorities’ approval. See “Regulatory Overview.” There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the Chinese tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-Chinese resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-Chinese resident enterprise holders’ investments in H Shares may be materially and adversely affected.

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### **Payment of dividends is subject to restrictions under PRC law.**

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

### **It may be difficult to effect service of process, enforce foreign judgments or bring original actions against us, our Directors, Supervisors and senior management residing in China.**

We are a company incorporated under the laws of China, and a substantial majority of our assets are located in China. In addition, most of our Directors, Supervisors and senior management reside within Mainland China. As a result, the service of process, investigation, collection of evidence, ratification, and enforcement procedure inside China should follow the rules set forth in the Civil Procedure Law of the People's Republic of China. As such disputes would be transnational issues, it would generally require you to commit more time and economic cost.

On July 14, 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2006 Arrangement"). Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"), the commencement date of which shall be announced after the Supreme People's Court promulgates judicial interpretations and relevant procedures are completed in Hong Kong. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a "choice of court agreement in writing" entered into before the 2019 Arrangement taking effect. However, there remains uncertainties as to the outcome of any specific applications to recognize and enforce such judgments and arbitral awards in China.

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## RISK FACTORS

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**The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.**

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation administrative authorities. In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit a formal application, which will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or our affiliated entities or their subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations, and we may not be able to recover our loss due to such misuse or misappropriation if the third party relies on the apparent authority of such employees and acts in good faith.

### **RISKS RELATING TO THE GLOBAL OFFERING**

**There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.**

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price range for our H Shares was the result of negotiations between us, the Overall Coordinators and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the market price and trading volume of our H Shares may be volatile. The following factors may affect the trading volume and market price of our H Shares:

- actual or anticipated fluctuations in our operating performance and revenue;
- our failure to execute our strategies;
- an unexpected business interruption resulting from operational breakdowns, natural disasters, or major changes in our key personnel or senior management;
- adverse market reaction to any indebtedness that we may incur or securities that we may issue in the future;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;

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## RISK FACTORS

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- changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our ability to obtain or maintain regulatory approval for our products;
- inadequate protection of our intellectual property rights or legal proceedings brought against us for infringement of third parties' intellectual property rights;
- the operating and stock price performance of other companies in our industry, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.

Moreover, the capital market has from time to time experienced significant price and trading volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

**An active and liquid trading market for our H Shares may not develop.**

Prior to the Global Offering, our H Shares were not traded on any other market. We cannot assure you that an active and liquid trading market for our H Shares will be developed or be maintained after the Global Offering. Liquid and active trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our H Shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our H Shares, you could lose a substantial part or all of your investment in our H Shares.

**Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.**

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered. Moreover, the application for the Offer Shares will commence on Thursday, November 30, 2023 through Thursday, December 7, 2023, being longer than normal market practice of three and a half days. Investors may not be able to sell or otherwise deal in our H Shares until the commencement of trading. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins, as a result of unfavorable market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

**Because the Offer Price of our H Shares is substantially higher than the consolidated net tangible book value per share, purchasers in the Global Offering may experience immediate dilution.**

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. Please refer to Appendix II to this prospectus for details. In addition, holders of our Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

**We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.**

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return. See "Future Plans and Use of Proceeds" for details of our intended use of proceeds. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the net proceeds from this Global Offering.

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## RISK FACTORS

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**Future sales or perceived sales or conversion of substantial amounts of our securities in the public market, such as conversion of our Unlisted Shares into H Shares, could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.**

Future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur could all cause a decline in the market price of our H Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future offerings, could also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

Although our Controlling Shareholders are subject to restrictions on their sales of H Shares within 12 months from the Listing Date as described in “History, Development and Corporate Structure” in this prospectus, future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares upon the expiration of restrictions set out above.

Our Unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant Chinese regulatory authorities, including the CSRC, shall have been obtained (the “Arrangement”). In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. The Arrangement applies only to Unlisted Shares. All of our Unlisted Shares are subject to the Arrangement and may be converted into H Shares upon the approval of the relevant regulatory authorities, including the CSRC and the Stock Exchange.

**Our historical dividends may not be indicative of our future dividend policy, and we may not be able to pay any dividends on our H Shares.**

During the Track Record Period, we declared dividends to our then Shareholders of RMB120.0 million, RMB100.0 million, RMB80.0 million and RMB160.0 million in 2020, 2021, 2022 and the five months ended May 31, 2023, respectively, in light of our cumulative business growth. As of May 31, 2023, all of such dividends declared during the Track Record Period had been fully settled by bank transfer to our then Shareholders. See also Note 30(b) to the Accountants’ Report in Appendix I to this prospectus. However, our historical dividends may not be indicative of our future dividend policy. We cannot guarantee when and in what form dividends will be paid on our H Shares following the Global Offering. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. See “Financial Information—Dividends” for more details.

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## RISK FACTORS

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**If securities or industry analysts do not publish research reports about us, or if they adversely change their recommendations regarding our H Shares, the market price and trading volume of our H Shares may decline.**

The trading market of our H Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the market price of our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our H Shares to decline.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words “anticipate,” “believe,” “could,” “potential,” “continue,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors, Supervisors and senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a result, these forward-looking statements should be considered in light of various important factors, including those set out in “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance, and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

**The industry data and forecasts in this prospectus obtained from various government publications have not been independently verified.**

This prospectus includes industry data and forecasts that we obtained from various government publications that we believe are reliable. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot assure you of the accuracy or completeness of information obtained from these sources. We have not independently verified any of the data, forecasts and other statistics from such sources, nor have we ascertained that the underlying economic assumptions relied upon in those sources. Additionally, the Joint Sponsors, the Overall Coordinators, the Underwriters, any of their respective directors, officers, affiliates, advisors and representatives, or any other parties involved in the Global Offering make no representation as to the accuracy or completeness of aforementioned facts, forecasts and other statistics in this prospectus. Moreover, such facts, forecasts and other statistics may not be prepared on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. For these reasons, the information from various government publications contained in this prospectus may not be accurate and should not be given undue reliance as a basis for making your investment in our H Shares.

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## RISK FACTORS

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**We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.**

Notwithstanding our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

**You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and other media regarding us and the Global Offering.**

Prior to the publication of this prospectus, there has been and there may also be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us, our business, our industries and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### WAIVER IN RELATION TO PRESENCE OF MANAGEMENT IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

Since the business operations of our Group are managed and conducted outside of Hong Kong, and all of the executive Directors of our Company ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- *Authorized representatives:* we have appointed Mr. Huang and XIONG Ting (熊婷) (“Ms. Xiong”) as the authorized representatives (“Authorized Representatives”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. The Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives. See “Directors, Supervisors and Senior Management” for more information about our Authorized Representatives;
- *Joint company secretaries:* in addition to the appointment of the Authorized Representatives, LEUNG Kwan Wai (梁君慧) (“Ms. Leung”), one of our joint company secretaries and a Hong Kong resident, will, among other things, act as our Company’s additional channel of communication with the Stock Exchange and be able to answer enquiries from the Stock Exchange. Ms. Leung will maintain contact with our Directors, Supervisors and senior management through various means, including regular meetings and telephone discussions whenever necessary;
- *Directors:* to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers, facsimile number and e-mail addresses, to the extent possible) of each of our Directors such that the Authorized Representatives would have the means for contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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information, each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon request of the Stock Exchange;

- *Compliance advisor:* we have appointed Ping An of China Capital (Hong Kong) Company Limited as our compliance advisor (the “Compliance Advisor”) upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will have access at all times to our Authorized Representatives, the Directors, the Supervisors and other senior management and act as the additional channel of communication with the Stock Exchange and answer enquiries from the Stock Exchange. The contact details of the Compliance Advisor have been provided to the Stock Exchange. We will also inform the Stock Exchange promptly in respect of any change in the Compliance Advisor; and
- *Hong Kong legal advisor:* we will retain a Hong Kong legal advisor to advise us on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

### WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual, who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a Member of The Hong Kong Chartered Governance Institute;
- a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- length of employment with the issuer and other issuers and the roles he/she played;
- familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code and Mergers and Share Buy-backs;
- relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules; and
- professional qualifications in other jurisdictions.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time and on the following conditions: (1) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period (as defined below); and (2) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

We have appointed Ms. Xiong as our joint company secretary. She has extensive experience in accounting and finance matters but presently does not possess any of the qualification required under Rules 3.28 and 8.17 of the Listing Rules, we have appointed Ms. Leung as the other joint company secretary, working closely with Ms. Xiong. Ms. Leung is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI), and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. For further information regarding the qualifications of Ms. Xiong and Ms. Leung, see “Directors, Supervisors and Senior Management.”

The joint company secretaries will be jointly discharging the duties and responsibilities of a company secretary. Ms. Leung will be assisting Ms. Xiong in gaining the relevant experience required under Rules 3.28 and 8.17 of the Listing Rules. Also, Ms. Xiong will be assisted by (1) the Compliance Advisor of our Company for the first full financial year starting from the Listing Date, particularly in relation to Hong Kong corporate governance practice and compliance matters; and (2) the Hong Kong legal advisor of our Company, on matters regarding our Company’s ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Ms. Xiong will endeavor to attend relevant trainings and familiarize herself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Xiong may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of a three-year period (“Waiver Period”) on the condition that Ms. Leung, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms. Xiong in the discharge of her duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. The waiver will be revoked immediately if Ms. Leung ceases to provide assistance to Ms. Xiong as the joint company secretary or if there are material breaches of the Listing Rules by us.

Our Company will further ensure that Ms. Xiong has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Prior to the end of the three-year period, the qualifications and experience of Ms. Xiong and the need for on-going assistance of Ms. Leung will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Xiong, having benefited from the assistance of Ms. Leung for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the “relevant experience” within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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### CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions that will constitute non-exempt and partially-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing as described in the section headed “Connected Transactions” of this prospectus. Our Directors consider that strict compliance with the applicable requirement under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the applicable requirements under Chapter 14A of the Listing Rules in respect of such non-exempt and partially-exempt continuing connected transactions. For further details, see “Connected Transactions.”

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY STATEMENT**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering,” and the procedures for applying for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares”.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and is subject to us and the Overall Coordinators (for themselves and on behalf of the other Underwriters) agreeing on the Offer Price. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the Offer Price.

### **CSRC FILING**

The CSRC accepted the Company's filing application on June 21, 2023 and issued the Notice of Filing on September 25, 2023 for the Global Offering and the making of the application to list our H Shares on the Stock Exchange.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined by us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or around Friday, December 8, 2023 (which, at the earliest, could be Thursday, December 7, 2023), and, in any event no later than 12:00 noon on Friday, December 8, 2023.

If, for any reason, the Offer Price is not agreed among us and the Overall Coordinators (for themselves and on behalf of the other Underwriters) by 12:00 noon on Friday, December 8, 2023, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

### **RESTRICTIONS ON OFFER AND SALE OF THE H SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Hong Kong Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Conversion of Unlisted Shares into H Shares.

No part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on our H Share register of members in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

### **COMMENCEMENT OF DEALINGS IN THE H SHARES**

Assuming that the Hong Kong Public Offering becomes unconditional in Hong Kong at or before 8:00 a.m. in Hong Kong on Tuesday, December 12, 2023, it is expected that dealings in our H Shares on the Stock Exchange will commence on 9:00 a.m., Tuesday, December 12, 2023. The H Shares will be traded in board lots of 400 H Shares each, the stock code of the H Shares will be 1497.

### **H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect their rights and interests.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing to, purchasing, holding or disposing of, and/or dealing in the H Shares (or exercising rights attached thereto). None of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, agents, employees or advisers or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription to, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the H Shares or exercising any rights attached to them.

### **H SHARE REGISTER AND STAMP DUTY**

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. See “Statutory and General Information—D. Other Information—10. Taxation of Holders of H Shares” in Appendix IV to this prospectus. Investors should seek professional tax advice for further details of Hong Kong stamp duty.

Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our H Share register of members in Hong Kong, by ordinary post, at the Shareholders’ risk in Hong Kong dollars.

### **OVER-ALLOTMENT OPTION AND STABILIZATION**

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in “Structure of the Global Offering.”

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (1) the translations between Renminbi and U.S. dollars were made at the rate of RMB7.1612 to US\$1, being the PBOC rate prevailing on November 20, 2023, (2) the translations between Hong Kong dollars and Renminbi were made at the

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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rate of RMB0.9185 to HK\$1.00, being the PBOC rate prevailing on November 20, 2023, and (3) the translation between U.S. dollars and Hong Kong dollars were made at a rate of US\$1 to HK\$7.7968, calculated based on the PBOC rate prevailing on November 20, 2023.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC and foreign national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

### **ROUNDING**

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**DIRECTORS****Executive Directors and Non-executive Directors**

<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
HUANG Jian (黃健)	Executive Director and chairman of the Board of Directors	Room 1201 No. 297-1, Jiahe Road Siming District Xiamen City, Fujian Province, the PRC	Chinese
ZHENG Wenbin (鄭文濱)	Executive Director and vice chairman of the Board of Directors	Room 2202 Unit 3, City Jiayuan No. 13 Huashan Road, Nangang District Harbin City, Heilongjiang Province, the PRC	Chinese
LI Youquan (李有泉)	Executive Director and general manager	Room 2202 No. 10-6 Xingsheng Road, Tianhe District Guangzhou City, Guangdong Province, the PRC	Chinese
LIU Zhen (劉震)	Non-executive Director	601, Door 3 4F, No. 47 West 4th Ring Middle Road Haidian District Beijing, the PRC	Chinese
WANG Yalong (王亞龍)	Non-executive Director	No. 1 Lane 1 South, Sanlihe 2 Xicheng District Beijing, the PRC	Chinese
HUANG Danyan (黃丹艷)	Executive Director and deputy general manager	Room 104 No. 311 Lianqian West Road Siming District Xiamen City, Fujian Province, the PRC	Chinese

## DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
<b>Independent Non-executive Directors</b>			
XIAO Wei (肖偉)	Independent non-executive Director	Room 102 No. 19, Xiamen University Waterfront Siming District Xiamen City, Fujian Province, the PRC	Chinese
CHEN Aihua (陳愛華)	Independent non-executive Director	No. 422-12, Siming South Road Siming District Xiamen City, Fujian Province, the PRC	Chinese
LAM Yiu Por (林曉波)	Independent non-executive Director	Flat D, 8/F, Tower 3, Ocean Shores Tseung Kwan O, New Territories Hong Kong	Chinese

### SUPERVISORS

<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
ZHENG Feng (鄭峰)	Chairman of the board of Supervisors	Room 302 No. 35, Gulou Beili Siming District Xiamen City, Fujian Province, the PRC	Chinese
WEI Wei (魏澌)	Supervisor	No. 94, Houpudong Erli Huli District Xiamen City, Fujian Province, the PRC	Chinese
ZHANG Ning (張寧)	Supervisor	No. 299 Xiang Xi Road, Ma Xiang Town Xiang'an District Xiamen City, Fujian Province, the PRC	Chinese

Further information is set out in the section headed “Directors, Supervisors and Senior Management” in this prospectus.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

---

**PARTIES INVOLVED IN THE GLOBAL OFFERING****Joint Sponsors**

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**GF Capital (Hong Kong) Limited**  
29-30/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Overall Coordinators, Sponsor-Overall  
Coordinators and Joint Global Coordinators**

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**GF Securities (Hong Kong) Brokerage Limited**  
29-30/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Joint Global Coordinator**

**Citigroup Global Markets Asia Limited**  
50/F, Champion Tower  
Three Garden Road  
Central  
Hong Kong

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Joint Bookrunners****China International Capital Corporation****Hong Kong Securities Limited**

29/F, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

**GF Securities (Hong Kong) Brokerage Limited**

29-30/F, Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

**Citigroup Global Markets Asia Limited***(in relation to the Hong Kong Public Offering)*

50/F, Champion Tower

Three Garden Road

Central

Hong Kong

**Citigroup Global Markets Limited***(in relation to the International Offering)*

33 Canada Square, Canary Wharf

London E14 5LB

United Kingdom

**Valuable Capital Limited**

RM 3601-06 &amp; 3617-19, 36/F

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Joint Lead Managers**

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
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**GF Securities (Hong Kong) Brokerage Limited**  
29-30/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
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**Citigroup Global Markets Asia Limited**  
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50/F, Champion Tower  
Three Garden Road  
Central  
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**Citigroup Global Markets Limited**  
*(in relation to the International Offering)*  
33 Canada Square, Canary Wharf  
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**Valuable Capital Limited**  
RM 3601-06 & 3617-19, 36/F  
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Shun Tak Centre  
168-200 Connaught Road Central  
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**Futu Securities International (Hong Kong)  
Limited**  
Unit C1-2, 13/F, United Centre  
No. 95 Queensway  
Hong Kong

**Tiger Brokers (HK) Global Limited**  
1/F, FWD Financial Centre  
308 Des Voeux Road Central  
Hong Kong

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## DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Capital Market Intermediaries

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**GF Securities (Hong Kong) Brokerage Limited**  
29-30/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Citigroup Global Markets Asia Limited**  
*(in relation to the Hong Kong Public Offering)*  
50/F, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**Citigroup Global Markets Limited**  
*(in relation to the International Offering)*  
33 Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

**Valuable Capital Limited**  
RM 3601-06 & 3617-19, 36/F  
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168-200 Connaught Road Central  
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**Futu Securities International (Hong Kong)  
Limited**  
Unit C1-2, 13/F, United Centre  
No. 95 Queensway  
Hong Kong

**Tiger Brokers (HK) Global Limited**  
1/F, FWD Financial Centre  
308 Des Voeux Road Central  
Hong Kong

### Legal Advisors to the Company

*As to Hong Kong law and U.S. law:*

**Wilson Sonsini Goodrich & Rosati**  
Suite 1509, 15/F, Jardine House  
1 Connaught Place, Central  
Hong Kong

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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*As to PRC law:*

**Hylands Law Firm**

3/11/12/F, Fortune Financial Center  
No. 5 Dongsanhuan Zhong Road  
Chaoyang District, Beijing  
PRC

**Legal Advisors to the Joint Sponsors and the Underwriters**

*As to Hong Kong law and U.S. law:*

**Herbert Smith Freehills**

23/F, Gloucester Tower  
15 Queen's Road Central  
Hong Kong

*As to PRC law:*

**Jingtian & Gongcheng**

34/F, Tower 3  
China Central Place  
77 Jianguo Road  
Beijing, PRC

**Auditors and Reporting Accountants**

**KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc.,  
Shanghai Branch Co.**

2504 Wheelock Square  
1717 Nanjing West Road  
Shanghai 200040, China

**Receiving Bank**

**Bank of China (Hong Kong) Limited**

1 Garden Road  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office in the PRC</b>	Unit 4, Unit 102 No. 3, Xiangming Road Xiamen Torch High-tech Zone (Xiang'an) Industrial Zone Xiamen City, Fujian Province, the PRC
<b>Headquarters and Principal Place of Business in the PRC</b>	22/F, Caizihui No. 188, Qianpu Road Siming District Xiamen City, Fujian Province, the PRC
<b>Principal Place of Business in Hong Kong</b>	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
<b>Company's Website</b>	<a href="http://www.yanzhiwu.com">http://www.yanzhiwu.com</a> <i>(the information contained on the website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	XIONG Ting (熊婷) Room 706 No.18, Meiren New Village Siming District Xiamen City, Fujian Province, PRC  LEUNG Kwan Wai (梁君慧) 5/F, Manulife Place, 348 Kwun Tong Road Kowloon, Hong Kong
<b>Authorized Representatives</b>	HUANG Jian (黃健) Room 1201 No. 297-1, Jiahe Road Siming District Xiamen City, Fujian Province, PRC  XIONG Ting (熊婷) Room 706 No.18, Meiren New Village Siming District Xiamen City, Fujian Province, PRC
<b>Audit Committee</b>	CHEN Aihua (陳愛華) (Chairman) XIAO Wei (肖偉) LAM Yiu Por (林曉波)
<b>Remuneration and Appraisal Committee</b>	XIAO Wei (肖偉) (Chairman) LI Youquan (李有泉) CHEN Aihua (陳愛華)
<b>Nomination Committee</b>	HUANG Jian (黃健) (Chairman) XIAO Wei (肖偉) CHEN Aihua (陳愛華)

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## CORPORATE INFORMATION

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**Strategy Committee**

HUANG Jian (黃健) (Chairman)  
ZHENG Wenbin (鄭文濱)  
LAM Yiu Por (林曉波)

**Compliance Advisor**

**Ping An of China Capital (Hong Kong)  
Company Limited**  
Units 3601  
07 & 11-13, 36/F  
The Center  
99 Queen's Road Central  
Hong Kong

**H Share Registrar**

**Tricor Investor Services Limited**  
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Hong Kong

**Principal Bank**

**Xiamen Bank Co., Ltd. (Lianqian Branch)**  
No. 687-4, Lianqian West Road, Siming District,  
Xiamen City, Fujian Province, PRC

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## INDUSTRY OVERVIEW

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*The information and statistics set out in this section and other sections of this prospectus were extracted from the F&S Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the F&S Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

### GLOBAL AND CHINA'S EBN MARKET

#### Overview

Driven by consumers' pursuit of beauty and wellness, China's EBN market has become a fast-growing sector of China's beauty and wellness market. EBN products are made from raw nests created by swiftlets with their saliva, which are primarily sourced from Southeast Asian countries. Indonesia is the largest raw nest production country in the world, as its lowland rainforests are ideal habitats for swiftlets. EBN is highly valued in Chinese culture as a renowned delicacy in Chinese cuisine for over 400 years. EBN is known for its nutritional profile, which includes, among others, sialic acid, amino acid, collagen, glycoprotein, antioxidants, calcium, potassium, iron, magnesium and hormones. Traditional Chinese medicine attributes various perceived health benefits to EBN, such as promoting overall wellness, boosting the immune system, enhancing focus, increasing energy and metabolism, and regulating circulation.

Modern scientific studies published in authoritative sources have further validated the perceived health benefits of EBN products. For example, *A Comprehensive Review of Edible Bird's Nest* published in *Food Research International* indicates that edible bird's nests have been shown to have a variety of pharmacological effects that may benefit human health, including improving the skin quality (such as skin whitening and dermal thickness improvement), regulating the immune system, enhancing cognitive function and memory, and exhibiting certain anti-aging, anti-viral, and antioxidant properties<sup>(1)</sup>; *Protective Effect of Edible Bird's Nest against the Immune-senescence Process of UVB-irradiated Hairless Mice* published in *Photochemistry and Photobiology* indicates that edible bird's nests protect skin against aging and exhibit certain anti-inflammatory effect<sup>(2)</sup>; *Edible Bird's Nest, an Asian Health Food Supplement, Possesses Skin Lightening Activities: Identification of N-Acetylneuraminic Acid as Active Ingredient* published in *Journal of Cosmetics, Dermatological Sciences and Applications* suggests that consuming bird's nest has skin whitening effect<sup>(3)</sup>; *Effect of Maternal Administration of Edible Bird's Nest on the Learning and Memory Abilities of Suckling Offspring in Mice* published in *Neural Plasticity* suggests that sialic acid can promote brain and intellectual development<sup>(4)</sup>; *Edible Bird's Nest Extract Inhibits Influenza Virus Infection* published in *Antiviral Research* shows that consuming edible bird's nests can prevent

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- (1) Dai, Y., Cao, J., Wang, Y., Chen, Y., & Jiang, L. (2021). A comprehensive review of edible bird's nest. *Food Research International*, 140, 109875. <https://doi.org/10.1016/j.foodres.2020.109875>.
  - (2) Park, S., Kim, I. S., Park, S. Y., Seo, S. A., Yang, J. E., & Hwang, E. (2022). The Protective Effect of Edible Bird's Nest against the Immune-senescence Process of UVB-irradiated Hairless Mice. *Photochemistry and Photobiology*, 98(4), pp. 949-957.
  - (3) Chan, G.K.L., et al. (2015) Edible Bird's Nest, an Asian Health Food Supplement, Possesses Skin Lightening Activities: Identification of N-Acetylneuraminic Acid as Active Ingredient. *Journal of Cosmetics, Dermatological Sciences and Applications*, 5, pp. 262-274.
  - (4) Yong Xie, Hongliang Zeng, Zhiji Huang, Hui Xu, Qunyan Fan, Yi Zhang, Baodong Zheng, "Effect of Maternal Administration of Edible Bird's Nest on the Learning and Memory Abilities of Suckling Offspring in Mice", *Neural Plasticity*, vol. 2018, Article ID 7697261, 13 pages, 2018. <https://doi.org/10.1155/2018/7697261>.

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## INDUSTRY OVERVIEW

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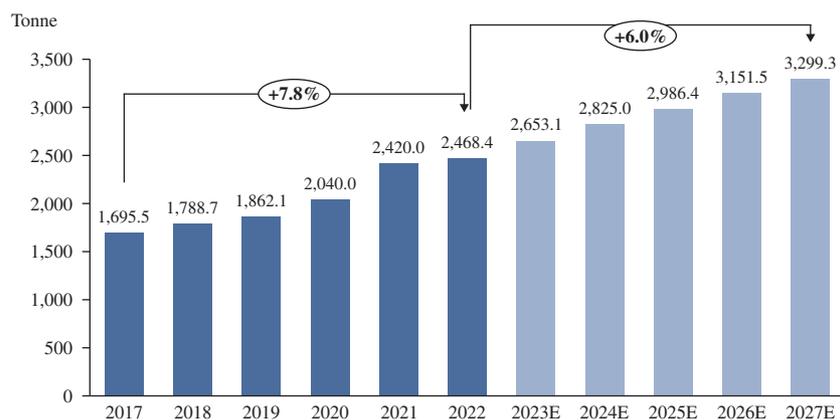
infection by influenza virus<sup>(5)</sup>; and *Complete Digestion of Edible Bird's Nest Releases Free N-acetylneuraminic Acid and Small Peptides: An Efficient Method to Improve Functional Properties* published in *Food & Function* suggests that EBN peptides have significant effects on improving the skin tone and can be applied to make healthy foods, beverages and skincare products<sup>(6)(7)</sup>.

Raw nests were harvested traditionally from caves, principally large limestone caves. Since the late-1990s, due to the increasing demand for EBN, these sources have been supplemented by purpose-built nesting houses by swiftlet farmers. These houses are created by converting human-centric buildings into structures designed to mimic the cave environments to attract swiftlets to breed and nest within them. These purpose-built nesting houses protect swiftlets from their predators and enemies and provide them with a safe living environment to propagate and thrive, ensuring the preservation of their population. As swiftlets construct new nests for each breeding season, swiftlet farming would not be detrimental to the growth of swiftlets. During the entire swiftlet farming process, swiftlet farmers do not feed or interfere with any natural behavior of swiftlets.

### Global EBN Market

The global production volume of EBN products has experienced stable growth and is expected to continue to grow. In particular, the global production volume of EBN products increased from 1,695.5 tonnes in 2017 to 2,468.4 tonnes in 2022, at a CAGR of 7.8%, and is expected to reach 3,299.3 tonnes in 2027, at a CAGR of 6.0% from 2022 to 2027, primarily attributable to the increasing demand for EBN products in China and favorable government policies in major raw nest production countries. The following chart sets forth the global EBN market, in terms of production volume, from 2017 to 2027.

**Global EBN Market, 2017-2027E**



Sources: Royal Malaysian Customs Department, Statistics Indonesia, Frost & Sullivan

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- (5) Guo, C. T., Takahashi, T., Bukawa, W., Takahashi, N., Yagi, H., Kato, K., ... & Suzuki, Y. (2006). Edible bird's nest extract inhibits influenza virus infection. *Antiviral research*, 70(3), pp. 140-146.
- (6) Wong, Z. C., Chan, G. K., Wu, K. Q., Poon, K. K., Chen, Y., Dong, T. T., & Tsim, K. W. (2018). Complete digestion of edible bird's nest releases free N-acetylneuraminic acid and small peptides: an efficient method to improve functional properties. *Food & function*, 9(10), pp.5139-5149.
- (7) The 2022-2023 journal impact factors, which represent the average number of times which the articles from a journal published in the past two years that have been cited in the current year, of *Food Research International*, *Photochemistry and Photobiology*, *Journal of Cosmetic Dermatology*, *Neural Plasticity*, *Antiviral Research* and *Food & Function* were 7.425, 3.300, 2.189, 3.144, 10.103 and 6.317, respectively. None of these cited scientific studies or journals received any sponsorship from us.

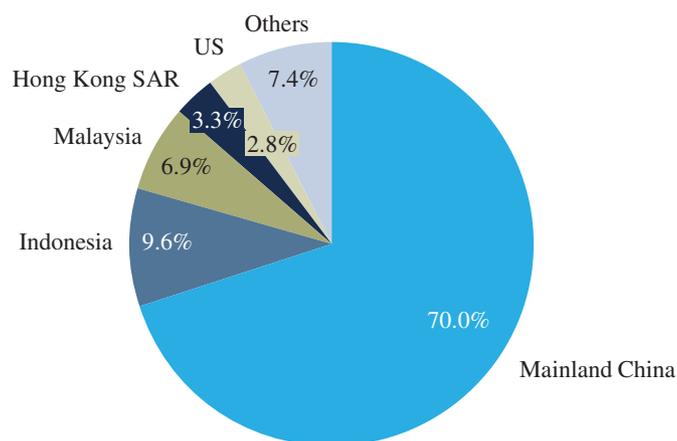
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## INDUSTRY OVERVIEW

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In 2022, China had a market share of 70.0% in terms of EBN consumption volume and ranked No.1 in the world in terms of the same, followed by Indonesia and Malaysia which had a market share of 9.6% and 6.9%, respectively, in the same year. The following chart sets forth the market share breakdown in terms of EBN consumption volume by regions in 2022.

**Market Share Breakdown by Regions (Consumption Volume), 2022**



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Sources: Frost & Sullivan

### Value Chain of Global EBN Industry

The value chain of the global EBN industry can be divided into three key segments:

- the upstream, which involves swiftlet farmers, swiftlet house management and rough processing plants. Major upstream participants are located in Southeast Asian countries, such as Indonesia and Malaysia, and engage in activities, such as building and managing nesting houses, harvesting raw nests, and carrying out initial processing of raw nests;
- the midstream, which involves EBN product importers and manufacturers. They source the raw nests from the upstream participants mostly in Southeast Asian countries. The midstream participants play a crucial role in processing the raw nests into various EBN products. They may import the raw nests and conduct further refining, cleaning, and manufacturing processes to create a wide range of EBN-based products; and
- the downstream, which involves various sales channels, including, among others, online channels, offline stores and supermarkets. While online sales channels have gained popularity among EBN product companies, traditional offline channels remain the primary sales channels for EBN products. These channels are responsible for distributing EBN products to consumers.

## INDUSTRY OVERVIEW

### Value Chain of Global Edible Bird's Nest Industry



Sources: Frost & Sullivan

### Total Addressable Market of China's EBN Industry

Traditionally, raw nests were primarily utilized for the production of pure EBN products, which include dried EBN and products made from EBN and water, with or without crystal sugar or sugar substitutes. Pure EBN products accounted for a market size of RMB39.9 billion in China in 2022. However, in recent years, there have been significant advancements and transformations in production techniques and processes, leading to a significant evolution in product variety. As a result, these products have gained popularity among customers, driving the rapid development of the EBN+ and +EBN markets, both of which have substantial potential for future growth.

EBN+ products are ready-to-serve EBN products enhanced with other ingredients and/or nutrients (such as ginseng, sea cucumber and fish maw), with an EBN feed rate of 1% or higher. The market size of these ingredients in China was RMB80 billion in 2022, indicative of the considerable potential for the EBN+ market.

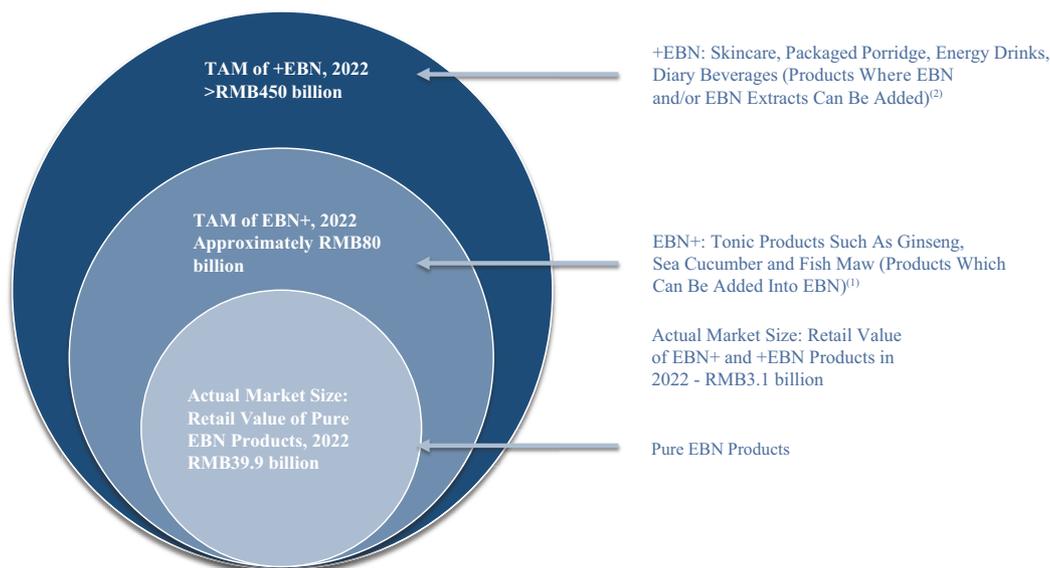
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## INDUSTRY OVERVIEW

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EBN and its extracts may also be applied to other food, beverage, and skincare products, known as +EBN products. These products have an EBN feed rate of less than 1%. Notable examples include skincare products, such as facial masks, lotions and essences, as well as food and beverage products, such as dairy beverages, packaged porridge, and energy drinks. The total market size of these food, beverage and skincare products exceeded RMB450 billion in 2022.

### Total Addressable and Actual Market of China's EBN Products



(1) TAM of EBN+: market size of products which can be added into EBN

(2) TAM of +EBN: market size of products where EBN and/or EBN extracts can be added

Sources: Frost & Sullivan

Our EBN+ products are ready-to-serve EBN products (with an EBN feed rate of 1% or above and up to 5%) enhanced with other ingredients and/or nutrients, and our +EBN products are products that use EBN (with an EBN feed rate of less than 1%) and other food ingredients as raw materials.

### Market Size of China's EBN Industry

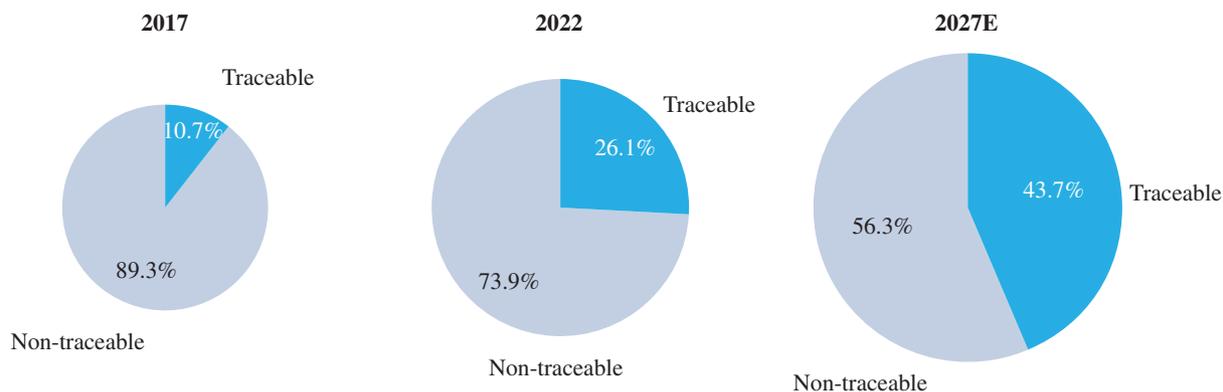
China is a major consumer of EBN as a traditional Chinese delicacy. However, the production of raw nests is predominantly located in Southeast Asian countries. In 2022, China alone accounted for 70.0% of the global EBN consumption in terms of consumption volume, making it the largest consumer of EBN worldwide. With the improvement in living standards and an increased awareness of health, EBN products have been increasingly perceived as healthy food products with various functional benefits among Chinese consumers, driving the expansion of China's EBN market.

In terms of traceability, EBN in China can be categorized into two types: traceable and non-traceable. Traceable EBN refers to EBN produced by companies that adhere to the traceability standards established by the CAIQ. For traceable EBN, each unit of EBN product is affixed with a CAIQ product traceability label containing unique codes and features, similar to a digital security certificate. This label allows consumers to access information and registration details about the specific EBN product.

## INDUSTRY OVERVIEW

In China, traceable EBN has experienced substantial growth over the past five years, driven by multiple factors, such as stringent regulatory requirements and increasing recognition among consumers. Leading players in the EBN industry have actively advocated traceability for transparent supply chains and verifiable sourcing. As a result, the proportion of traceable EBN within the overall EBN market, in terms of consumption volume, grew from 10.7% in 2017 to 26.1% in 2022 and it is expected to reach 43.7% in 2027.

**Market Size of China's EBN Market (Consumption Volume),  
Breakdown by Traceability, 2017, 2022, 2027E**

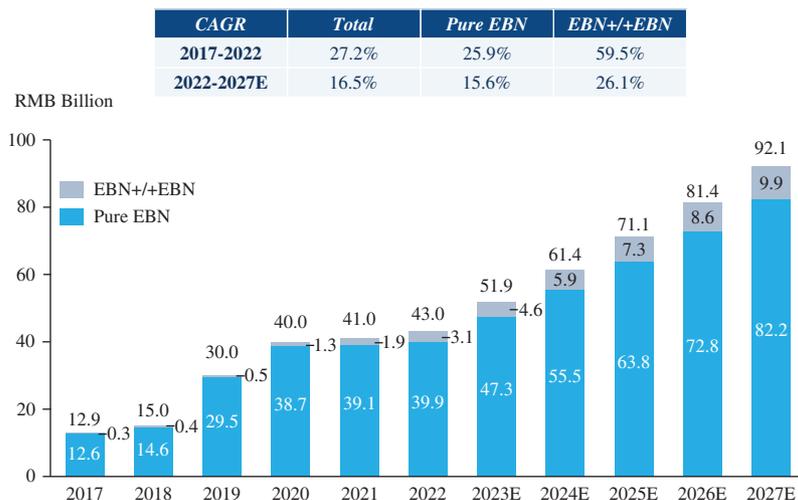


Sources: CAIQ; Frost & Sullivan

In terms of product type, EBN can also be classified into pure EBN and EBN+/+EBN. Pure EBN products currently dominate the market. In 2022, China's EBN market was RMB43.0 billion, in terms of retail value, with pure EBN accounting for 92.8% of the total EBN market. The contribution of pure EBN to the market is expected to gradually decrease in the future, primarily attributable to the promotion of EBN+/+EBN products by leading EBN brands. As these brands raise awareness and introduce the benefits of EBN combined with other ingredients or nutritional components, the market share of EBN+/+EBN products is expected to grow.

The market size of EBN industry, in terms of retail value, grew from RMB12.9 billion in 2017 to RMB43.0 billion in 2022, at a CAGR of 27.2%, and is expected to reach RMB92.1 billion in 2027, at a CAGR of 16.5% from 2022 to 2027.

**Market Size of China EBN Market (Retail Value), Breakdown by  
Pure EBN, EBN+/+EBN, 2017-2027E**

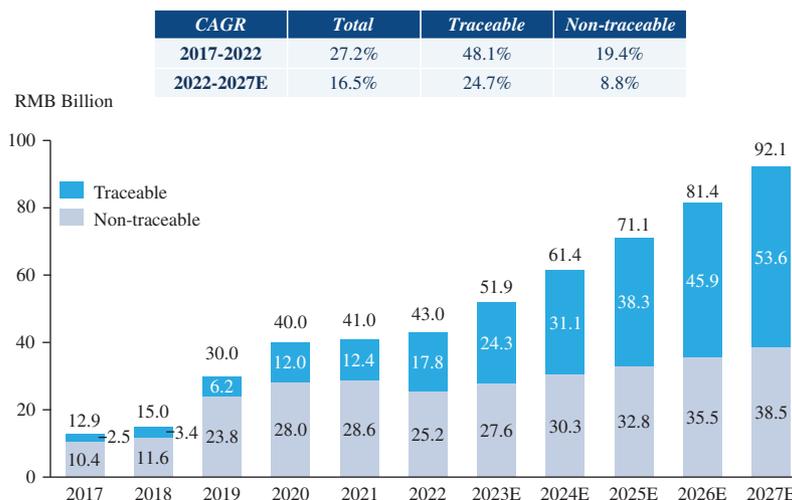


Sources: Frost & Sullivan

## INDUSTRY OVERVIEW

The market size of traceable EBN industry in China, in terms of retail value, increased from RMB2.5 billion in 2017 to RMB17.8 billion in 2022, at a CAGR of 48.1%, and is expected to reach RMB53.6 billion in 2027, at a CAGR of 24.7% from 2022 to 2027. The market size of non-traceable EBN industry in China, in terms of retail value, increased from RMB10.4 billion in 2017 to RMB25.2 billion in 2022, at a CAGR of 19.4%, and is expected to reach RMB38.5 billion in 2027, at a CAGR of 8.8% from 2022 to 2027.

**Market Size of China EBN Market (Retail Value), Breakdown by Traceability, 2017-2027E**



Sources: Frost & Sullivan

The growth of China's EBN industry was driven, in part, by the increase in the average selling prices of EBN products. From 2017 to 2022, the price of EBN products increased from RMB16.9 per gram to RMB24.9 per gram as a result of (1) diversified EBN product offerings and (2) the increase in the penetration rate of traceable raw nests in the market. The popularity of premium EBN products such as freshly stewed EBN products among consumers also contributed to the increase in the overall EBN product prices.

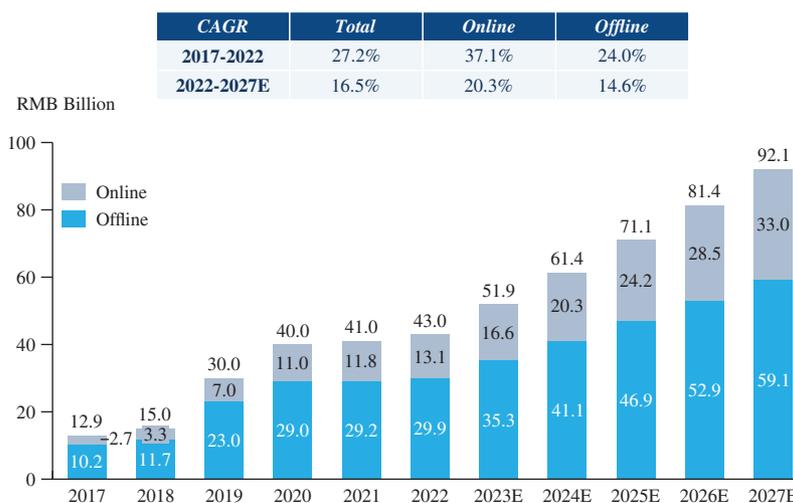
Traditionally, EBN products have been predominantly sold through offline channels, including specialty EBN stores, supermarkets, and pharmacies. However, with the rapid growth of the e-commerce industry, online channels have been gaining momentum, especially with the emergence of products that are well-suited for online sales, such as freshly stewed EBN.

The sales of EBN products through online channels experienced significant growth from RMB2.7 billion in 2017 to RMB13.1 billion in 2022, at a CAGR of 37.1%. Driven by the further advancements in China's e-commerce industry and logistics network, the sales of EBN products sold through online channels is expected to reach RMB33.0 billion in 2027, at a CAGR of 20.3% from 2022 to 2027.

In 2022, the offline channel contributed 69.5% to China's EBN market. However, the contribution from offline channel has gradually decreased over time and is expected to reach 64.2% by 2027. In terms of absolute retail value, the sales of EBN products through offline channels grew from RMB10.2 billion in 2017 to RMB29.9 billion in 2022, at a CAGR of 24.0%, and is expected to reach RMB59.1 billion in 2027, at a CAGR of 14.6% from 2022 to 2027.

## INDUSTRY OVERVIEW

### Market Size of China's EBN Market (Retail Value), Breakdown by Channel, 2017-2027E



Sources: Frost & Sullivan

### MARKET DRIVERS OF CHINA'S EBN MARKET

The following factors are considered the major market drivers of China's EBN market:

- Heightened consumer emphasis on beauty and wellness where EBN products are perceived as healthy food products.* The advancement of science and technology has provided scientific evidence supporting the perceived functional benefits of EBN. Research studies have highlighted the perceived health benefits of EBN, such as promoting brain and cognitive development, enhancing immunity, regulating blood pressure, and having skin whitening effects. This scientific validation has increased consumer awareness and interest in EBN products. Additionally, in the post-pandemic era and with the continuous growth of per capita GDP in China, consumers are placing greater emphasis on health and wellness, leading to increased demand for natural and nutritious food products like EBN. The target audience for EBN products has expanded to include pregnant women, the elderly, and young individuals, among others.

As individuals become more conscious of their appearance and overall well-being, there has been a surge in demand for products that offer natural benefits. EBN, renowned for its potential to enhance beauty and promote wellness, has gained popularity as a sought-after product. Consumers recognize the nutritional value and potential skincare advantages associated with consuming EBN, leading to increased demand for EBN food and skincare products.

- Regulatory standardization promotes industry development.* The EBN industry has gained importance in China's consumer goods market, resulting in the promulgation of management policies by relevant national regulatory authorities. These policies aim to standardize the industry's development. Measures include specifying origin, export, inspection, and quarantine requirements for imported raw materials, as well as promoting compliance with relevant food production and processing standards. In February 2012, the Ministry of Health of China (中華人民共和國衛生部) promulgated the first regulatory requirement on nitrite content in EBN products, stipulating that nitrite content in EBN products shall be no more than 30 milligrams per kilogram. The General Administration of Quality Supervision, Inspection and Quarantine of China (中華人民共和國國家質量監督檢驗檢疫總局) also issued two announcements, i.e.,

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*Announcement on Inspection and Quarantine Requirements for Imported EBN Products from Malaysia* and *Announcement on Inspection and Quarantine Requirements for Imported EBN Products from Indonesia*, in December 2013 and November 2014, respectively. These announcements mandated that companies which harvest or process EBN shall complete registration and filing procedures, and that foreign EBN processing companies which export EBN to China shall establish a traceability system. Moreover, in 2014, China National Institute of Standardization (中國標準化研究院) and other government agencies published China's first raw nest industry standard, i.e., GH/T 1092-2014, which sets guidelines for quality grading of imported dried EBN, including specific testing requirements for nitrite content in dried EBN, representing the beginning of the standardization development of China's raw nest industry. In 2020, the China Pharmaceutical Culture Society (中國藥文化研究院) implemented T/CPCS 001-2020, a group standard for freshly stewed EBN products, which primarily stipulates that raw materials used in freshly stewed EBN products shall have a legitimate and traceable source. Stricter management measures regarding product marketing and consumer rights protection have also been adopted, ensuring higher quality and safety of EBN products. This regulatory standardization instills confidence in consumers and encourages their willingness to consume EBN products.

- *Evolving business model.* The EBN industry has embraced innovative business models that have driven its growth. The diversification of shopping forms has enriched sales channels. The emergence and proliferation of online retail platforms and live-streaming e-commerce has made it more convenient for consumers to purchase EBN products. Moreover, these channels have facilitated the introduction of new types of EBN products that are better suited for e-commerce platforms. Additionally, technological advancements and innovation have led to the development of new products, such as ready-to-serve EBN products, which can reach a larger consumer base. Improved production methods, such as bowl-shaped canned EBN and freshly stewed EBN, have made it easier for consumers to consume EBN products, thereby expanding the consumer base.

### COMPETITIVE LANDSCAPE OF GLOBAL AND CHINA'S EBN MARKET

China's EBN industry is fragmented with over 10,000 players operating in the industry. In 2022, the market size of China's EBN market accounted for 70.0% of the global EBN market. We are the largest EBN product company globally for three consecutive years in terms of retail value from 2020 to 2022, with a global market share of 4.1% in 2022. We also ranked the first in China's EBN market with a market share of 5.8%, in terms of retail value, in 2022, and the top five EBN companies in China accounted for a combined market share of 11.9%.

The global EBN industry is fragmented with over 30,000 players operating in the industry. Among the top five EBN companies in both global and China's EBN markets, we had been growing at the highest CAGR of over 12.0% from 2020 to 2022. We had also been ranked first for three consecutive years in terms of retail value in these two markets. We ranked first by the volume of CAIQ imports in the EBN product market in China in 2022.

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### Ranking of Top Five EBN Companies in Terms of Retail Value (China), 2020-2022

Rank	Company	Market Share (%)			CAGR(%) 2020-2022
		2020	2021	2022	
1	The Company	5.0%	5.6%	5.8%	>12.0%
2	Company A <sup>(1)</sup>	2.4%	2.4%	2.6%	~8.0%
3	Company B <sup>(2)</sup>	3.3%	2.7%	2.3%	~10.0%
4	Company C <sup>(3)</sup>	0.8%	1.0%	0.9%	~9.0%
5	Company D <sup>(4)</sup>	0.3%	0.2%	0.3%	~10.0%

Sources: Company data; Frost & Sullivan

- (1) Established in 1997, Company A is a listed company on Shanghai Stock Exchange. Headquartered in Beijing, Company A has approximately 3,800 employees and primarily focuses on producing traditional Chinese medicine and tonic products including EBN. Company A's operating regions include China, Indonesia and other Southeast Asian countries, and its total revenue in 2022 was approximately RMB15.4 billion.
- (2) Established in 2014, Company B is a private company. Headquartered in Beijing, it is specialized in producing and selling EBN products, and the majority of its products are freshly stewed EBN products sold via online channels. Company B's total revenue in 2022 was approximately RMB1.0 billion and its operating region was primarily China.
- (3) Established in 2004, Company C is a private company. Headquartered in Xiamen, it mainly engages in producing and selling EBN products via offline channels. Company C's operating regions were across China and its total revenue in 2022 was approximately RMB0.5 billion.
- (4) Established in 2010, Company D is a private company. Headquartered in Qingdao, it is an EBN corporation with integrated EBN production, research and development and sales capabilities. Company D's operating regions were across China and its total revenue in 2022 was approximately RMB0.2 billion.

### OPPORTUNITIES, TRENDS AND KEY CHALLENGE OF CHINA'S EBN INDUSTRY

The main opportunities and trends of China's EBN industry include:

- *Standardization of products.* Leading players in the industry are increasingly focusing on standardizing EBN products. The introduction of ready-to-serve EBN products presents customers with a more convenient way to consume EBN as compared to traditional dried EBN products, which is expected to expand the consumer base of EBN products and achieve steady growth of the EBN market.
- *Innovative products.* EBN product manufacturers are continuously adjusting and diversifying their product portfolios to align with the evolving preferences of consumers, especially among the younger generations. Innovative EBN products, such as those designed for breakfast and skincare, are introduced to the market to cater to the evolving consumer demand. Growing awareness of beauty and wellness also drives up research and development investment in EBN peptides, paving the way for more EBN peptide skincare products.
- *New customers and new consumption scenarios.* The consumer base for China's EBN industry is expanding, and there is a growing demand for specialized EBN products designed to meet the specific needs of pregnant women and the elderly. The industry is also venturing into new consumption scenarios. Products are developed catering to various life scenarios, such as afternoon tea and business travel. By adapting to the evolving lifestyles and consumer preferences, the industry is able to reach new segments of consumers and expand its market presence.
- *Increasing demand for products from premium brands.* Chinese consumers are placing a greater emphasis on product quality, resulting in a rising preference for high-quality EBN products from well-established brands. This shift in consumer behavior has prompted the industry to concentrate on the production and distribution of premium EBN products that meet stringent standards for safety, reliability, and quality assurance. To meet these consumer expectations, industry players are investing in research and development, product design and branding initiatives and collaborating with regulatory authorities. The demand for traceable EBN products, which are known for their product safety and quality, is anticipated to drive accelerated growth in the industry.

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The key challenge of China's EBN industry primarily includes industry players' ability to maintain quality control over raw materials. It is crucial for companies to implement strict quality control measures throughout the entire production process, from the procurement of raw nests to the sale of products to end customers. Failure to maintain robust quality control can lead to food safety issues and negatively impact the industry's reputation and consumer trust.

### ENTRY BARRIERS ANALYSIS OF CHINA'S EBN MARKET

The entry barrier of China's EBN market mainly include:

- *Distribution network.* Established companies in China's EBN industry have already built strong distribution networks. Their large customer base, fostered through marketing campaigns and sales promotion activities over the years, poses a challenge for new entrants attempting to develop a stable distribution network and establish a loyal customer base.
- *Brand awareness.* Brand recognition and awareness are closely tied to previous experiences and established client relationships. Established companies with a history of market presence find it easier to gain a larger market share, while new entrants face challenges in establishing relationships, brand recognition, and awareness within a short period of time.
- *Technical barrier.* Technology presents a fundamental barrier for players seeking to enter China's EBN industry. Leading players, with their years of experience, have acquired patented technologies in product development and processing, access to research institutes, and a strong first-mover advantage in industry know-how. New entrants without these technical capabilities face significant challenges in developing efficient or competitive products, making it extremely difficult to enter or compete in the industry.
- *Talent shortage.* Although the EBN industry in China has experienced steady and robust growth, there remains an insufficient number of skilled professionals in the market. Players are engaged in a competitive search for talent with market experience and deep industry knowledge. The scarcity of talent poses a significant threat to industry players, particularly smaller ones.
- *Supply chain management.* Effective supply chain management is crucial in the EBN industry due to the high-quality raw materials required. With the expectation of stricter supervision in the future, traceable EBN products are likely to be preferred by more players. Established companies in China's EBN industry have already established their own supply chain management teams or partnered with raw material suppliers to strengthen their position, enhance competitiveness and ensure product quality. This puts new entrants at a disadvantage as acquiring efficient supply chain management skills within a short period of time.

### COST ANALYSIS OF EBN INDUSTRY

Due to limited domestic production capacity caused by climatic conditions, China primarily relies on imports from Southeast Asian countries to meet its domestic demand for EBN. The price of raw nests is mainly influenced by market demand, grades of raw nests, quality of raw nests, climate conditions, natural habitat preservation, logistics costs and international trade policies. Non-traceable raw nests, in general, have a lower price compared to traceable raw nests. The unit price of non-traceable raw nests is typically around 60% to 70% of that of the same-grade traceable raw nests. According to the General Administration of Customs, the price of imported traceable raw nests generally decreased from RMB12.6 per gram in 2017 to RMB8.6 per gram in 2022. Such decrease was primarily due to the increase in the market supply of traceable raw nests as a result of (1) the shift in consumer preference over EBN products

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## INDUSTRY OVERVIEW

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with traceability labels, (2) heightened regulatory oversight in preventing smuggling activities and promoting the traceability of raw nests, and (3) the increase in the production volume of raw nest geared for traceability labels. During the Track Record Period, the changes in imported traceable raw nest prices did not cause material impact on the actual selling price of our EBN products. The following chart sets forth the prices of imported traceable raw nests in China from 2017 to 2022.

### Imported Traceable Raw Nest Price (China), 2017-2022

	2017	2018	2019	2020	2021	2022
Imported raw nest price (RMB/g) . . . . .	12.6	8.4	10.3	10.8	10.0	8.6

*Sources: The General Administration of Customs, Frost & Sullivan*

Packaging materials, particularly corrugated cardboard and glass container, also factor, albeit immaterially, in the overall cost structure of the EBN industry. The prices of major packaging materials for EBN products experienced fluctuations from 2017 to 2022, primarily due to changes in market supply and demand. Specifically, the price for corrugated cardboard fluctuated from RMB3,500 per tonne to RMB4,300 per tonne between 2017 and 2022, and the price for glass container fluctuated from RMB1,600 per tonne to RMB2,600 per tonne between 2017 and 2022. These packaging materials are staple commodities, which are commonly available from multiple suppliers without the risk of shortage. The following chart sets forth the prices of major packaging materials for EBN products from 2017 to 2022.

### Price of Major Packaging Materials for EBN Products, 2017-2022

	2017	2018	2019	2020	2021	2022
Corrugated cardboard (RMB/tonne) . . . . .	4,132.7	4,312.3	3,538.3	3,556.8	4,132.0	3,869.7
Glass container (RMB/tonne). . . . .	1,592.0	1,651.7	1,611.1	1,765.3	2,572.2	1,890.5

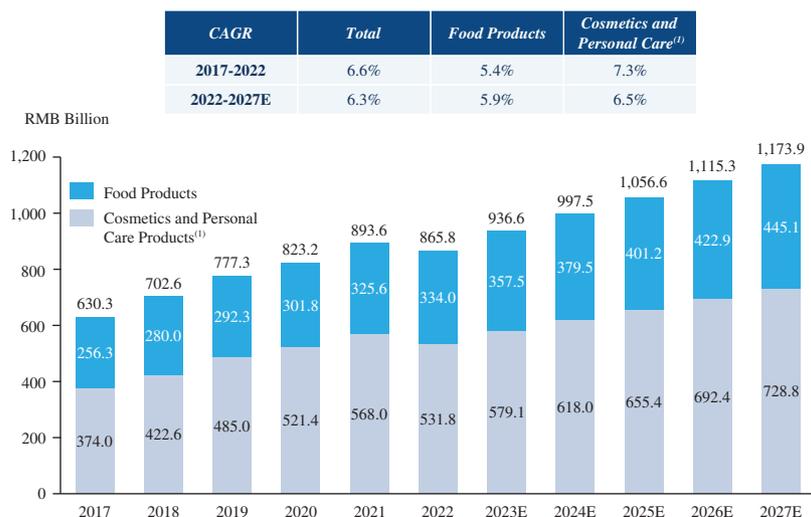
*Sources: National Bureau of Statistics, Frost & Sullivan*

## CHINA'S BEAUTY AND WELLNESS PRODUCT MARKET

The beauty and wellness product market encompasses a wide range of products designed to enhance consumers' appearance, promote their health, and contribute to their overall wellness. These products include, among others, nutritious foods, skincare products, hair care products and cosmetics. Driven by the growing awareness of beauty and wellness, the rising per-capita disposable income, and the rapid development of social media in China, China's beauty and wellness product market, in terms of retail value, increased from RMB630.3 billion in 2017 to RMB865.8 billion in 2022, at a CAGR of 6.6%, and is expected to reach RMB1,173.9 billion in 2027, at a CAGR of 6.3% from 2022 to 2027. The following chart sets forth China's beauty and wellness product market, in terms of retail value, from 2017 to 2027.

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### Market Size of China's Beauty and Wellness Product Market (Retail Value), 2017-2027E



Sources: Frost & Sullivan

(1) Cosmetics and personal care products include cosmetics products, skincare products and hair care products.

### SOURCE OF INFORMATION

This section includes information from the F&S Report commissioned by us, as we believe information imparts a better understanding of the EBN product market in China and globally. We believe that Frost & Sullivan has specialized research capabilities and experience in this industry in China. Frost & Sullivan is an independent market intelligence provider that provides market research, information and advice to companies in various industries, including the EBN product market in China and globally. We have agreed to pay a commission fee of RMB700,000 for the F&S Report. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the F&S Report. Figures and statistics provided in this prospectus and attributed to Frost & Sullivan or the F&S Report have been extracted from the F&S Report and published with the consent of Frost & Sullivan.

In preparing the F&S Report, Frost & Sullivan conducted detailed research which involved primary research that involved expert interviews and company interviews, and secondary research analyzing information and statistics published by government departments, industry associations, publications and studies by industry experts, public company annual and quarterly reports, Frost & Sullivan's other research reports, online resources and data from Frost & Sullivan's research database. Frost & Sullivan also assumes that (1) the social, economic and political environments of China will remain stable during the forecast period, (2) the data quoted from authoritative agencies remains unchanged, (3) related market drivers are expected to continue to drive the growth of the relevant markets in the forecast period, and (4) there is no extreme force majeure events or new industry regulation which would dramatically or fundamentally affect the relevant markets.

### DIRECTORS' CONFIRMATION

After making reasonable inquiries, our Directors confirm that, to the best of their knowledge, there has been no adverse change in the market information presented in the F&S Report since the date of the report which may qualify, contradict or have an impact on the information in this prospectus.

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## REGULATORY OVERVIEW

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We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, rules and regulations that we believe are relevant to our business and operations.

### LAWS AND REGULATIONS RELATING TO CORPORATION

On December 29, 1993, the Standing Committee of the National People’s Congress (the “SCNPC”) issued the PRC Company Law (《中華人民共和國公司法》) (the “Company Law”), which was last amended on October 26, 2018. All companies established in the PRC are subject to the Company Law. The Company Law regulates the establishment, operation, corporate structure, and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

On December 24, 2021, the SCNPC released the PRC Company Law (Revised Draft) (中華人民共和國公司法(修訂草案)) to solicit public opinions till January 22, 2022 and on September 1, 2023, the SCNPC issued the PRC Company Law (Third Revised Draft) (中華人民共和國公司法(修訂草案三次審議稿)) to solicit public opinions for 30 days. The main amendments in the PRC Company Law (Revised Draft) involve improving the company’s establishment and exit system, optimizing the company’s organizational structure, perfecting the company’s capital system and strengthening the responsibilities of controlling shareholders and management personnel, etc.

#### General Meeting

According to the Company Law, a shareholders’ general meeting of a company limited by shares shall be constituted by all the shareholders; the shareholders’ general meeting shall be the authority of the company and shall exercise duties and powers in accordance with the provisions the Company Law.

A shareholders’ general meeting shall be convened once every year. An extraordinary shareholders’ general meeting shall be convened within two months in case of the certain events specified in the Company Law.

The Company Law has no specific provisions on the quorum of shareholders to attend the general meeting of shareholders.

Under the Company Law, shareholders present at a shareholders’ general meeting have one vote for each share they hold, save that the company’s shares held by the company are not entitled to any voting rights.

Under the Company Law, resolutions of the general meeting shall be passed by more than half of the voting rights held by shareholders (including those represented by the appointed representative), with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the Articles of Association, which in each case shall be passed by at least two-thirds of the voting rights held by the shareholders (including those represented by the appointed representative).

The shareholders may entrust the entrusted representative to attend the general meeting of shareholders, and the power of attorney shall specify the scope of exercising the voting right.

The Company Law has no specific provisions on the quorum of shareholders.

#### Transfer of Shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or administrative regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of

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shareholders of the company. Within 20 days before the general meeting of shareholders or within 5 days before the record date of dividend distribution determined by the company, the above-mentioned register of shareholders shall not be changed. The transfer of bearer shares shall take effect when the shareholder delivers the shares to the transferee.

### Restrictions on Shareholding and Transfer of Shares

Generally, the target investors of H shares offering by domestic companies shall be overseas investors. Where domestic investors subscribe H shares issued by domestic companies, domestic investors shall be compliant with relevant provisions of the cross-border investment, such as qualified domestic institutional investors (QDII), or overseas investment filling (ODI), etc.

Under the Company Law, the shares of the company held by the promoters shall not be transferred within one year from the date of establishment of the company. The directors, supervisors and senior management personnel of the company shall report to the company the shares held by them and their changes, and the shares transferred each year during their term of office shall not exceed 25% of the total shares of the company held by them. The above-mentioned personnel shall not transfer their shares of the company within half a year after their resignation. The Articles of Association may make other restrictive provisions on the transfer of shares held by the directors, supervisors, and management personnel of the company.

### Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council may formulate separate regulations on companies issuing other types of shares which are not provided in The Company Law.

## LAWS AND REGULATIONS RELATING TO FOOD OPERATION

### Food Safety

According to *the Food Safety Law of the People's Republic of China* (中華人民共和國食品安全法) (“the Food Safety Law”), which was promulgated by the SCNPC on February 28, 2009, and latest amended on April 29, 2021, and *the Regulation on the Implementation of the Food Safety Law of the People's Republic of China* (中華人民共和國食品安全法實施條例) promulgated by the State Council on July 20, 2009 and most recently amended on October 11, 2019 and effective from December 1, 2019, food producers and business operators shall take and conform to the measures specified in the Food Safety Law and its Implementation Regulations to ensure food safety, violation of these required measures may subject food producers and business operators to the legal consequences including warnings, orders to rectify, confiscations of illegal gains, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal penalty.

### Food Production

According to *the Food Safety Law* and *the Implementing Regulations of the Food Safety Law*, anyone who engages in food production shall obtain the license according to the Food Safety Law. According to *the Administrative Measures of Food Production Licensing* (食品生產許可管理辦法) promulgated by the State Administration for Market Regulation (the “SAMR”) on January 2, 2020 and took effect on March 1, 2020, entities involved in food production in China shall obtain the food production license. The food production license is valid for five years and is subject to the “one entity, one license” principle.

According to *the Trial Rules for Reviewing Non-Ready-to-eat Bird's Nest Production License in Fujian Province* (福建省非即食燕窩生產許可審查細則(試行)) promulgated by Fujian Provincial Administration for Market Regulation on August 13, 2021, entities engaged in Non-ready-to-eat bird's nest production that involved sorting, softening, impurity removal (hair picking) or not, shaping or not shaping, drying or not drying and packaging procedures shall acquire food production license.

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### Food Sale

According to *the Food Safety Law* and *the Implementing Regulations of the Food Safety Law*, the State implements a licensing system for food sales. However, no license is required for the sale of edible agricultural product and pre-packaged food. Food operators that only sell pre-packaged food are not required to obtain the food operation license, and it shall report to the food safety regulatory department of the local people's government at or above the county level for the record.

According to *the Administrative Measures for Food Operation License* (食品經營許可管理辦法) promulgated by the State Food and Drug Administration on August 31, 2015, and latest amended on November 17, 2017 and became effective from the same day, the food operation license any entities involved in food operation and catering service are required to acquire in China has a duration of 5 years and is subjected to renew. Applications of food operation license shall be filed according to food operators' types of operation and classification of operation projects.

### Food Recall System

According to *the Administrative Measures for Food Recall* (食品召回管理辦法) promulgated by the State Administration of Food and Drug (now merged into the SAMR) on March 11, 2015 and most recently amended and effective from October 23, 2020, food producers and operators shall, according to law, assume primary responsibilities for food safety, by establishing a sound management system, collecting and analyzing food safety information and performing legal duties of the cease of production and operation as well as recall and disposal of unsafe food. Where food producers or operators find the food under selling unsafe, they must immediately suspend the operations, inform relevant food producers and business operators, notify customers, and take necessary measures to mitigate food safety risks. Where any food operator violates *the Administrative Measures for Food Recall* and does not suspend the operation or proactively recall unsafe food in a timely manner, the competent authorities shall issue warnings to it and impose fines between RMB10,000 and RMB30,000.

### Import Bird Nest Product Traceability Management System

According to *the Notice on Inspection and Quarantine Requirements for Imported Bird's Nest Products from Malaysia*, *the Notice on Inspection and Quarantine Requirements for Imported Bird's Nest Products from Indonesia*, and *the Notice on Inspection and Quarantine Requirements for Imported Bird's Nest Products from Thailand* which are separately promulgated and implemented on December 25, 2013, November 20, 2014, and August 25, 2017 by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (now merged into the SAMR), the processing enterprises of bird's nest products exported to China should establish a bird's nest traceability system from the bird's nest (cave) to export to ensure the traceability of the products and be able to recall the relevant products in time in case of product quality issue. According to *the Notice on Inspection and Quarantine Requirements for Imported Bird's Nest Products from Vietnam* promulgated and implemented by the General Administration of Customs on November 14, 2022, the Vietnamese side shall establish a bird's nest traceability system from the bird's nest house to export to ensure traceability and recall the relevant products and trace back to the registered bird's nest house in case of problems.

### Food Labeling Management

According to *the Food Safety Law*, pre-packaged food shall be labeled. The labels shall include the following items: (1) name, specification, net weight, and production date; (2) content or ingredient table; (3) name, address, and contact information of the producer; (4) best before date; (5) the standards code of the product; (6) storage conditions; (7) generic names of food additives used under the national standards; (8) the number of food production license; and (9) other items that are required by laws,

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regulations and food safety standards. Food operators shall sell food in accordance with the warning marks, warning specifications or cautions stated on the labels thereof. Accordingly, the health administrative department under the State Council issued on April 20, 2011, and implemented on April 20, 2012, *the General Principles of Pre-packaged Food Labeling of National Food Safety Standard (GB 7718-2011)* (食品安全國家標準預包裝食品標籤通則(GB 7718-2011)).

### LAWS AND REGULATIONS RELATING TO COSMETIC AND SKINCARE PRODUCTS

#### Development and Production of Cosmetic and Skincare Products

According to the Regulations on the Supervision and Administration of Cosmetics (化妝品監督管理條例) (the “Supervision Regulation”) promulgated by the State Council on June 16, 2020 and became effective on January 1, 2021, the State Council implements category-based administration on cosmetics and cosmetic ingredients according to the degree of risks. Cosmetics are classified into two categories: special cosmetics and ordinary cosmetics. The State Council exercises the registration administration on special cosmetics and record-filing administration on ordinary cosmetics. Special cosmetics may be manufactured and imported only after they are registered with the drug regulatory department under the State Council. Domestic ordinary cosmetics shall be filed for the record with the drug regulatory departments of the people’s governments of the provinces, autonomous regions or municipalities directly under the Central Government where the record-filing parties are located prior to being marketed. The imported ordinary cosmetics shall be filed for the record with the drug regulatory department under the State Council prior to import.

According to the Announcement of the National Medical Products Administration on Implementation of the Regulations on the Supervision and Administration of Cosmetics (國家藥監局關於貫徹實施<化妝品監督管理條例>有關事項的公告) which was issued and became effective on December 28, 2020, all enterprises and organizations which hold registration certificates of special cosmetics (administrative licensing approval documents for special cosmetics) or have gone through the filing of ordinary cosmetics shall be responsible, for the quality, safety and efficacy claims regarding their cosmetics according to the requirements of these regulations on cosmetics registrants and filing applicants.

According to the Supervision Regulation, a cosmetics registrant or record-filing party may produce cosmetics by itself or entrust other enterprises to produce cosmetics. *The Measures for the Supervision and Administration of Production and Operation of Cosmetics* (化妝品生產經營監督管理辦法) which was issued on August 2, 2021 and became effective on January 1, 2022, stipulates that where a cosmetics registrant or record-filing party entrusts the production of cosmetics, it shall entrust manufacturers that have obtained the corresponding cosmetics manufacturing licensing to produce cosmetics, supervise the whole process of their production activities and be responsible for the quality safety of the cosmetics produced under entrustment. The entrusted manufacturers shall meet the corresponding production conditions, organize the production in accordance with the laws, regulations, mandatory national standards, technical specifications and contractual agreements, be responsible for the production activities and accept the supervision of the entrusting parties.

According to *the Measures for the Administration of Cosmetic Labels* (化妝品標籤管理辦法) which was issued on May 31, 2021 and became effective on May 1, 2022, the smallest sales unit of cosmetics shall be labeled. The labels shall comply with the requirements of the relevant laws, administrative regulations, departmental rules, compulsory national standards and technical specifications. The contents of the labels shall be lawful, authentic, complete, accurate and consistent with the relevant contents registered or filed.

#### Sale of Cosmetic and Skincare Products

According to the Supervision Regulation and the Measures for the Supervision and Administration of Production and Operation of Cosmetics, cosmetic manufacturers and distributors shall store and transport cosmetics in accordance with the provisions of relevant laws and regulations and the requirements indicated on cosmetic labels, and inspect on a regular basis and handle in a timely manner the deteriorated or expired cosmetics.

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According to *the Measures for Supervision and Administration of Online Operation of Cosmetics* (化妝品網絡經營監督管理辦法) promulgated by the National Medical Products Administration of China on March 31, 2023 and became effective on September 1, 2023, the cosmetics operators on a platform shall perform the obligations of cosmetics information disclosure and disclose the information such as cosmetics labels that is consistent with the registration or record-filing materials in a comprehensive, authentic, accurate, clear and timely manner. Any cosmetics operator on a platform finding that a quality defect or any other problem in the cosmetics sold by it may endanger human health shall immediately cease operation of the cosmetics and notify the relevant registrant and record-filing party of the same. The registrant and record-filing party of the cosmetics shall recall the cosmetics in accordance with the law. Where the registrant or record-filing party of the cosmetics or any cosmetics operator on the platform fails to recall the cosmetics or suspend the operation of the cosmetics in accordance with the law, the drug regulatory authority shall order it to recall the cosmetics or suspend the operation of the cosmetics.

### LAWS AND REGULATIONS RELATING TO E-COMMERCE

#### E-Commerce

According to *the E-Commerce Law of the PRC* (中華人民共和國電子商務法) which was promulgated by the SCNPC on August 31, 2018 and became effective on January 1, 2019, e-commerce operators refer to natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators and other e-commerce operators that sell commodities or offer services through a self-built website or other network services. An e-commerce operator shall, in business operation, abide by the principles of voluntariness, equality, fairness and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services and accept the supervision by the government and the public.

E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses. Commodities sold or services offered by e-commerce operators shall meet the requirements to protect personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations. E-commerce operators shall (including without limitation): (i) continuously display its business license information and administrative license, or relevant information which indicates that it does not need to complete the market entity registration in a prominent position on its homepage; (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard the consumers' right to know and right of choice; (iii) deliver commodities or services according to its commitment or the ways and time limits as agreed upon with consumers, and bear the risks and responsibilities when commodities are in transit; and (iv) bring the tie-in sales of commodities or services to consumers' attention in significant manner and shall not set tie-in commodities or services as default options. Where an e-commerce operator ceases to engage in e-commerce business, it shall continuously announce relevant information in a prominent position on its homepage 30 days in advance.

#### Online Live-Streaming Marketing

On April 23, 2021, the CAC and other six PRC regulatory authorities jointly issued *the Administrative Measures for Online Live-Streaming Marketing (Trial Implementation)* (網絡直播營銷管理辦法(試行)), which effective on May 25, 2021. According to these measures, live-streaming studio operators refer to individuals, legal persons, and other organizations that establish live-streaming studios

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to engage in online marketing activities by registering accounts on a live-streaming marketing platform or through self-built websites or other network services. Live-streaming marketing personnel refer to individuals that directly engage in marketing to the public in online live-streaming marketing. Operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws and regulations, follow public order and good customs, and truthfully, accurately and comprehensively release information on goods or services, and shall not commit acts such as publicizing false or misleading information, marketing counterfeit or shoddy goods and fabricating or tampering with data traffic including transactions, attention, number of views, number of comments.

### LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

According to *the Product Quality Law of the PRC* (中華人民共和國產品質量法) promulgated by the SCNPC on February 22, 1993 and most recently amended on December 29, 2018 and effective from the same date, producers shall be responsible for the quality of their products and sellers shall adopt measures to maintain the quality of products for sale. Where a defective product causes physical injury or damage to a third-party's property, the victim may claim compensation from the manufacturer or the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer, and vice versa, if the manufacturer pays compensation and it is the seller that is liable, the manufacturer has a right of recourse.

### LAWS AND REGULATIONS RELATING TO CONSUMER PROTECTION

According to *the Consumers Rights and Interests Protection Law of the PRC* (中華人民共和國消費者權益保護法) (the "Consumer Protection Law"), which was promulgated in 1993 by the SCNPC and latest amended on October 25, 2013 and effective from March 15, 2014, it imposes stringent requirements and obligations on business operators including, among others, (1) guarantee that the products and services they provide satisfy the requirements for personal safety or property security, (2) provide consumers with authentic and complete information about the quality, function, usage and term of validity of the products or services, (3) ensure the actual quality and functionality of products or services are consistent with advertising materials, product descriptions or samples, failure of which may subject business operators to civil liabilities such as repairing, remaking, exchanging or returning of commodities, making up shortage, refunding purchase prices and service fees, and compensation, and even subject the business operators to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of consumers.

### LAWS AND REGULATIONS RELATING TO FOREIGN TRADE

*The Foreign Trade Law of the People's Republic of China* (中華人民共和國對外貿易法) (the "Foreign Trade Law") governs the order of foreign trade. The Foreign Trade Law was promulgated by SCNPC on May 12, 1994, and amended on April 6, 2004, November 7, 2016, and December 30, 2022, respectively. In the latest 2022 amendments, the SCNPC deleted the requirements of Filing Records for foreign trade operators.

According to the *Customs Law of the People's Republic of China* (中華人民共和國海關法) (the "Customs Law") which was promulgated by SCNPC and became effective on July 1, 1987, and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016, November 4, 2017, and April 29, 2021, respectively, where a consignee or consignor of import or export goods or a Customs clearing enterprise go through Customs declaration procedures, they shall file for record with the Customs in accordance with law.

According to the *Announcement of General Administration of Customs on Matters Related to the Merger of Enterprise Customs Declaration and Inspection Qualification* (海關總署關於企業報關報檢資質合併有關事項的公告), the enterprise filed for record with the Customs could acquire the import and export inspection and quarantine record and consignee or consignor record at the same time.

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### LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

Competition among business operators is generally governed by *the Anti-unfair Competition Law of the PRC* (中華人民共和國反不正當競爭法) (the “Anti-unfair Competition Law”), which was promulgated by SCNPC on September 2, 1993, and amended on November 4, 2017, and April 23, 2019, respectively. According to the Anti-unfair Competition Law, when trading on the market, operators must abide by the principles of voluntariness, equality, fairness, and honesty and observe laws and business ethics. Acts of operators constitute unfair competition where they contravene the provisions of the Anti-unfair Competition Law and disturb market competition with a result of damaging the lawful rights and interests of other operators or consumers. According to the Anti-Unfair Competition Law, improper market activities including infringing the business secrets of others, conducting false or misleading publicity through advertising or other means are in violation of the law and may result in imposition of fines, confiscation of gains derived from such violation, and in severe circumstances, revocation of business licenses.

### LAWS AND REGULATIONS RELATING TO COMMERCIAL ADVERTISEMENT

According to *the Advertisement Law of the PRC* (中華人民共和國廣告法) (the “Advertisement Law”), which was promulgated by the SCNPC on October 27, 1994, latest amended on April 29, 2021, commercial advertisements should not contain false statements or deceive or mislead consumers. An advertisement shall be prohibited from using “national,” “highest,” “best,” or other similar words. The data, statistics, investigation results, excerpts, quotations and other citations used in an advertisement shall be true and accurate, with the sources indicated. If any citation has a scope of application or a term of validity, the scope of application or term of validity shall be clearly indicated.

Regarding internet advertising activities, according to the Advertising Law, the use of internet to publish or distribute advertisements shall not affect the normal use of the internet by users. Advertisements published on internet pages such as pop-up advertisements shall be indicated with conspicuous mark for close to ensure the close of such advertisements by one click.

Regarding outdoor advertising activities, according to the Advertising Law, the exhibition and display of outdoor advertisements may not: (1) utilize traffic safety facilities and traffic signs; (2) impede the use of public facilities, traffic safety facilities, traffic signs, fire extinguishing facilities or fire control signs; (3) obstruct production or people’s living, or damage city appearance; and (4) be placed in restricted areas near government offices, cultural landmarks or historical or scenic sites, or be placed in areas prohibited by local governments at the county level or above from having outdoor advertisements. Administrative measures for outdoor advertisements shall be prescribed by local regulations and rules of local governments.

### LAWS AND REGULATIONS RELATING TO SINGLE-PURPOSE COMMERCIAL PREPAID CARDS

Pursuant to *the Administrative Measures on Single-Purpose Commercial Prepaid Cards (Trial Implementation)* (單用途商業預付卡管理辦法(試行)) (the “Administrative Measures on Single Purpose Prepaid Cards”), which was promulgated by MOFCOM in 2012 and was amended in 2016, single-purpose commercial prepaid cards are prepaid certificates issued by an enterprise engaging in retail industry, accommodation and catering industry and residential services industry which are limited to be used as payment for goods or services by the enterprise or within the group to which the enterprise belongs or within the franchise system of the same brand, including physical cards in various forms such as magnetic stripe cards, chip cards, and paper coupons as well as virtual cards. Card-issuers shall complete filing formalities within 30 days from the date of carrying out single purpose card businesses. Violation of the aforementioned regulations may result in an order of rectification. Where the card issuer fails to rectify within a stipulated period, a fine ranging from RMB10,000 to RMB30,000 may be imposed.

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### LAWS AND REGULATIONS RELATING TO INFORMATION SECURITY AND PRIVACY PROTECTION

#### Privacy Protection

Pursuant to *the PRC Civil Code* (中華人民共和國民法典), personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide, or make public personal information of others.

Further, *the Ninth Amendment to the Criminal Law of the PRC* (中華人民共和國刑法修正案(九)), which issued by the SCNPC on August 29, 2015, and became effective on November 1, 2015, stipulates that any network service provider that fails to fulfill the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (1) any large-scale dissemination of illegal information; (2) any severe effect due to the leakage of users' information; (3) any serious loss of evidence of criminal activities; or (4) other severe situations, and any individual or entity that (i) sells or provides personal information to others unlawfully or (ii) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

On 20 August 2021, the SCNPC promulgated *the Law of Personal Information Protection of PRC* (中華人民共和國個人信息保護法) (the "Personal Information Protection Law"), which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (1) the name and contact information of the personal information processor; (2) purpose of processing personal information, processing method, type of personal information processed, and retention period; (3) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (4) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorized access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organizing the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order

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the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than 50 million RMB or less than 5% of the previous year's turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business licence; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

### Internet Information Security

*The Decisions on Protection of Internet Security* enacted by the SCNPC (全國人民代表大會常務委員會關於維護互聯網安全的決定) in 2000, as amended on August 27, 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC laws, are subject to criminal penalty: (1) intrusion into a strategically significant computer or system; (2) intentionally inventing and disseminating destructive programs, such as computer viruses, to attack the computer system and the communications network, thereby damaging the computer system and the communications networks; (3) violating national regulations, suspending the computer networks or the communication services without authorization, causing the computer network or communication system to fail to operate normally; (4) leaking state secrets; (5) spreading false commercial information; or (6) infringing intellectual property rights through internet.

On November 7, 2016, the SCNPC promulgated *the Cybersecurity Law of the PRC* (中華人民共和國網絡安全法) (the “Cybersecurity Law”), effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators are broadly defined as owners and administrators of networks and network service provider and subject to various security protection-related obligations, including but not limited to (1) complying with security protection obligations under graded system for cybersecurity protection requirements, which include formulating internal security management rules and operating instructions, appointing cybersecurity responsible personnel and their duties, adopting technical measures to prevent computer viruses, cyber-attack, cyber-intrusion and other activities endangering cybersecurity, adopting technical measures to monitor and record network operation status and cybersecurity incidents; (2) formulating a emergency plan and promptly responding to and handling security risks, initiating the emergency plans, taking appropriate remedial measures and reporting to regulatory authorities in the event comprising cybersecurity threats; and (3) providing technical assistance and support to public security and national security authorities for protection of national security and criminal investigations in accordance with the law.

On June 10, 2021, the SCNPC promulgated *the Data Security Law of PRC* (中華人民共和國數據安全法) (the “Data Security Law”), which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated *the Measures for Cybersecurity Review* (網絡安全審查辦法) (the “Cybersecurity Review Measures”), which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, among others, (1) critical information infrastructure operators that the purchase of cyber products and services or network platform operators that engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; and (2) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

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On July 7, 2022, the CAC has promulgated *the Measures for the Security Assessment of Cross-border Data Transfer* (數據出境安全評估辦法), which takes effect on September 1, 2022, and requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to the relevant law to an overseas recipient shall conduct security assessment. The Measures for the Security Assessment of Cross-border Data Transfer provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (1) where the important data are transferred to an overseas recipient; (2) where the personal information is transferred to an overseas recipient by an operator of critical information infrastructure or a data processor that has processed personal information of more than one million people; (3) where a data processor provides personal information to an overseas recipient if such data processor has already provided overseas the personal information of 100,000 people or sensitive personal information of 10,000 people since January 1 of the preceding year; or (4) other circumstances under which security assessment of outbound data transfer is required as prescribed by the national cyberspace administration.

### LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

#### Environmental Protection

*The Environmental Protection Law of the PRC* (中華人民共和國環境保護法) (the “Environmental Protection Law”) was promulgated on December 26, 1989 by SCNPC, and most recently amended on April 24, 2014, and took effect on January 1, 2015. The Environmental Protection Law has been formulated for the purpose of environmental protection and improvement, prevention and treatment of pollution and other hazards, protection of public health, promoting development of ecological civilization, promoting sustainable economic and social development. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, enterprises, institutions and other manufacturing operators shall prevent and reduce environmental pollution and ecological damage, and shall be liable for damages caused by them pursuant to the law.

#### Environmental Impact Assessment and Completion Acceptance

According to *the Environmental Impact Assessment Law of the People’s Republic of China* (中華人民共和國環境影響評價法) promulgated by the SCNPC on October 28, 2002, and latest amended on December 29, 2018, and *the Regulations on the Administration of Construction Project Environmental Protection* (建設項目環境保護管理條例) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and effective on October 1, 2017, and *the Interim Measures for the Acceptance Examination of Environmental Protection Facilities of Construction Projects* (建設項目竣工環境保護驗收暫行辦法) promulgated by the Ministry of Environmental Protection (currently known as the Ministry of Ecology and Environment) on November 20, 2017, the State implements classified management on the environmental impact assessment of construction projects in accordance with the degree of impact of construction projects on the environment. Construction entities shall organize the preparation of environmental impact report, environmental impact statement, or filling in environmental impact registration form in accordance with the degree of impact of construction projects on the environment. According to the Environmental Impact Assessment Law, where a construction entity put the construction project into production or use while the complementary environmental protection facilities of a construction project are not constructed or have not undergone acceptance inspection or do not pass acceptance inspection, the ecological environment authorities at the county level or above shall order it to make correction within a stipulated period and impose a fine ranging from RMB200,000 to RMB1 million; where correction is not made within the stipulated period, a fine ranging from RMB1 million to

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RMB2 million shall be imposed; for the person-in-charge and other responsible personnel, a fine ranging from RMB50,000 to RMB200,000 shall be imposed; where the construction project causes significant environmental pollution or ecological damage, the production or use shall be suspended, or the project shall be closed down upon approval by the competent government.

### **Pollutant Discharge Permit**

According to *the Law on Prevention and Control of Water Pollution of the PRC* (中華人民共和國水污染防治法) promulgated on May 11, 1984 and most recently amended on June 27, 2017, and *the Environmental Protection Law*, and *the Administrative Measures for Pollutant Discharge Permit (Trial Implementation)* (排污許可管理辦法(試行)) promulgated by the Ministry of Environmental Protection (currently known as the Ministry of Ecology and Environment) and latest amended on August 22, 2019, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution. The State implements a pollutant discharge permit management system and enterprises and other production operators that are included in the classification management catalog of pollutant discharge permits for stationary pollution sources shall apply for and obtain a pollutant discharge permit, and the pollutant discharge entities that are not included in the scope are not required to apply for a pollutant discharge permit for the time being.

Pursuant to *the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC* (中華人民共和國固體廢物污染環境防治法), which was promulgated by the SCNPC in 1995 and was latest amended on April 29, 2020, all enterprises and individuals generating or engaging in the collection, storage, transport, utilization or disposal of solid wastes shall adopt measures to prevent or reduce environmental pollution by solid wastes and shall bear liability for any resulting environmental pollution in accordance with the law. In accordance with *the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Version)* (固定污染源排污許可分類管理名錄(2019年版)) promulgated by the Ministry of Ecology and Environment on December 20, 2019, the State implements key management, simplified management and registration management of pollutant discharge permits based on factors such as the amount of pollutants generated and discharged, the degree of impact on the environment. The pollutant discharge entity that generates or discharges very small amount of pollutants and has small impact on the environment shall be implemented registration management, and is not required to apply for a pollutant discharge license, but shall fill in the pollutant discharge registration form on the national pollutant discharge license management information platform.

### **LAWS AND REGULATIONS RELATING TO FIRE PREVENTION**

According to *the Fire Prevention Law of the People's Republic of China* (中華人民共和國消防法) promulgated by the SCNPC on April 29, 1998 and most recently amended on April 29, 2021, and *the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects* (建設工程消防設計審查驗收管理暫行規定) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and latest amended on August 21, 2023, fire acceptance should be done for special construction projects which meet certain conditions, fire filing should be done for other types of construction projects. On August 12, 2015, the Ministry of Public Security promulgated *Eight Measures to Deepen Reform and Serve Economic and Social Development* (公安消防部門深化改革服務經濟社會發展八項措施), or the Eight Measures. According to the Eight Measures, construction projects with an investment of less than RMB300,000 or a construction area of less than 300 sq.m. is not required to obtain the as-built acceptance check on fire prevention or fire safety filing, and competent authorities of housing and urban-rural development at the provincial level may formulate detailed rules of implementation pursuant to these measures.

### **LAWS AND REGULATIONS RELATING TO REAL ESTATE LEASING**

According to *the PRC Civil Code* which took effect on January 1, 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party.

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Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated *the Administrative Measures on Leasing of Commodity Housing* (商品房屋租賃管理辦法), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

### LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

#### Trademarks

Trademarks are protected by *the Trademark Law of the PRC* (中華人民共和國商標法) (the "PRC Trademark Law") which was promulgated by SCNPC on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, and August 30, 2013, respectively, and was last amended on April 23, 2019, and came into force on November 1, 2019, as well as *the Implementation Regulation of the Trademark Law of the PRC* (中華人民共和國商標法實施條例) adopted by the State Council on August 3, 2002, subsequently amended on April 29, 2014, and became effective on May 1, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office (商標局) under the National Intellectual Property Administration (國家知識產權局) handles trademark registrations and grants a term of ten-year from the date of registration to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office for record. The licensor shall supervise the quality of the commodities on which the trademark is used and the licensee shall guarantee the quality of such commodities, the licensee shall display the name of the licensor and the place of origin on the commodities that bear the licensed registered trademark. As to trademarks, the PRC Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

#### Patents

According to *the Patent Law of the PRC* (中華人民共和國專利法) (the "Patent Law"), promulgated by the SCNPC on March 12, 1984, and latest revised on October 17, 2020 and came into effect on June 1, 2021, and *the Rules for the Implementation of the Patent Law of the PRC* (中華人民共和國專利法實施細則) promulgated by the State Council on June 15, 2001, last amended on January 9, 2010 and became effective on February 1, 2010, the patent administrative department under the State Council is responsible for administration of patent-related work nationwide. The patent administration departments of province

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or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC Patent Law and its implementation rules divide patents into three types, “invention,” “utility model” and “design.” Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application. The patentee shall pay an annual fee commencing from the year in which the patent right is granted. The PRC patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

### Copyright

China is a signatory to some major international conventions on protection of copyright and became a member of *the Berne Convention for the Protection of Literary and Artistic Works* in October, 1992, *the Universal Copyright Convention* in October, 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001. *The Copyright Law of the PRC* (中華人民共和國著作權法) which was promulgated by the SCNPC on September 7, 1990, as amended on October 27, 2001 and latest amended on November 11, 2020, and came into effective on June 1, 2021, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the PRC Copyright Law is to encourage the creation and dissemination of works which is beneficial to the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture. Unless otherwise stipulated in the PRC Copyright Law, anyone that wishes to use another’s work shall conclude a licensing contract with the copyright owner of the work. A licensing contract shall include: the type(s) of right(s) being licensed; whether the license is exclusive or non-exclusive; the geographic scope and term of the license; the amount and method of remuneration; liability for breach of contract; and other details which the parties consider necessary. Where the right licensed is an exclusive licensing right, the contracts shall be made in writing, except in cases where works are to be published by newspapers and periodicals according to *the Implementing Regulations of the Copyright Law of the PRC* (中華人民共和國著作權法實施條例), which was promulgated by State Council on August 2, 2002, last amended on January 30, 2013 and became effective on March 1, 2013. Any person, who concludes an exclusive licensing contract or assignment contract with a copyright owner, may submit, for filing, the contractual documents to the copyright administrative department.

According to *the Regulation on Computer Software Protection* (計算機軟件保護條例), which took effect on October 1, 1991 and was last amended on January 30, 2013 and subsequently enforced on March 1, 2013, the software copyright shall exist from the date on which its development has been completed, and software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. On February 20, 2002, the National Copyright Administration of the PRC promulgated *the Measures on Computer Software Copyright Registration* (計算機軟件著作權登記辦法), which outlines the operational procedures for registration of software copyright, as well as registration of the license for the software copyright and software copyright transfer contracts. The Copyright Protection Center of the PRC (中國版權保護中心) is mandated as the software registration agency under the regulations.

### Domain Name

*The Measures on Administration of Internet Domain Names* (互聯網域名管理辦法) was promulgated by the Ministry of Industry and Information Technology of the PRC (the “MIIT”) in 2017, which adopts “first to file” rule to allocate domain names to applicants, and provide that the MIIT shall supervise the domain names services nationwide and publicize the PRC domain name system. After completion of the registration procedures, the applicant will become the holder of the relevant domain name.

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## REGULATORY OVERVIEW

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### LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

#### Employment

The major PRC laws and regulations that govern employment relationship are *the PRC Labor Law* (中華人民共和國勞動法), *the PRC Labor Contract Law* (中華人民共和國勞動合同法) (the “Labor Contract Law”) and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as “dispatched workers”. Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. According to the Interim Provisions on Labor Dispatch (勞務派遣暫行規定) promulgated by the Ministry of Human Resources and Social Security and came into effect on March 1, 2014, the number of dispatched workers hired by an employer may not exceed 10% of the total number of its employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

#### Social Insurance

*The PRC Social Insurance Law* (中華人民共和國社會保險法) (the “Social Insurance Law”) issued by the SCNPC in 2010 and latest amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to *the Social Insurance Law* and *the Provisional Regulations on Collection and Payment of Social Insurance Premiums* (社會保險費徵繳暫行條例) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in *the Regulation on Work-Related Injury Insurance* (工傷保險條例) which was issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010, *the Regulations on Unemployment Insurance* (失業保險條例) which was issued by the State Council on January 22, 1999 and came into effect on the same day, *the Trial Measures on Employee Maternity Insurance of Enterprises* (企業職工生育保險試行辦法), which was issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995. Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

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## REGULATORY OVERVIEW

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### Housing Provident Fund

According to *the Regulation on the Administration of Housing Provident Fund* (住房公積金管理條例), which was implemented on April 3, 1999 and latest amended on March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship. Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

### LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Pursuant to *the Regulations on Foreign Exchange Control of the PRC* (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 and became effective from April 1, 1996, and latest amended on August 5, 2008 and became effective from the same date, and relevant regulations, there is no restriction on the recurring international payment and transfer, and the foreign exchange income and expenses of recurring items (such as goods trade, income and expenses of service trade and payments of interest and dividends) should be on true and legal transactions basis, and can be directly undertaken at the bank with true and valid transaction documents. Foreign exchange income and expenses of capital items (such as direct equity investment and loans) shall comply with the provisions of relevant laws and regulations, and where required for approval or registration by relevant regulation from foreign exchange administration authorities, such approval or registration shall be filed. Foreign exchange and settlement funds of capital items shall be used for purposes as stipulated in relevant competent departments and foreign exchange administration authorities.

According to *the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing* (關於境外上市外匯管理有關問題的通知) issued by the State Administration of Foreign Exchange ("SAFE") on December 26, 2014 and as amended by the SAFE Circular 16 (defined below), the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

The SAFE issued *the Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises* (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "SAFE Circular 19"), on March 30, 2015, and it became effective on June 1, 2015, which was partially repealed on December 30, 2019, and latest amended on March 23, 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated *the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account* (國家外匯管理局關於改革和規範資本項目結匯管理政策的通告) (the "SAFE Circular 16"), which, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

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## REGULATORY OVERVIEW

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In October 2019, SAFE issued *the Circular of Further Facilitating Cross-border Trade and Investment* (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知) (“SAFE Circular 28”), which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to *the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business* (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知) (“SAFE Circular 8”), issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of SAFE Circular 28 and SAFE Circular 8 are still subject to several uncertainties given they are newly issued regulations.

### LAWS AND REGULATIONS RELATING TO TAXATION

#### Enterprise Income Tax

According to *the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and *the Implementation Regulations for the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例), which was promulgated by the State Council and was latest amended in April 2019, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate (“EIT”) is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC’s government will enjoy a 15% tax rate reduction for Enterprise Income Tax.

According to *the Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy* (關於深入實施西部大開發戰略有關稅收政策問題的通知) which was promulgated by the Ministry of Finance, General Administration of Customs, and State Administration of Taxation, from January 1, 2011 to December 31, 2020, the EIT imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%. Furthermore, according to the Announcement on Continuation of EIT Policies for Large-scale Development in the Western Region (關於延續西部大開發企業所得稅政策的公告) which was promulgated by the Ministry of Finance, State Administration of Taxation, and National Development and Reform Commission, During the period from January 1, 2021 to December 31, 2030, CIT shall be levied at a reduced tax rate of 15% on enterprises established in the western region in encouraged industries.

#### Value-added Tax

Pursuant to *the Provisional Regulations of the PRC on Value-added Tax* (中華人民共和國增值稅暫行條例), which was promulgated by the State Council and was latest amended on November 19, 2017, and *the Implementation Rules for the Provisional Regulations the PRC on Value-added Tax* (中華人民共和國增值稅暫行條例實施細則), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax.

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## REGULATORY OVERVIEW

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According to *the Notice of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates* (財政部、稅務總局關於調整增值稅稅率的通知) effective in May 2018, the value-added tax rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively.

According to *the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告) promulgated on March 20, 2019 and effective from April 1, 2019, the value-added tax rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

### Dividend Distribution and Tax

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are *the Company Law*, the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

According to the Civil Procedure Law of the People's Republic of China which was promulgated by the National People's Congress on April 9, 1991 and most recently amended on December 24, 2021, the limitation period for an action to recover a debt (including the recovery of declared dividends) is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

*The Enterprise Income Tax Law* provides that since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC resident investors' jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with Hong Kong, Macau, and a number of countries and regions including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

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## REGULATORY OVERVIEW

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### LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT IN THE PRC

#### Foreign Investment

Investment activities in the PRC by foreign investors were principally governed by *the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 version)* (外商投資准入特別管理措施(負面清單)(2021年版)) (the “Negative List”), and *the Catalogue of Industries for Encouraging Foreign Investment (2022 version)* (鼓勵外商投資產業目錄(2022年版)) (the “Encouraging List”). The Negative List, which came into effect on January 1, 2022, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment.

#### Foreign-Invested Enterprises

The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares. According to *the Foreign Investment Law of the PRC* (中華人民共和國外商投資法) promulgated by the NPC on March 15, 2019, and came into effect on January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, *the Law of the People’s Republic of China on Sino-foreign Equity Joint Ventures* (中華人民共和國中外合資經營企業法), *the Wholly Foreign-owned Enterprises Law of the PRC* (中華人民共和國外資企業法) and *the Law of the People’s Republic of China on Sino-foreign Contractual Joint Ventures* (中華人民共和國中外合作經營企業法) have been repealed since January 1, 2020.

On December 26, 2019, the State Council promulgated *the Regulations on Implementing the Foreign Investment Law of the PRC* (中華人民共和國外商投資法實施條例), which came into effect on January 1, 2020. Simultaneously, *the Regulations on Implementing the Sino-Foreign Equity Joint Venture of the PRC* (中華人民共和國中外合資經營企業法實施條例), *the Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture* (中外合資經營企業合營期限暫行規定), *the Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC* (中華人民共和國外資企業法實施細則) and *the Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC* (中華人民共和國中外合作經營企業法實施細則) have been repealed since January 1, 2020.

According to *the Measures for the Reporting of Foreign Investment Information* (外商投資信息報告辦法), which was promulgated by the Ministry of Commerce of the PRC (“MOFCOM”) and the SAMR on December 30, 2019 and came into effect on January 1, 2020 and simultaneously replaced *the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises* (外商投資企業設立及變更備案管理暫行辦法), for carrying out investment activities directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

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## REGULATORY OVERVIEW

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### LAWS AND REGULATIONS RELATING TO SECURITIES AND OVERSEAS LISTINGS

#### Securities Laws and Regulations

The Securities Law of the People's Republic of China, which was promulgated by the SCNPC on December 29, 1998 and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The China Securities Regulatory Commission (the "CSRC") is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

#### Overseas Listings

On February 17, 2023, the China Securities Regulatory Commission, or the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including *the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies* (境內企業境外發行證券和上市管理試行辦法) ("Trial Measures") together with 5 supporting guidelines (together with the Trial Measures, collectively referred to as the "New Regulations on Filing"). Under New Regulations on Filing, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted

The New Regulations on Filing provides that no overseas offering and listing shall be made under any of the following circumstances: (1) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

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## REGULATORY OVERVIEW

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### Confidentiality and Archives Administration

On February 24, 2023, the CSRC and other three relevant government authorities jointly promulgated *the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises* (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (“the Provision on Confidentiality”). Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

### Beneficial Owners

According to *the Notice of the People’s Bank of China on Further Improving the Identification of Beneficial Owners* (中國人民銀行關於進一步做好受益所有人身份識別工作有關問題的通知) which was promulgated by the People’s Bank of China on June 27, 2018 and became effective on the same day, for identification purpose, each non-natural-person shall have at least one beneficial owner. To be identified as a beneficial owner of a company one should have ultimate control over a company is not limited to directly or indirectly owning more than 25% of the company’s equity or voting rights, and it includes any other form that can effectively control or actually affect the company’s decision-making, operation and management.

### LAWS AND REGULATIONS RELATING TO THE H SHARE “FULL CIRCULATION”

Pursuant to *the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies* (H股公司境內未上市股份申請“全流通”業務指引), promulgated by the CSRC on November 14, 2019 and revised on August 10, 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for “full circulation.” After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to *the Measures for Implementation of H-share “Full Circulation” Business* (H股“全流通”業務實施細則), or the Measures for Implementation, promulgated by the China Securities Depository and Clearing Corporation Limited, or the CSDC, and Shenzhen Stock Exchange, or the SZSE, on December 31, 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share “full circulation business,” are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, or the CSDC (Hong Kong), and SZSE.

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## REGULATORY OVERVIEW

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In order to fully promote the reform of H-shares “Full Circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, CSDC has promulgated *the Circular on Issuing the Guide to the Program for Full Circulation of H-shares* (關於發佈<H股“全流通”業務指南>的通知) on February 7, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

According to *the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies* (關於<境內企業境外發行證券和上市管理試行辦法>的說明), the New Regulations Filing aims to strengthening institutional inclusiveness and deepening opening-up, and lays out “full circulation” arrangements. For the overseas offering and listing by a domestic company, holders of its domestically-based domestic unlisted shares are allowed after filing to convert the shares into overseas listed shares to be circulated on overseas trading venues.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OVERVIEW

We are a leading brand in China’s EBN product market, dedicated to the development, production and marketing of quality modern EBN products. Our history can be traced back to 1997 when Mr. Huang, our founder, chairman and executive Director, established Xiamen Suntama and started business to sell EBN products in China.

In October 2014, to optimize our corporate structure and introduce external investors, Mr. Huang through Xiamen Suntama and together with Mr. Zheng, our vice chairman and executive Director, Mr. Li, our general manager and executive Director, and certain other shareholders established our Company in the PRC as a limited liability company and named it as Xiamen Yan Palace Biological Engineering Development Co., Ltd. (廈門燕之屋生物工程發展有限公司). In December 2020, for the purpose of our initial A share listing attempt, we were converted from a limited liability company into a joint stock limited liability company in accordance with applicable PRC laws and regulations under the name of Xiamen Yan Palace Bioengineering Co., Ltd. (廈門燕之屋生物工程股份有限公司). In November 2023, we were renamed as Xiamen Yan Palace Bird’s Nest Industry Co., Ltd. (廈門燕之屋燕窩產業股份有限公司).

During the Track Record Period, our Company was controlled by Mr. Huang, our founder, chairman and executive Director, Mr. Zheng, our vice chairman and executive Director, and Mr. Li, our general manager and executive Director, through their respective direct shareholding in the Company and Xiamen Suntama (together with Mr. Huang, Mr. Zheng and Mr. Li, collectively, the “Concert Parties”), pursuant to certain acting in concert agreements, and the Concert Parties are our Controlling Shareholders. In addition, Jinyan Tengfei LP (the employee incentive share platform of our Company and its general partner is Mr. Huang) and Ms. Xue (the spouse of Mr. Zheng) are also deemed to be Controlling Shareholders by virtue of their relationship with the Concert Parties pursuant to the Listing Rules. As of the Latest Practicable Date, pursuant to the Listing Rules, approximately 41.40% of the total issued share capital of our Company are owned by our group of Controlling Shareholders collectively. See “—Concert Party Arrangement,” “Relationship with Our Controlling Shareholders” and “Directors, Supervisors and Senior Management” for more information about their relationship and biographical details.

### BUSINESS MILESTONES

The following table sets forth the key business development milestones of our Group:

<u>Year</u>	<u>Milestones</u>
2014 . . . . .	Our Company was established as a limited liability company in Xiamen.  Our Company took the lead in drafting the “Edible Bird’s Nest Quality Grading,” which became the standard specification for the EBN industry.  We opened our online stores through e-commerce channels, starting our online sales.
2015 . . . . .	Our EBN technology center had officially passed the CNAS laboratory accreditation (registration number: CNAS L8129). Our Company was the first EBN enterprise in China to have the CNAS laboratory accreditation.
2018 . . . . .	Our Company was recognized by the National Urban Agricultural Trade Center Association’s Bird’s Nest Market Professional Committee (全國城市農貿中心聯合會燕窩市場專業委員會) as the most influential brand of 2018.
2019 . . . . .	Our Company was recognized as “Fujian Benchmark Company for Edible Bird’s Nest Products” (福建省燕窩及燕窩製品標桿企業) by China Food Industry Association (中國食品工業協會).

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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<u>Year</u>	<u>Milestones</u>
2020 . . . . .	<p>Our Company was converted into a joint stock company with limited liability.</p> <p>The number of the Group’s offline stores exceeded 500.</p>
2021 . . . . .	<p>Our Company and the Indonesian government signed an agreement of intent to purchase bird’s nest (燕窩採購意向協議) in 2022.</p> <p>Our Company was the designated EBN product of the Chinese national fencing team.</p> <p>Our Company was selected into the National Brands Project of Xinhua News Agency.</p>
2022 . . . . .	<p>We were named as one of “the Xiamen Municipal-level Enterprise Technology Centers” (廈門市市級企業技術中心) and the Xiamen Specialized, Refined, Unique, and New Small and Medium-sized Enterprises (“廈門專精特新企業”).</p> <p>Our Xiamen factory became a “Green Factory” in the provincial level as recognized by Fujian Provincial Department of Industry and Information Technology (福建省工業和信息化廳).</p> <p>The number of our offline stores exceeded 700.</p>

### OUR CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING MOVEMENT DURING THE TRACK RECORD PERIOD

The following sets forth the corporate history and major shareholding movements of our Company during the Track Record Period.

#### Early History and Establishment of Our Company

Our history can be traced back to 1997 when Mr. Huang, our founder, chairman and executive Directors, established Xiamen Suntama with its own funds and started business to sell dried EBN products in China. In 2002, our founder launched the business model of “instant ordering, consuming, stewing and delivery” for instant stewed bird’s nest soup product in the market in China. In 2012, our founder invented and launched the bowl-shape-canned EBN soup products series, “One Nest” (碗燕), and was one of the first in the market with the capability of achieving industrial mass production of EBN soup products.

In 2014, to optimize the corporate structure and introduce external investors, Mr. Huang, our founder, chairman and executive Director, together with Mr. Zheng, our vice chairman and executive Director, and Mr. Li, our general manager and executive Director, and certain early investors established our Company as a limited liability company on October 31, 2014 and named it as Xiamen Yan Palace Biological Engineering Development Co., Ltd. (廈門燕之屋生物工程發展有限公司). Our initial registered capital was RMB66,666,668 and was collectively owned as to 94.84% by Mr. Huang, Mr. Zheng and Mr. Li through themselves and Xiamen Suntama, and as to 1.72%, 1.72% and 1.72% by LIU Zhen, our non-executive Director, ZENG Huanrong, an Independent Third Party, and Beijing Bokai Huarui Trading Co., Ltd. (北京博凱華瑞商貿有限公司), an Independent Third Party, respectively.

To strengthen the control and management over the Group, Mr. Huang, Mr. Zheng, Xiamen Suntama and Mr. Li have entered into certain acting in concert arrangement since December 2016 and have remained control of 30% or more of our issued share capital since then. See “—Concert Party Arrangement” and “Relationship with Our Controlling Shareholders” for more information.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Xiamen Suntama was established by Mr. Huang in 1997 as the operating entity for his early business of purchasing and selling dried EBN products. After a long period of production and operation, by the year 2010, to obtain offshore financings to support its business growth and working capital needs, Xiamen Suntama was restructured into an offshore red chip structure and converted into a foreign invested company. In 2011, Xiamen Suntama considered pursuing a listing on the Stock Exchange. However, as the EBN market and related business was negatively affected by the industrial Red EBN Incident in 2011, Mr. Huang ceased the business of Xiamen Suntama and did not further proceed with the listing attempt on the Stock Exchange. For details of the Red EBN Incident, please see “Risk Factors—Risks Relating to our Industry—Government investigations over food safety incidents in China’s EBN industry and the resulting negative publicity could adversely affect our business and reputation”. In 2014, after the industrial recovery, Mr. Huang introduced new partners and established our Company with certain of our early investors to promote and standardize the mass production of ready-to-serve EBN products to explore new product strategy and ensure product quality. In 2021, the offshore structure of Xiamen Suntama was unwound due to the Company’s previous A share listing attempts. Xiamen Suntama had historically borrowed certain loans from our Company for its general working capital and liquidity use, which had been fully settled in 2020. See “Relationship with Our Controlling Shareholders” and “Financial Information” for more information. As of the Latest Practicable Date, Xiamen Suntama was a shareholding platform of Mr. Huang and his family for holding their investments in our Company. Mr. Huang, our founder, chairman and our executive Director, and HUANG Junhao (黃俊豪), the son of Mr. Huang, held 90% and 10% of the shareholding of Xiamen Suntama, respectively, as of the Latest Practicable Date.

### Pre-IPO Investments

Since 2014, several external investors invested in our Company as pre-IPO investors to facilitate the business development of our Company. See “—Pre-IPO Investments” for more information.

### Conversion into Joint Stock Company with Limited Liability

For the purpose of our proposed initial A share listing, on December 23, 2020, all of the then 19 shareholders of our Company resolved at a shareholders’ general meeting to approve the conversion of our Company into a joint stock company with limited liability. According to the capital verification report prepared by an Independent Third Party auditor, the total net asset value of our Company as of October 31, 2020 was RMB175.05 million, of which (i) RMB83.33 million was converted to Shares with par value of RMB1.0 per Share; and (ii) the remaining amount of approximately RMB91.72 million was converted into capital reserve. The conversion was completed on December 23, 2020. Immediately upon completion of the said conversion, the registered capital of our Company was RMB83.33 million divided into 83,333,336 Shares with nominal value of RMB1.0 per Share, which were subscribed by all our then Shareholders in proportion to their respective equity interests in our Company before the conversion, details of which as follows:

<u>Name of Shareholder</u>	<u>Number of Shares with nominal value of RMB1.0 each held by shareholders</u>	<u>Shareholding Percentage</u>
		(%)
<i>Concert Parties and Controlling Shareholders</i>		
Xiamen Suntama <sup>(1)</sup> . . . . .	18,357,112	22.03
Mr. Zheng . . . . .	6,595,731	7.91
Mr. Li . . . . .	6,590,952	7.91
<i>Other shareholders</i> <sup>(2)</sup>		
Guangyao Tianxiang LP . . . . .	12,000,000	14.40

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Shareholder	Number of Shares with nominal value of RMB1.0 each held by shareholders	Shareholding Percentage (%)
Xiamen Jinyanlai LP	8,333,334	10.00
Hongyan Investment LP	7,771,492	9.33
FU Yu (付煜)	6,595,731	7.91
Yangming Kangyi LP	3,333,333	4.00
ZENG Huanrong (曾煥容)	3,129,333	3.76
LIU Zhen (劉震)	2,404,095	2.88
HUANG Jincheng (黃進成)	2,250,000	2.70
HUANG Wenxiao (黃文小)	1,666,667	2.00
SHI Tao (師濤)	1,041,667	1.25
Torch Investment	833,333	1.00
Tianyi Tongchuang LP	833,333	1.00
Jinjun Hongyan LP	555,556	0.67
ZHANG Qing (張青)	416,667	0.50
WU Junjie (吳俊傑)	416,667	0.50
XIAO Wen (肖雯)	208,333	0.25
<b>Total</b>	<b>83,333,336</b>	<b>100%</b>

*Notes:*

- (1) Xiamen Suntama is controlled by Mr. Huang.
- (2) See notes to the charts in “—Our Corporate Structure Immediately prior to the Global Offering” and “—Our Corporate Structure Immediately following the Global Offering” sections for details of such shareholders.

### Registered Capital Increase in December 2020 and June 2021

In December 2020 and June 2021, our Company issued 1,641,664 new Shares with nominal value of RMB1.0 each and 1,725,000 new Shares with nominal value of RMB1.0 each to Jinyan Tengfei LP, an employee incentive platform of our Group, and Ms. XUE Fengying, the spouse of Mr. Zheng, respectively. The consideration was RMB12 per Share, which was determined after arm’s length negotiations taking into account the contributions of such employees to our Group and the valuation of our Company. After the new issuance, the registered capital of our Company was increased to RMB84.98 million and RMB86.70 million, respectively.

### Share Subdivision

As approved by our Shareholders’ general meeting on May 25, 2023, immediately upon the Listing, one Share of RMB1.0 will each subdivide into five Shares of RMB0.2 each. After the Share Subdivision, the number of our issued Shares was 433,500,000.

See “—Our Corporate Structure Immediately prior to the Global Offering” for details of the shareholding structure of our Company immediately prior to the Global Offering.

### CONCERT PARTY ARRANGEMENT

On December 29, 2016 and December 23, 2020, to strengthen the control and management over the Group, Mr. Huang, Mr. Zheng and Mr. Li, who are our executive Directors, through themselves and Xiamen Suntama, entered into acting in concert agreements (the “Concert Party Agreements”). Pursuant

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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to the Concert Party Agreements, the Concert Parties have agreed to act in concert with each other in respect of the decision making at the Board meeting level and Shareholders meeting level since December 29, 2016, and agreed further on December 23, 2020 that if the Concert Parties have disagreements, the Concert Parties will cast vote on such issues and shall act in accordance with the direction of the Concert Party or Concert Parties with more than two-thirds of the total number of voting rights held by the Concert Parties. The acting in concert arrangement under the Concert Party Agreements will continue until the expiry of 36 months after the Listing and will be automatically renewed for five years each time after the expiry date unless any of the party to such Concert Party Agreements terminates it in writing. The Concert Parties are our Controlling Shareholders. In addition, Jinyan Tengfei LP (the employee incentive share platform of our Company and its general partner is Mr. Huang) and Ms. Xue (the spouse of Mr. Zheng) are also deemed to be our Controlling Shareholders by virtue of their relationship with the Concert Parties pursuant to the Listing Rules. As of the Latest Practicable Date, pursuant to the Listing Rules, our group of Controlling Shareholders collectively owned approximately 41.40% of the total issued share capital of our Company, comprising (1) 37.52% of the equity interest of our Company directly held by the Concert Parties; (2) 1.89% of the equity interest of our Company held by Jinyan Tengfei LP; and (3) 1.99% of the equity interest of our Company held by Ms. Xue. See “Relationship with Our Controlling Shareholders” for more information.

### EMPLOYEE INCENTIVE SCHEME

We have adopted an employee incentive scheme on December 26, 2020 (the “Employee Incentive Scheme”), as amended, to attract and retain talents for our Group, and foster shared interests between Shareholders and our management team. In connection with the Employee Incentive Scheme, Jinyan Tengfei LP has been established in the PRC as our employee incentive platform which has subscribed for 1,641,664 Shares at the consideration of RMB12 per Share. The general partner of Jinyan Tengfei LP is Mr. Huang, our founder, chairman and executive Director, and its limited partners are grantees under the Employee Incentive Scheme including Directors, Supervisors, senior management and other employees of our Group who subscribed for the limited partnership interests in Jinyan Tengfei LP. All the Shares are subject to certain transfer and disposal restrictions. As of the Latest Practicable Date, all Shares subject to the Employee Incentive Scheme have been granted to, vested and subscribed for by 43 participants, and no further Shares will be granted under such scheme following the Listing. See “Statutory and General Information—C. Further Information about Our Directors, Supervisors and Substantial Shareholders—6. Employee Incentive Scheme” in Appendix IV to this prospectus for details of the Employee Incentive Scheme.

### MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period, we completed the following major acquisitions, disposals and mergers:

#### Acquisitions of Beijing Tianfeiyuan, Changchun Jinyanhui and Harbin Jinyanhui

On June 21, 2021, we entered into the share purchase agreement with Qingdao Paris Shengyan Enterprise Management Partnership (Limited Partnership) (青島巴黎盛宴企業管理合夥企業(有限合夥)) (“Paris Shengyan”) and Beijing Tianfeiyuan, pursuant to which, we agreed to acquire 55% of the equity interests in Beijing Tianfeiyuan held by Paris Shengyan at a consideration of RMB32.67 million in cash. The consideration was determined based on arms-length negotiation with reference to the valuation of such company conducted by an Independent Third Party valuer, which was evaluated based on the income approach with reference to the business performance and financial status of such company as of April 30, 2021 and its estimated future performance. The acquisition was completed on June 29, 2021, after which, Beijing Tianfeiyuan has become a non-wholly owned subsidiary of our Company and was owned as to 55% by our Company and 45% by Qingdao Zhenpindao Enterprise Management Partnership (Limited

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Partnership) (青島珍品道企業管理合夥企業(有限合夥)), which is an employee shareholding platform of Beijing Tianfeiyuan and is controlled by the employees of Beijing Tianfeiyuan. The following sets out the financial information relating to Beijing Tianfeiyuan and its subsidiaries prior to and after the acquisition:

	Prior to the acquisition	After the acquisition		
	From January 1, 2021 to the date of acquisition	From the date of acquisition to December 31, 2021	For the year ended December 31, 2022	For the five months ended May 31, 2023
		RMB (million)		
Revenue contribution to the Group . .	26.54	48.9	92.1	47.5
Total revenue . . . . .	37.5	48.9	92.1	47.5
Gross profit . . . . .	16.5	21.0	41.0	21.1
Net profit . . . . .	3.5	3.4	7.7	4.1
	As of January 1, 2021	As of December 31, 2021	As of December 31, 2022	As of May 31, 2023
Self-operated stores . . . . .	24	22	26	27

On June 21, 2021, we entered into the share purchase agreement with Paris Shengyan and Changchun Jinyanhui, pursuant to which, we agreed to acquire 55% of the equity interests in Changchun Jinyanhui held by Paris Shengyan at a consideration of RMB16.06 million in cash. The consideration was determined based on arms-length negotiation with reference to the valuation of such company conducted by an Independent Third Party valuer, which was evaluated based on the income approach with reference to the business performance and financial status of such company as of April 30, 2021 and its estimated future performance. The acquisition was completed on June 29, 2021, after which, Changchun Jinyanhui has become a non-wholly owned subsidiary of our Company and is owned as to 55% by our Company and 45% by Qingdao Pintianxia Enterprise Management Partnership (Limited Partnership) (青島品天下企業管理合夥企業(有限合夥)), which is an employee shareholding platform of Changchun Jinyanhui and is controlled by the employees of Changchun Jinyanhui. The following sets out the financial information relating to Changchun Jinyanhui and its subsidiaries prior to and after the acquisition:

	Prior to the acquisition	After the acquisition		
	From January 1, 2021 to the date of acquisition	From the date of acquisition to December 31, 2021	For the year ended December 31, 2022	For the five months ended May 31, 2023
		RMB (million)		
Revenue contribution to the Group . .	7.13	10.7	23.4	12.7
Total revenue . . . . .	11.1	10.7	23.4	12.7
Gross profit . . . . .	5.3	5.1	12.2	6.0
Net profit . . . . .	1.7	1.2	3.7	1.8
	As of January 1, 2021	As of December 31, 2021	As of December 31, 2022	As of May 31, 2023
Self-operated stores . . . . .	9	10	9	9

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On June 21, 2021, we entered into the share purchase agreement with Paris Shengyan and Harbin Jinyanhui, pursuant to which, we agreed to acquire 55% of the equity interests in Harbin Jinyanhui held by Paris Shengyan at a consideration of RMB18.37 million in cash. The consideration was determined based on arms-length negotiation with reference to the valuation of such company conducted by an Independent Third Party valuer, which was evaluated based on the income approach with reference to the business performance and financial status of such company as of April 30, 2021 and its estimated future performance. The acquisition was completed on June 22, 2021, after which, Harbin Jinyanhui has become a non-wholly owned subsidiary of our Company and is owned as to 55% by our Company and 45% by Qingdao Tonggeli Enterprise Management Partnership (Limited Partnership) (青島桐格林企業管理合夥企業(有限合夥)), which is an employee shareholding platform of Harbin Jinyanhui and is controlled by the employees of Harbin Jinyanhui. The following sets out the financial information relating to Harbin Jinyanhui and its subsidiaries prior to and after the acquisition:

	Prior to the acquisition	After the acquisition		
	From January 1, 2021 to the date of acquisition	From the date of acquisition to December 31, 2021	For the year ended December 31, 2022	For the five months ended May 31, 2023
		RMB (million)		
Revenue contribution to the Group . .	6.75	11.0	23.4	12.4
Total revenue . . . . .	11.9	11.0	23.4	12.4
Gross profit . . . . .	5.8	5.2	13.8	6.0
Net profit. . . . .	2.9	1.5	4.2	2.1
	As of January 1, 2021	As of December 31, 2021	As of December 31, 2022	As of May 31, 2023
Self-operated stores . . . . .	8	7	7	7

Prior to such acquisitions, Paris Shengyan was then controlled by Ms. Xue, the spouse of Mr. Zheng, our vice chairman and executive Director, which held all the selling channels that were controlled by Mr. Zheng, and the acquired companies were engaged in the business of purchasing and selling EBN products of our Group. We applied, both prior to and subsequent to the acquisitions, our standard terms and conditions of distributorship to our transactions with such companies including the pricing and payment terms and policies. Our transactions with such company and related pricing, credit terms, rebate, return policies and profit margin were in line with the term and conditions we provided to a similar independent distributor during the Track Record Period. See “Business—Our Sales network—Major Terms of Distribution Agreements” for details. In light of the good historical performance of such companies and to reduce the related parties transactions and consolidating our direct selling channels, we acquired them as our subsidiaries. To ensure a due process for acquisition of such companies, we engaged an Independent Third Party valuer to evaluate the relevant target companies for determination on the consideration for such acquisitions, and Mr. Zheng, as the spouse of Ms. Xue, abstained from voting in the shareholders meeting of our Company for approving such acquisitions.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Acquisition of Taiyuan Jixiangyan

On August 9, 2021, we entered into the share purchase agreement with Qingdao Junyuequan Enterprise Management Partnership (Limited Partnership) (青島君月泉企業管理合夥企業(有限合夥)) (“Qingdao Junyuequan”) and Taiyuan Jixiangyan, pursuant to which, we agreed to acquire 55% of the equity interests in Taiyuan Jixiangyan at a consideration of RMB12.54 million in cash. The consideration was determined based on arms-length negotiation with reference to the valuation of such company conducted by an Independent Third Party valuer, which was evaluated based on the income approach with reference to the business performance and financial status of such company as of June 30, 2021 and its estimated future performance. The acquisition was completed on September 10, 2021, after which, Taiyuan Jixiangyan has become a non-wholly owned subsidiary of our Company and is owned as to 55% by our Company and 45% by Shanxi Yanwulongcheng Enterprise Management Limited Partnership (山西燕舞龍城企業管理合夥企業(有限合夥)), which is a shareholding platform of employees and then existing shareholders of Taiyuan Jixiangyan and is controlled by the employees of and the external investors of Taiyuan Jixiangyan. The following sets out the financial information relating to Taiyuan Jixiangyan and its subsidiary prior to and after the acquisition:

	Prior to the acquisition	After the acquisition		
	From January 1, 2021 to the date of acquisition	From the date of acquisition to December 31, 2021	For the year ended December 31, 2022	For the five months ended May 31, 2023
		RMB (million)		
Revenue contribution to the Group . . . . .	9.83	11.2	32.5	16.8
Total revenue . . . . .	16.3	11.2	32.5	16.8
Gross profit . . . . .	7.6	6.1	19.0	8.2
Net profit . . . . .	0.9	1.8	3.7	2.7
	As of January 1, 2021	As of December 31, 2021	As of December 31, 2022	As of May 31, 2023
Self-operated stores . . . . .	7	7	7	7

Prior to such acquisition, Qingdao Junyuequan was then controlled by Mr. Li, our general manager and executive Director, which held all the selling channels that were controlled by Mr. Li, and the acquired company was engaged in the business of purchasing and selling EBN products of our Group. We applied, both prior to and subsequent to the acquisitions, our standard terms and conditions of distributorship to our transactions with such companies including the pricing and payment terms and policies. Our transactions with such company and related pricing, credit terms, rebate and return policies were in line with the term and conditions we provided to a similar independent distributor during the Track Record Period. See “Business—Our Sales network—Major Terms of Distribution Agreements” for details on terms of distributorship. In light of the good historical performance of such company and to reduce the related parties transactions and consolidating our direct selling channels, we acquired such company as our subsidiary. To ensure a due process for acquisition of such company, we engaged an Independent Third Party valuer to evaluate the relevant target company for determination on the consideration for such acquisition, and Mr. Li was abstained from voting in the shareholders meeting of our Company for approving such acquisition.

We acquired 55% of the equity interests in each of Beijing Tianfeiyuan, Changchun Jinyanhui, Harbin Jinyanhui and Taiyuan Jixiangyan while the remaining 45% were continued to be owned by their respective local employees or existing shareholders. We believe this arrangement would provide incentives for such person and aligning their interests with those of the Group. Our Company have adopted various internal policies to protect the interests of the Group and its shareholders taken as a whole in such acquired entities, including application of uniform, standard arrangement in respect of sales of our products to all stores and sales channels of wholly-owned and non-wholly owned subsidiaries, and enhanced corporate governance measures in accordance with applicable laws and regulations. The pricing and payment terms in respect of sales of products of our Group are uniformly determined by us according to our policy applicable to all distributors including independent distributors. As such, we believe there are no potential conflict of interest despite the interests held by the respective employees in the relevant entities.

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For details of the financial impact of the aforementioned acquisitions and analysis on related goodwill recognized, see “Financial Information—Discussion of Selected Balance Sheet Items—Goodwill” and Notes 13 and 14 to the Accountants’ Report in Appendix I for more information.

Our PRC legal adviser has confirmed that as of the Latest Practicable Date, we have obtained all necessary approvals from relevant authorities for the aforementioned major acquisitions, and all the aforementioned major acquisitions have been properly and legally completed and settled.

None of the aforementioned acquisitions individually or collectively constitute a major acquisition under Rule 4.05A of the Listing Rules. During the Track Record Period and until the Latest Practicable Date, except as otherwise disclosed above and in this section, we did not conduct any other acquisitions, disposals or mergers that we consider to be material to us.

### PRINCIPAL SUBSIDIARIES OF OUR COMPANY

Set forth below is our principal subsidiaries which made material contributions to our financial results during the Track Record Period:

Name of subsidiary	Place of incorporation	Date of incorporation	Shareholding Percentage	Principal business activities
Yan Sinong . . . . .	PRC	November 23, 2007	100 (%)	Producing EBN products
Yan E-Commerce . . . . .	PRC	May 6, 2020	100	Sales of EBN products

### PRE-IPO INVESTMENTS

Since 2014, with confidence in our business development and management, many investors invested in our Company, details of which are set forth below:

#### Particulars and Principal Terms of the Pre-IPO Investments

Particulars and principal terms of the Pre-IPO investments are set forth below:

Name of Pre-IPO Investors	Date of initial share purchase agreement	Settlement Date	Approximate % of equity interests of our Company subscribed by the investor	Approximate amount of consideration paid (in RMB million)	Cost per Share with nominal value of RMB0.2 each <sup>(1)</sup>	Discount to the Offer Price <sup>(2)</sup>
<i>2014 Investments</i>						
ZENG Huanrong (曾煥容) and LIU Zhen (劉震) <sup>(3)</sup> . . . . .	October 31, 2014 and November 13, 2014	November 21, 2014	3.44% and 1.72%	2.30 and 1.15	RMB0.20	97.80%
Hu Qiaohong (胡巧紅) <sup>(4)(13)</sup> . . . . .	October 31, 2014 and November 13, 2014	October 29, 2020	8.29%	5.52	RMB0.20	97.80%

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investors	Date of initial share purchase agreement	Settlement Date	Approximate % of equity interests of our Company subscribed by the investor	Approximate amount of consideration paid (in RMB million)	Cost per Share with nominal value of RMB0.2 each <sup>(1)</sup>	Discount to the Offer Price <sup>(2)</sup>
Guangyao Tianxiang LP <sup>(5)</sup> . . . . .	December 1, 2014	December 1, 2014	10.00%	15.00	RMB0.45	95.05%
HUANG Jincheng (黃進成) <sup>(6)(13)</sup> . . . . .	December 28, 2014	October 27, 2020	3.00%	6.00	RMB0.60	93.40%
Hongyan Investment LP <sup>(7)</sup> . . . . .	December 11, 2014 and February 25, 2015	May 18, 2015	9.76%	19.51	RMB0.60	93.40%
<i>2015 Investments</i>						
Guangyao Tianxiang LP <sup>(5)</sup> . . . . .	April 3, 2015	April 21, 2015	6.00%	13.50	RMB0.676	92.56%
ZENG Huanrong <sup>(3)</sup> . . . . .	June 8, 2015	June 8, 2015	1.72%	4.70	RMB0.818	91.00%
<i>2016 Investments</i>						
Xiamen Jinyanlai LP <sup>(8)(13)</sup> . . . . .	March 2, 2016	March 2, 2016	10.00%	30.00	RMB0.806	91.13%
Yangming Kangyi LP <sup>(7)</sup> . . . . .	August 1, 2016	November 21, 2016	7.50%	29.38	RMB1.058	88.36%
HUANG Jincheng <sup>(6)(13)</sup> . . . . .	November 16, 2016	October 27, 2020	0.34%	1.35	RMB1.08	88.12%
Guangyao Tianxiang LP <sup>(5)</sup> , Hu Qiaohong <sup>(4)</sup> , Hongyan Investment LP, LIU Zhen, Xiamen Jinyanlai LP, Yangming Kangyi LP and Jinjun Hongyan LP <sup>(8)(9)(13)</sup> . . . . .	October 28, 2016	November 1, 2016, October 29, 2020, November 3, 2016, December 14, 2016, December 20, 2016, October 31, 2016 and October 26, 2018	1.60%, 4.17%, 1.52%, 1.51%, 1.10%, 0.80% and 0.70%	7.20, 5.80, 6.84, 6.80, 5.00, 3.75 and 3.00	RMB1.08	88.12%

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investors	Date of initial share purchase agreement	Settlement Date	Approximate % of equity interests of our Company subscribed by the investor	Approximate amount of consideration paid (in RMB million)	Cost per Share with nominal value of RMB0.2 each <sup>(1)</sup>	Discount to the Offer Price <sup>(2)</sup>
<i>2017 Investments</i>						
HUANG Wenxiao (黃文小) <sup>(10)(13)</sup> . . . . .	January 18, 2017	October 27, 2020	2.00%	10.00	RMB1.20	86.80%
<i>2020 Investments</i>						
Torch Investment <sup>(7)</sup> . . . . .	October 16, 2020	October 16, 2020	1.00%	10.00	RMB2.40	73.60%
ZENG Huanrong, SHI Tao (師濤), WU Junjie (吳俊傑), ZHANG Qing (張青) <sup>(11)(13)</sup> . . . . .	October 27, 2020	November 6, 2020, October 27, 2020, October 28, 2020 and October 28, 2020	1.00%, 1.25%, 0.50% and 0.50%	18.00, 22.50, 9.00 and 9.00	RMB4.32	52.48%
Tianyi Runli LP <sup>(12)</sup> . . . . .	October 21, 2020 and May 12, 2023	October 23, 2020 and May 12, 2023	1.00%	18.00	RMB4.32	52.48%

**Notes:**

- (1) For comparison purposes, the cost per Share is presented with the assumption that the Share Subdivision was completed at that time.
- (2) Calculated on the basis of the Offer Price of HK\$9.90 per Share, being the mid-point of the indicative Offer Price range, and the exchange rate in this prospectus.
- (3) In 2014, each of ZENG Huanrong, Beijing Bokai Huarui Trading Co., Ltd. (北京博凱華瑞商貿有限公司) and LIU Zhen subscribed for 1.72% of our new equity interests at the consideration of approximately RMB1.15 million. In 2015, Beijing Bokai Huarui Trading Co., Ltd. (北京博凱華瑞商貿有限公司), a previous Pre-IPO Investor and an Independent Third Party, sold all its equity interests to ZENG Huanrong and ceased to be our Shareholder after such transfer.
- (4) The Shares that are currently held by HU Qiaohong were initially acquired and subscribed for by FU Yu by way of subscription of new Shares, which was held by Mr. Zheng as his nominee shareholder until September 2020. See “—Our Corporate Structure Immediately prior to the Global Offering” for details of the nominee shareholding arrangements. In October 2022, FU Yu transferred all his equity interests to HU Qiaohong, his spouse at the consideration of approximately RMB21.0 million. Since then, HU Qiaohong has become our Shareholder holding such interests. In respect of the relevant investment, the settlement date disclosed above is the date when the supplemental capital contribution in respect of relevant Shares to the Company was fully paid to make up the insufficiency of initial capital contribution due to certain procedure defects relating to initial capital contribution, which was fully rectified by the Company in October 2020. As advised by our PRC Legal Advisor, the rectification and settlement fully complied with relevant laws and regulations in the PRC.
- (5) In December 2014 and April 2015, Guangyao Tianxiang Co., Ltd (廈門光耀天祥投資有限公司) (“Guangyao Tianxiang Company”) acquired an aggregate of 16.0% equity interests of our Company from Xiamen Suntama at the consideration of RMB28.5 million in total. In July 2016, Guangyao Tianxiang Company ceased to be our shareholder and transferred all the equity interests in our Company to Guangyao Tianxiang LP, its controlled entity, at the consideration of RMB10.667 million. Since then, Guangyao Tianxiang LP has become our Shareholder holding such interests.
- (6) In December 2014 and November 2016, Mr. HUANG Jincheng acquired an aggregate of 3.34% of our equity interests from Xiamen Suntama at the total consideration of RMB7.35 million, which was held by Xiamen Suntama as his nominee shareholder until October 2020. See “—Our Corporate Structure Immediately prior to the Global Offering” for details of the nominee shareholding arrangements. The investment money had been settled on October 2014, January 2015, February 2015 and January 2017, respectively. The settlement date disclosed above is the date when the nominee shareholding arrangement was terminated and fully settled. As advised by our PRC Legal Advisor, the settlement fully complied with relevant laws and regulations in the PRC.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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- (7) The investment was made by such investor by way of acquisition of the relevant Shares owned by Xiamen Suntama.
- (8) The investment was made by such investor by way of subscription of new Shares.
- (9) In 2016, Fujian Jinjun Venture Investment Co., Ltd. (福建金駿創業投資有限公司) subscribed for 0.70% of our equity interests at the consideration of RMB3.0 million, which was the nominee shareholder of eight individual ultimate beneficial owners of Jinjun Hongyan LP and held such equity interests for their behalf until October 2018. See “—Our Corporate Structure Immediately prior to the Global Offering” for details of the nominee shareholding arrangements. In October 2018, Fujian Jinjun Venture Investment Co., Ltd. ceased to be our shareholders and transferred all its equity interests in our Company to Jinjun Hongyan LP at the consideration of RMB3.0 million. Since then, Jinjun Hongyan LP has become our Shareholder.
- (10) In January 2017, HUANG Wenxiao acquired 2% of equity interests of our Company from Xiamen Suntama at the consideration of RMB10.0 million, which was held by Xiamen Suntama as its nominee shareholder until October 2020. See “—Our Corporate Structure Immediately prior to the Global Offering” for details of the nominee shareholding arrangements. In March 2023, Mr. Huang acquired from HUANG Wenxiao 1.0% equity interest of our Company at the consideration of RMB18.0 million, respectively. The consideration was determined after arm’s length negotiations taking into account the valuation of our Company at that time.
- (11) On October 27, 2020, each of SHI Tao, WU Junjie, ZHANG Qing and XIAO Wen (肖雯), an Independent Third Party, acquired our equity interests from Yangming Kangyi LP, a pre-IPO Investor, at the consideration of RMB45 million, among which, an aggregate of 0.3% of our equity interests was held by ZHANG Qing as nominee shareholders of WANG Junjie (王俊杰), NIU Lei (牛雷) and SHEN Yanqing (沈彦清), three independent third parties, until June 2021. In June 2021, ZHANG Qing acquired from such three individuals all such equity interests. See “—Our Corporate Structure Immediately prior to the Global Offering” for details of the nominee shareholding arrangements. In December 2022, Mr. Zheng, Mr. Li, Mr. CHEN Zhigao and Ms. XIONG Ting acquired from XIAO Wen 0.0679%, 0.0679%, 0.0522% and 0.0522% equity interests of our Company at the consideration of RMB1.3 million, RMB1.3 million, RMB1.0 million and RMB1.0 million, respectively. After such transfers, XIAO Wen ceased to be our Shareholder.
- (12) In October 2020, Tianyi Tongchuang LP acquired 1% equity interests of our Company at the consideration of RMB18.0 million. In May 2023, Tianyi Tongchuang LP ceased to be our shareholder and transferred all its equity interest in our Company to Tianyi Runli LP, its associated entity at the consideration of RMB18.0 million. Since then, Tianyi Runli LP has become our Shareholder holding such interests.
- (13) Shares of the relevant investors were held by their respective nominee shareholders at the time of subscription/acquisition for convenience, which was fully restored at the date of settlement as disclosed above. See “—Our Corporate Structure Immediately prior to the Global Offering” for details of the nominee shareholding arrangements.

### **Basis for Determination of Consideration**

The consideration of the pre-IPO investments was determined based on arm’s length negotiation between our Company or the seller and the Pre-IPO Investors with reference to the business performance of our Company in the previous year, the previous round of valuation of our Company, market value of comparable companies and estimated business performance of our Company.

### **Use of Proceeds from the Pre-IPO Investments**

The proceeds from the Pre-IPO Investments received by our Company have been fully utilized for, among others, the development and operation of our business, including but not limited to recruitment, new business development, technology development and administrative and marketing expenses.

### **Special Rights of the Pre-IPO Investors**

Our Company, Guangyao Tianxiang LP, Hongyan Investment LP, Yangming Kangyi LP, and Torch Investment and Tianyi Tongchuang LP have entered into certain shareholders agreements respectively (collectively, the “Pre-IPO Investments Documents”). Pursuant to the Pre-IPO Investments Documents, such Pre-IPO Investors were granted certain special rights in relation to our Company, including, among others, (a) right of participation, (b) share transfer restrictions, (c) right of co-sale, (d) redemption right of our Company (the “Redemption Right”) and (e) right of first refusal.

In anticipation of the Listing, certain waiver and termination agreements dated as of December 17, 2020, December 21, 2020, September 9, 2022, April 23, 2023 and May 12, 2023 were entered into by relevant parties respectively, pursuant to which, among others, the relevant Pre-IPO Investors irrevocably and unconditionally agrees that all the special rights under the Pre-IPO Investments Documents (including the Redemption Right and any other divestment rights granted to the Pre-IPO Investors) shall be terminated from the effective date of the respective termination agreements.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Lock-up Period

Pursuant to the PRC Company Law, within the 12 months following the Listing Date, Shares issued by the Company prior to the Global Offering (including those held by the Pre-IPO Investors at the time of the Global Offering) are restricted from trading.

### Information about the existing Pre-IPO Investors

The following sets forth background information of our existing Pre-IPO Investors:

#### *Guangyao Tianxiang LP and LIU Zhen*

Guangyao Tianxiang LP is a limited partnership established in the PRC, and is principally engaged in equity investment. The general partner of Guangyao Tianxiang LP is Guangyao Tianxiang Company, which is owned as to 80% by LIU Zhen, our non-executive Director, and 20% by ZHENG Feng (鄭峰), our Supervisor. The limited partners of Guangyao Tianxiang LP are LIU Zhen and ZHENG Feng, who holds 80% and 20% of limited partnership interests in Guangyao Tianxiang LP, ultimately and respectively.

#### *Hongyan Investment LP*

Hongyan Investment LP is a limited partnership established in the PRC, and is a private equity investment fund principally engaged in equity investment. The general partner of Hongyan Investment LP is Beijing Yanshi Investment Management Center (Limited Partnership) (北京焰石投資管理中心(有限合夥)) (“Beijing Yanshi”), which holds 2.17% of the limited partnership interest in Hongyan Investment LP. The general partner of Beijing Yanshi is YANG Lei (楊磊), the brother-in-law of WANG Yalong (王亞龍), our non-executive Director. Except for WANG Yalong who holds 2.17% direct interest and 0.93% indirect interest (through Beijing Yanshi Investment Management Center (Limited Partnership)) of the limited partnership interests in Hongyan Investment LP is our non-executive Director, the remaining limited partners of Hongyan Investment LP are Independent Third Parties and are set out as follow:

Limited Partners	Ultimate percentage of limited partnership interests in Hongyan Investment LP (%)
PENG Xiaohua (彭曉華)	21.74
YANG Zhen (楊振)	15.22
ZHOU Shuyun (周曙雲)	10.87
GAO Shuang (高爽)	6.52
TIAN Aijun (田愛軍)	6.52
LUO Zhiying (羅志英)	6.52
ZHAO Bolun (趙博倫)	6.52
TIAN Li (田麗)	4.35
PU Meizi (朴美子)	4.35
ZHOU Yudong (周予東)	4.35
SONG Shenshan(宋申山)	4.35
LI Xiaochun (李曉春)	2.17
ZHANG Qiang (張強)	2.17

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### *Yangming Kangyi LP and Jinjun Hongyan LP*

Yangming Kangyi LP is a limited partnership established in the PRC, and is a private equity investment fund principally engaged in equity investment. Jinjun Hongyan LP is a limited partnership established in the PRC, and is principally engaged in equity investment.

Fujian Yangming Venture Capital Co., Ltd. (福建陽明創業投資有限公司) (“Yangming Venture”) is the general partner of both of Yangming Kangyi LP and Jinjun Hongyan LP. Yangming Venture holds 23.33% limited partnership interest in Yangming Kangyi LP and 28% limited partnership interest in Jinjun Hongyan LP. Yangming Venture is owned as to 51% by ZHAO Chaoming (趙朝明), an Independent Third Party, and 49% by GONG Yangfan (鞏陽凡), an Independent Third Party.

The limited partners of Yangming Kangyi LP and Jinjun Hongyan LP, who are Independent Third Parties, are as follows:

#### *Yangming Kangyi LP*

<b>Limited Partners</b>	<b>Percentage of limited partnership interests in Yangming Kangyi LP (%)</b>
Shandong Kangfu Investment Co., Ltd. (山東康富投資有限公司) . . . . .	16.67
SDIC Hi-tech Investment Co., Ltd (國投高科技投資有限公司) . . . . .	16.67
Fujian Provincial Investment and Development Group Co., Ltd. (福建省投資開發集團有限責任公司) . . . . .	16.67
Zhangzhou Pientzehuang Pharmaceutical Co., Ltd. (漳州片仔癀藥業股份有限公司) . . . . .	16.67
Fujian Jinjun Venture Capital Co., Ltd. (福建金駿創業投資有限公司) . . . . .	6.67
Fuzhou Haike Micro Information Technology Co., Ltd (福州海科微信息科技有限公司) . . . . .	3.33

#### *Jinjun Hongyan LP*

<b>Limited Partners</b>	<b>Percentage of limited partnership interests in Jinjun Hongyan LP (%)</b>
Fuzhou Xingshengrui Technology Co., Ltd. (福州興昇睿科技有限公司) . . . . .	26.67
Fuzhou Ruilai Information Consulting Co., Ltd (福州睿萊信息諮詢有限公司) . . . . .	13.33
ZHOU Fang (周芳) . . . . .	10.67
WANG Xiaoqing (王小清) . . . . .	8.00
CHEN Yunyun (陳云云) . . . . .	8.00
Fuzhou Xinwanghe Technology Co., Ltd (福州市鑫旺和科技有限公司) . . . . .	5.33

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### *Xiamen Jinyanlai LP*

Xiamen Jinyanlai LP is a limited partnership established in the PRC, and is principally engaged in equity investment. The general partner of Xiamen Jinyanlai LP is WANG Junjie (王俊杰), an Independent Third Party who holds 11.8% of the limited partnership interest in Xiamen Jinyanlai LP, and its limited partners are individuals who are Independent Third Parties except for the following: (i) DU Yanjun (都艷君), who holds 10.78% of its limited partnership interests, is the spouse of Mr. Li, (ii) ZHENG Yunfeng (鄭雲峰), who holds 7.0% of its limited partnership interests, is the nephew of Mr. Zheng; (iii) DU Xiaoqiao (杜肖俏), who holds 1.8% of its limited partnership interests, is the general manager of a wholly owned subsidiary of our Company; and (iv) YANG Gequn (楊歌群), who holds 3.33% of its limited partnership interests, is the substantial shareholder of a non-wholly subsidiary of our Company. The remaining limited partners are as follows:

Limited Partners	Percentage of limited partnership interests in Xiamen Jinyanlai LP (%)
WANG Junxin (王俊新)	10
HUANG Yumin (黃裕民)	10
XU Jianbiao (徐建彪)	10
SHAN Yaping (山亞平)	10
GUO Shuang (郭爽)	3.33
ZHOU Jun (周軍)	3.33
SONG Xiaoling (宋曉玲)	3.33
LUO Dingwei (駱定偉)	3.0
SHEN Yanqing (沈彥清)	2.8
SONG Changhong (宋長宏)	2.33
WANG Yu (王宇)	1.8
NIU Lei (牛雷)	1.8
ZHENG Zhiwei (鄭志偉)	1.78
ZHANG Zhenglin (張正林)	1.78

### *Torch Investment*

Torch Investment is a limited company established in the PRC. The principal business of Torch Investment is equity investment, and mainly focuses on investment in emerging companies such as companies in the industry of consumer, telecommunication and communications as well as research and experimental development. Torch Investment is owned as to 75.4% by Xiamen Torch Group Co., Ltd. (廈門火炬集團有限公司) (“Torch Group”), an Independent Third Party, and 24.6% by CDB Development Fund Co., Ltd. (國開發基金有限公司) (“CDB Development”), an Independent Third Party. Torch Group is a wholly owned subsidiary of Xiamen Municipal People’s Government State-owned Assets Supervision and Administration Commission (廈門市人民政府國有資產監督管理委員會) and CDB Development is a wholly owned subsidiary of China Development Bank (國家開發銀行).

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *Tianyi Runli LP*

Tianyi Runli LP is a limited partnership established in the PRC, and is a private equity investment fund principally engaged in equity investment. The general partner of Tianyi Runli LP is Tianshi Chuangxin (Fujian) Venture Investment Co., Ltd. (天時創新(福建)創業投資有限公司), which holds 0.05% of the limited partnership interest in Tianyi Runli LP and is ultimately controlled by ZHOU Guilang (周桂良), an Independent Third Party. The limited partners of Tianyi Runli LP, who are Independent Third Parties, are as follows:

<b>Limited Partners</b>	<b>Percentage of limited partnership interests in Tianyi Runli LP (%)</b>
LI Lingling (李玲玲) . . . . .	15.62
DENG Changwei (鄧昌維) . . . . .	15.62
JIANG Hongguo (姜洪國) . . . . .	10.41
SHANG Jianjun (商建軍) . . . . .	10.41
FU Tao (付濤) . . . . .	6.25
ZHOU Yipu (周熠樸) . . . . .	5.21
WU Chunxia (吳春霞) . . . . .	5.21
ZHANG Kewu (張可武) . . . . .	5.21
PENG Zhigao (彭志高) . . . . .	5.21
ZHOU Guiyan (周桂燕) . . . . .	5.21
HUANG Yumei (黃玉梅) . . . . .	5.21
HE Ruiwen (何瑞文) . . . . .	5.21
FANG Xiaoyun (方曉雲) . . . . .	5.21

### *Other Individual Investors*

Each of HUANG Jincheng, HUANG Wenxiao, ZENG Huanrong, SHI Tao, WU Junjie, ZHANG Qing and HU Qiaohong is an individual investor. All the individuals are Independent Third Parties.

### **Public Float**

To the best of the Directors' knowledge, among all the Pre-IPO Investors and existing Shareholders, the following shareholders are not core connected persons of our Company: Xiamen Jinyanlai LP, Yangming Kangyi LP, ZENG Huanrong, HUANG Jincheng, Torch Investment, Tianyi Runli LP, Jinjun Hongyan LP, HUANG Wenxiao, ZHANG Qing, WU Junjie, HU Qiaohong, SHI Tao, CHEN Zhigao and XIONG Ting, which holds 143,146,000 Shares with nominal value of RMB0.2 each in total, representing 30.75% of the total issued Shares of our Company upon the completion of the Global Offering and assuming no exercise of the Over-allotment Option. Among such Shares, 115,719,170 Shares with nominal value of RMB0.2 each will be converted into H Shares upon the completion of the Global Offering. See note 12 to "—our corporate structure immediately following the global offering" for details. As a result, taking into account of such conversion Shares and the H Shares to be issued for the Global Offering, an aggregate of 147,719,170 H Shares will count towards the public float of our Company upon the completion of the Global Offering, representing 31.73% of the total issued Shares of our Company upon the completion of the Global Offering and assuming no exercise of the Over-allotment Option.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### Joint Sponsors' Confirmation

On the basis that (i) the consideration for Pre-IPO investments was settled more than 28 clear days before the date of first submission of the Listing application to the Stock Exchange or no less than 120 clear days before the Listing Date; and (ii) the special rights granted to the Pre-IPO Investors had been suspended or terminated prior to the submission of the application for the Listing and/or will be terminated upon completion of the Listing, in compliance with Guidance Letter HKEX-GL43-12, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017, Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and in March 2017 and Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

### PREVIOUS A-SHARE LISTING ATTEMPTS AND REASONS FOR THE LISTING

On December 14, 2021, we filed with the CSRC, and it accepted, our application for A share listing. In September 2022, in light of the uncertainty of the overall vetting process, we decided to voluntarily withdraw our A share listing application. On November 29, 2022, after discussing with our Shareholders and taking into account the then market conditions in light of the steady growth of the Company's business performance at that time, as well as the advice from the tutoring agency, we decided to restart our A share listing application preparation process and filed with the Xiamen Office of the CSRC (中國證券監督管理委員會廈門監管局) filing materials for the pre-listing tutoring in preparation for our A share listing application, which had been accepted. However, considering that the overall A share vetting process continued to be uncertain, our future business development plan as well as the industry-related factor and that a listing on the Stock Exchange would provide our Company with an international platform to gain access to foreign capital and to promote the Group to overseas investors, we decided to seek a listing of our H Shares on the Stock Exchange to expedite our listing plan in early 2023 and had withdrawn our pre-listing tutoring filing on June 9, 2023.

Our Company has received certain comments from the CSRC in respect of its previous A share listing attempts. We have taken into consideration of such comments in preparing for the Listing, and have resolved matters that are relevant to the Listing, and our Directors confirmed that we have resolved matters relating to the Company's eligibility and suitability for the Listing. To the best of our Directors' knowledge, save as disclosed in the prospectus, our Directors are not aware of (1) any other matters relating to the previous A Share listing attempts that are relevant to the Listing and should be reasonably highlighted in this prospectus for investors to form an informed assessment of our Company; (2) any enquiries from the CSRC relating to the previous A share listing attempts that would affect our Company's suitability for listing on the Stock Exchange; (3) any other matters relating to the previous A share listing attempts that may have implications on our Company's suitability for listing on the Stock Exchange or on the truthfulness, accuracy and completeness of information disclosed in this prospectus; and (4) any other matters that need to be brought to the attention of the Stock Exchange and investors in Hong Kong in relation to the previous A share listing attempts.

Base on the due diligence work performed by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors that contradicts the Directors' view disclosed above regarding our Company's previous A share listing attempts.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### CAPITALIZATION TABLE

The table below is a summary of the capitalization of our Company immediately prior to the Share Subdivision, as of the Latest Practicable Date and immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares:

Name of Shareholder	Description of Shares	Shares held immediately prior to the Share Subdivision		Shares held as of the Latest Practicable Date (assuming the Share Subdivision is completed)		Shares held immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised)			Whether the H shares will be counted towards the public float
		Number of Shares	Percentage of shareholding in our total issued share capital	Number of Shares	Percentage of shareholding in our total issued share capital	Number of Shares	Percentage of shareholding in our Unlisted Shares/H Shares	Percentage of shareholding in our total issued share capital	
<i>Our Group of Controlling Shareholders and Substantial Shareholders</i>									
Xiamen Suntama . . . . .	Unlisted Shares	18,357,112	21.17%	91,785,560	21.17%	45,892,780	33.60%	9.86%	No
	H Shares	-	-	-	-	45,892,780	13.95%	9.86%	
Mr. Huang . . . . .	Unlisted Shares	867,000	1.00%	4,335,000	1.00%	-	-	-	No
	H Shares	-	-	-	-	4,335,000	1.32%	0.93%	
Mr. Zheng . . . . .	Unlisted Shares	6,654,608	7.68%	33,273,040	7.68%	16,636,520	12.18%	3.57%	No
	H Shares	-	-	-	-	16,636,520	5.06%	3.57%	
Mr. Li . . . . .	Unlisted Shares	6,649,829	7.67%	33,249,145	7.67%	16,624,570	12.17%	3.57%	No
	H Shares	-	-	-	-	16,624,575	5.05%	3.57%	
Jinyan Tengfei LP . . . . .	Unlisted Shares	1,641,664	1.89%	8,208,320	1.89%	-	-	-	No
	H Shares	-	-	-	-	8,208,320	2.50%	1.76%	
XUE Fengying . . . . .	Unlisted Shares	1,725,000	1.99%	8,625,000	1.99%	-	-	-	No
	H Shares	-	-	-	-	8,625,000	2.62%	1.85%	
Guangyao Tianxiang LP . . . . .	Unlisted Shares	12,000,000	13.84%	60,000,000	13.84%	30,000,000	21.97%	6.44%	No
	H Shares	-	-	-	-	30,000,000	9.12%	6.44%	
LIU Zhen . . . . .	Unlisted Shares	2,404,095	2.77%	12,020,475	2.77%	-	-	-	No
	H Shares	-	-	-	-	12,020,475	3.65%	2.58%	
Hongyan Investment LP . . . . .	Unlisted Shares	7,771,492	8.96%	38,857,460	8.96%	-	-	-	No
	H Shares	-	-	-	-	38,857,460	11.81%	8.35%	
<i>Other Shareholders</i>									
Xiamen Jinyanlai LP . . . . .	Unlisted Shares	8,333,334	9.61%	41,666,670	9.61%	-	-	-	Yes
	H Shares	-	-	-	-	41,666,670	12.67%	8.95%	
HU Qiaohong . . . . .	Unlisted Shares	6,595,731	7.61%	32,978,655	7.61%	16,489,330	12.07%	3.54%	Yes
	H Shares	-	-	-	-	16,489,325	5.01%	3.54%	
Yangming Kangyi LP . . . . .	Unlisted Shares	3,333,333	3.84%	16,666,665	3.84%	8,333,330	6.10%	1.79%	Yes
	H Shares	-	-	-	-	8,333,335	2.53%	1.79%	

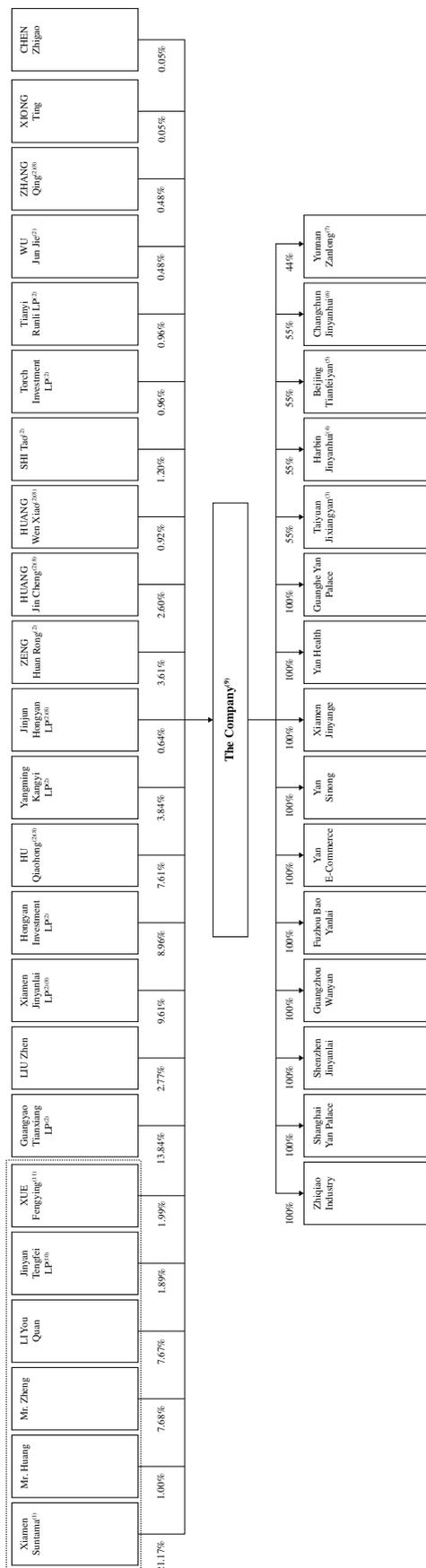
## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Shareholder	Description of Shares	Shares held immediately prior to the Share Subdivision		Shares held as of the Latest Practicable Date (assuming the Share Subdivision is completed)		Shares held immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised)			Whether the H shares will be counted towards the public float
		Number of Shares	Percentage of shareholding in our total issued share capital	Number of Shares	Percentage of shareholding in our total issued share capital	Number of Shares	Percentage of shareholding in our Unlisted Shares/H Shares	Percentage of shareholding in our total issued share capital	
Jinjun Hongyan LP . . . . .	Unlisted Shares	555,556	0.64%	2,777,780	0.64%	-	-	-	Yes
	H Shares	-	-	-	-	2,777,780	0.84%	0.60%	
ZENG Huanrong . . . . .	Unlisted Shares	3,129,333	3.61%	15,646,665	3.61%	-	-	-	Yes
	H Shares	-	-	-	-	15,646,665	4.76%	3.36%	
HUANG Jincheng . . . . .	Unlisted Shares	2,250,000	2.60%	11,250,000	2.60%	-	-	-	Yes
	H Shares	-	-	-	-	11,250,000	3.42%	2.42%	
HUANG Wenxiao . . . . .	Unlisted Shares	799,667	0.92%	3,998,335	0.92%	-	-	-	Yes
	H Shares	-	-	-	-	3,998,335	1.22%	0.86%	
SHI Tao . . . . .	Unlisted Shares	1,041,667	1.20%	5,208,335	1.20%	2,604,170	1.91%	0.56%	Yes
	H Shares	-	-	-	-	2,604,165	0.79%	0.56%	
Torch Investment LP . . . . .	Unlisted Shares	833,333	0.96%	4,166,665	0.96%	-	-	-	Yes
	H Shares	-	-	-	-	4,166,665	1.27%	0.90%	
Tianyi Runli LP . . . . .	Unlisted Shares	833,333	0.96%	4,166,665	0.96%	-	-	-	Yes
	H Shares	-	-	-	-	4,166,665	1.27%	0.90%	
WU Junjie . . . . .	Unlisted Shares	416,667	0.48%	2,083,335	0.48%	-	-	-	Yes
	H Shares	-	-	-	-	2,083,335	0.63%	0.45%	
ZHANG Qing . . . . .	Unlisted Shares	416,667	0.48%	2,083,335	0.48%	-	-	-	Yes
	H Shares	-	-	-	-	2,083,335	0.63%	0.45%	
XIONG Ting . . . . .	Unlisted Shares	45,289	0.05%	226,445	0.05%	-	-	-	Yes
	H Shares	-	-	-	-	226,445	0.07%	0.05%	
CHEN Zhigao . . . . .	Unlisted Shares	45,290	0.05%	226,450	0.05%	-	-	-	Yes
	H Shares	-	-	-	-	226,450	0.07%	0.05%	
Public Shareholders . . . . .	H Shares	-	-	-	-	32,000,000	9.73%	6.87%	Yes
<b>Total . . . . .</b>		<b>86,700,000</b>	<b>100%</b>	<b>433,500,000</b>	<b>100%</b>	<b>465,500,000</b>	<b>100%</b>	<b>100%</b>	

Note: See “—Our Corporate Structure Immediately prior to the Global Offering” and “—Our Corporate Structure Immediately following the Global Offering” for details of the Shareholders.

## OUR CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Company immediately prior to the completion of the Global Offering:



**Notes:**

- As of the Latest Practicable Date, Mr. Huang, our founder, chairman and our executive Director, and HUANG Junhao (黃俊豪), the son of Mr. Huang, held 90% and 10% of the shareholding of Xiamen Suntama, respectively.
- See “—Pre-IPO Investment—Information about the Existing Pre-IPO Investors” for more information.
- Shanxi Yanwu Longcheng Enterprise Management Partnership (Limited Partnership) (山西燕舞龍城企業管理合夥企業(有限合夥)) held 45% of the shareholding of Taiyuan Jixiangyan. The sole general partner of Shanxi Yanwu Longcheng Enterprise Management Partnership (Limited Partnership) (山西燕舞龍城企業管理合夥企業(有限合夥)) is an Independent Third Party.
- Qingdao Tonggelin Enterprise Management Partnership (Limited Partnership) (青島桐格林企業管理合夥企業(有限合夥)) held 45% of the shareholding of Harbin Jinyanlai. The sole general partner of Qingdao Tonggelin Enterprise Management Partnership (Limited Partnership) (青島桐格林企業管理合夥企業(有限合夥)) is an Independent Third Party.
- Qingdao Zhenpindao Enterprise Management Partnership (Limited Partnership) (青島珍品道企業管理合夥企業(有限合夥)) held 45% of the shareholding of Beijing Tianfeiyuan. The sole general partner of Qingdao Zhenpindao Enterprise Management Partnership (Limited Partnership) (青島珍品道企業管理合夥企業(有限合夥)) is an Independent Third Party.
- Qingdao Pintianxia Enterprise Management Partnership (Limited Partnership) (青島品天下企業管理合夥企業(有限合夥)) held 45% of the shareholding of Beijing Tianfeiyuan. The sole general partner of Qingdao Pintianxia Enterprise Management Partnership (Limited Partnership) (青島品天下企業管理合夥企業(有限合夥)) is an Independent Third Party.
- Mao Min (毛敏), Song Changhong (宋長宏) and Yang Gequn (楊歌群) held approximately 20.92%, 20.08% and 15.00% of the shareholding of Yunnan Zhanlong, respectively. Apart from the shareholdings relating to Yunnan Zhanlong, all of them are Independent Third Parties.
- There were historically nominee shareholding arrangements in respect of the relevant shareholdings. As of the Latest Practicable Date, these nominee shareholding arrangements had been terminated and the restorations have been completed.

As advised by the PRC Legal Advisor, there were no disputes regarding the above nominee shareholding arrangements and the above nominee shareholding arrangements did not violate any relevant compulsory PRC laws and regulations.

Details of the nominee shareholding arrangements as mentioned above are set forth as follows:

- (i) *Jinjun Hongyan LP*: The Shares purchased by Jinjun Hongyan LP was held by Fujian Jinjun Venture Investment Co., Ltd. (福建金駿創業投資有限公司), as the nominee shareholder of the eight individual ultimate beneficial owners of Jinjun Hongyan LP, from December 2016 to October 2018 as these eight individuals preferred to hold their investment through a holding platform and thus tentatively entrusted the nominee shareholder to hold such Shares until the platform was incorporated. The nominee shareholding arrangement was terminated in October 2018 when Jinjun Venture transferred all such Shares to Jinjun Hongyan LP.
- (ii) *HU Qiaohong*: The Shares held by HU Qiaohong was transferred from Mr. FU Yu, her spouse, in October 2022. Prior to that, the Shares subscribed for and acquired by Mr. FU Yu were held by Mr. Zheng, as Mr. Fu's nominee shareholder, from October 2014 to September 2020. Given Mr. FU Yu is a resident of Macau, he preferred to simplify administrative affairs and not to participate in the relevant administrative procedures regarding foreign investment at early stage in light of their complexity including completing the relevant business registration and participating in the relevant procedures for each subsequent shareholding changes. The nominee shareholding arrangement was terminated in September 2020 when Mr. Zheng transferred all such Shares to Mr. Fu.
- (iii) *HUANG Jincheng*: The Shares purchased by HUANG Jincheng was held by Xiamen Suntama, as the nominee shareholder of HUANG Jincheng, from December 2014 to October 2020 as HUANG Jincheng preferred not to participate in the administrative procedures at early stage in light of its complexity including the requirements on participating in administrative procedures for each subsequent shareholding changes. To simplify administrative affairs and due to his trust in Mr. Huang, HUANG Jincheng entrusted Xiamen Suntama to hold the equity interest on his behalf. The nominee shareholding arrangement was terminated in October 2020 when Xiamen Suntama transferred all such Shares to HUANG Jincheng.
- (iv) *HUANG Wenxiao*: The Shares purchased by HUANG Wenxiao was held by Xiamen Suntama, as the nominee shareholder of HUANG Wenxiao, from January 2017 to October 2020 as HUANG Wenxiao preferred not to participate in the administrative procedures at early stage in light of its complexity including the requirements on participating in administrative procedures for each subsequent shareholding changes and that he held a relatively small proportion in the interest of the Company. To simplify administrative affairs and due to his trust in Mr. Huang, HUANG Wenxiao entrusted Xiamen Suntama to hold the equity interest on his behalf. The nominee shareholding arrangement was terminated in October 2020 when Xiamen Suntama transferred all such Shares to HUANG Wenxiao.
- (v) *ZHANG Qing*: Certain of the Shares held by ZHANG Qing was purchased by him from WANG Junjie (王俊杰), NIU Lei (牛雷) and SHEN Yanqing (沈彦清) in June 2021. Prior to that, such Shares were purchased by the aforementioned three individuals and were held by ZHANG Qing, as the nominee shareholder of such three individuals, from October 2020 to June 2021 as the size of investments of these three individuals were relatively small and they preferred not to participate in the administrative procedures at early stage in light of its complexity including the inconvenience of undergoing each subsequent shareholding change procedures. WANG Junjie, NIU Lei and SHEN Yanqing therefore respectively entrusted ZHANG Qing to acquire the contribution amount of the Company held by them. The nominee shareholding arrangement was terminated in June 2021 when these three individuals sold their interests to ZHANG Qing.
- (vi) *Xiamen Jinyanlai LP*: All the interests of ZHANG Zhenglin and ZHENG Zhiwei, who are two limited partners of Xiamen Jinyanlai LP, were held by Mr. Li, as the nominee shareholder of these two individuals, from October 2016 to June 2021 as the size of investments of these two individuals were relatively small and they preferred not to participate in the administrative procedures at early stage in light of its complexity including the inconvenience of undergoing each subsequent shareholding change procedures. They respectively entrusted Mr. Li to increase capital in the Company. The nominee shareholding arrangement was terminated in June 2021 when these two individuals transferred their direct interests in our Company to Mr. Li in exchange for the corresponding limited partnership interests in Xiamen Jinyanlai LP.
- (9) As of the Latest Practicable Date, in addition to the subsidiaries listed in the table above, which are the level I subsidiaries directly held by our Company, our Company also has (A) 14 wholly owned subsidiaries, which are our indirectly-held subsidiaries. The shareholding structures of such subsidiaries are as follow: (a) Yan E-Commerce held 100% of the shareholding of (i) Xiamen Yan Palace Cultural Gift Co., Ltd. (廈門燕之屋文化禮品有限公司) and (ii) Xiamen Yan Palace Technology Development Co., Ltd. (廈門燕之屋科技開發有限公司) (formerly known as Xiamen Yan Palace Jizhi E-Commerce Technology Co., Ltd. (廈門燕之屋吉至電子商務科技有限公司)); (b) Beijing Tianfeiyun held 100% of the shareholding of (i) Beijing Fangyan Food Co., Ltd. (北京芳燕食品有限責任公司), (ii) Beijing Yanwu Yipin Trading Co., Ltd. (北京燕屋一品商貿有限責任公司), (iii) Beijing Yushengyan Trading Co., Ltd. (北京御

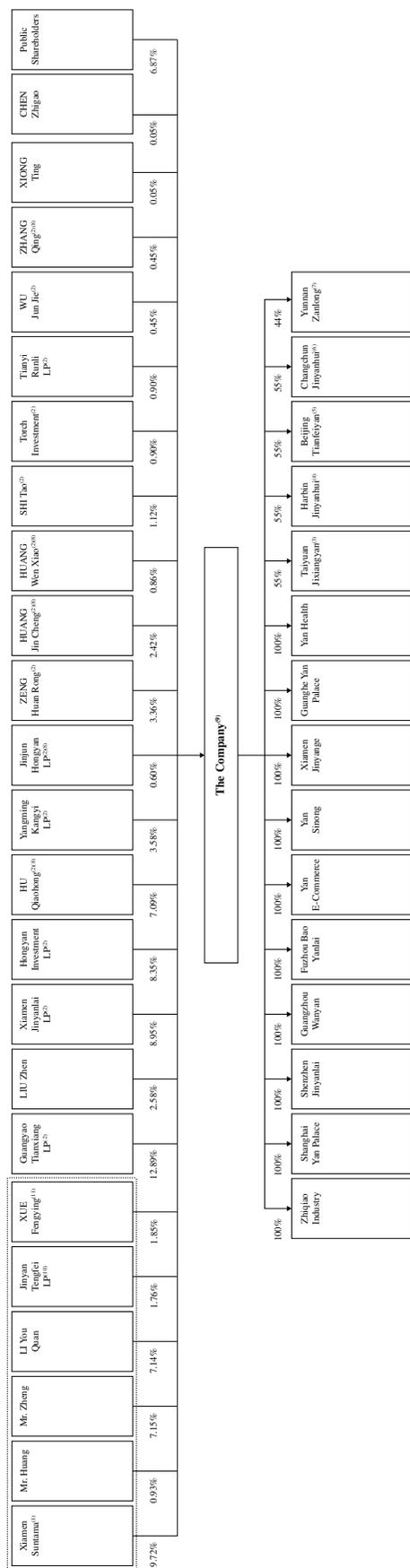
盛燕商貿有限公司), (iv) Beijing Shengzhiyan Trading Co., Ltd. (北京盛之燕商貿有限公司) and (v) Beijing Yixin Trading Co., Ltd. (北京亦沂商貿有限公司); (c) Changchun Jinyanhui held 100% of the shareholding of (i) Changchun Jinyange Trading Co., Ltd. (長春市金燕閣商貿有限公司) and (ii) Changchun Yuyangfu Trading Co., Ltd. (長春市御燕府商貿有限公司); (d) Harbin Jinyanhui held 100% of the shareholding of (i) Harbin Mingyan Trading Co., Ltd. (哈爾濱市茗燕商貿有限公司) and (ii) Harbin Zunyan Trading Co., Ltd. (哈爾濱市尊燕商貿有限公司); (e) Taiyuan Jixiangyan held 100% of the shareholding of (i) Taiyuan Mingyan Trading Co., Ltd. (太原市名燕商貿有限公司) and (ii) Taiyuan Shengyan Trading Co., Ltd. (太原市盛燕商貿有限公司); and (f) Yan Simong held 100% interest of the shareholding of Xiamen Yan Palace Silon Biotechnology Co., Ltd. (廈門市燕之屋絲濃生物科技有限公司); and (B) one non-wholly owned level II subsidiary namely, Tonghua Jinwo Trading Co., Ltd. (通化市金窩商貿有限公司) in which Changchun Jinyanhui and Zhou Tongyao (周童瑛) held 90% and 10% of its shareholding respectively.

(10) Mr. Huang, our founder, chairman and executive Director, is the general partner of Jinyan Tengfei LP.

(11) XUE Fengying is the spouse of Mr. Zheng, our vice chairman and executive Director.

OUR CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Company immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised):



Notes:

(1)-(11): See notes to the corporate chart in “—Our Corporate Structure Immediately Prior to the Global Offering”.

(12) Immediately upon the completion of the Global Offering and assuming the Share Subdivision is completed, the following shares held by the relevant Shareholder will be converted into H Shares: (i) 45,892,780 Shares held by Xiamen Suntama; (ii) 4,335,000 Shares held by Mr. Huang; (iii) 16,636,520 Shares held by Mr. Zheng; (iv) 16,624,575 Shares held by Mr. Li; (v) 8,208,320 Shares held by Jinyan Tengfei LP; (vi) 8,625,000 Shares held by Ms. Xue; (vii) 16,489,325 Shares held by HU Qiaohong; (viii) 8,333,335 Shares held by Yangming Kangyi LP; (ix) 15,646,665 Shares held by ZENG Huanrong; (x) 12,020,475 Shares held by LIU Zhen; (xi) 11,250,000 Shares held by HUANG Wenxiao; (xii) 2,604,165 Shares held by SHI Tao; (xiii) 4,166,665 Shares held by Torch Investment; (xiv) 4,166,665 Shares held by Tianyi Runli LP; (xv) 3,998,335 Shares held by HUANG Wenxiao; (xvi) 2,777,780 Shares held by Jinjun Hongyan LP; (xvii) 2,083,335 Shares held by ZHANG Qing; (xviii) 30,000,000 Shares held by Guangyao Tianxiang LP; (xix) 41,666,670 Shares held by Xiamen Jinyanlai LP; (xx) 38,857,460 Shares held by Hongyan Investment LP; (xxi) 2,083,335 Shares held by WU Junjie; and (xxii) 226,450 Shares held by CHEN Zhigao; (xxiii) 226,445 Shares held by XIONG Ting. Such Shares collectively represent 63.79% of the total issued Shares of our Company upon the completion of the Global Offering and assuming no exercise of the Over-allotment Option. The Conversion of Unlisted Shares into H Shares has been approved by the CSRC on September 25, 2023 and is still subject to the approval by the Hong Kong Stock Exchange.

(13) To the best of the Directors’ knowledge, immediately upon the completion of the Global Offering and assuming the Share Subdivision is completed, the following shareholders will not be core connected persons of our Company: Xiamen Jinyanlai LP, Yangming Kangyi LP, ZENG Huanrong, HUANG Wenxiao, SHI Tao, Torch Investment, Tianyi Runli LP, Jinjun Hongyan LP, HUANG Wenxiao, ZHANG Qing and WU Junjie. HU Qiaohong, CHEN Zhigao and XIONG Ting, which collectively will hold 143,146,000 Shares, representing 30.75% of the total issued Shares of our Company upon the completion of the Global Offering and assuming no exercise of the Over-allotment Option. Among such Shares, 115,719,170 Shares will be converted into H Shares upon the completion of the Global Offering. See note 10 to “—our corporate structure immediately following the global offering” for details. As a result, taking into account of such conversion Shares and the H Shares to be issued pursuant to the Global Offering, an aggregate of 147,719,170 H Shares will count towards the public float of our Company upon the completion of the Global Offering, representing 31.73% of the total issued Shares of our Company upon the completion of the Global Offering and assuming no exercise of the Over-allotment Option.

### OUR PHILOSOPHY

We harness the nourishing power of nature to bring people beauty and wellness. (源於天然,美麗健康。)

We curate a variety of edible bird's nest products to foster a valued sense of self-care and hospitality, catering to consumers' aspiration for quality lifestyle and social engagement. (我們通過提供豐富多樣的燕窩產品,傳遞悅己愉人的價值觀,滿足消費者對品質生活和社會禮儀的追求。)

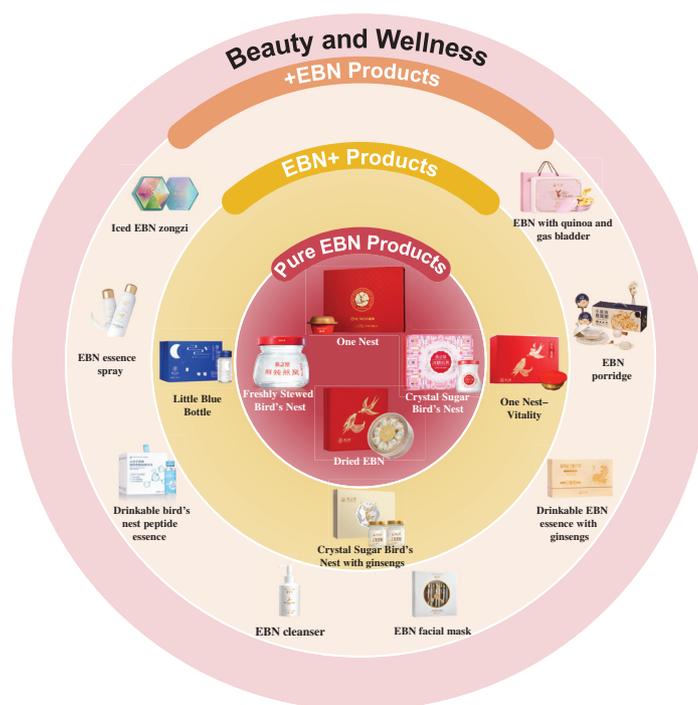
### OVERVIEW

We are a leading brand in China's edible bird's nest ("EBN") product market, dedicated to the development, production and marketing of high-quality modern EBN products. We are the largest EBN product company in the traceable EBN market in China with a market share of 14.0% in terms of retail value in 2022, according to the F&S Report. We also ranked No.1 by the number of EBN specialty storefronts and the volume of CAIQ-certified imports in the EBN product market in China in 2022, according to the same source. We have developed an advanced and sophisticated product research and development capability, a diversified product portfolio, a robust quality assurance scheme, and an established sales network, which has allowed us to prevail in the market competition.

For over 400 years, the Chinese people have considered EBN as a premium natural health delicacy with various perceived health benefits and nutritional value. Modern scientific studies from domestic and overseas academic institutions in recent years have also supported the Chinese traditional wisdom on perceived health benefits of EBN with scientific testing and experimentation. Numerous authoritative scientific studies have shown from multiple aspects that EBN offers various health benefits in internal and external use. See "Industry Overview" for details. With the broad and venerable cultural foundations and history of consumptions, China has been the preeminent market and home to the largest consumer base for EBN products. Driven by the rising living standard and the growing health awareness among Chinese consumers, EBN has been perceived as healthy food products with various functional benefits among many Chinese consumers. As an industry leader, we have outperformed industry average, with a revenue growth from RMB1,301.2 million in 2020 to RMB1,729.9 million in 2022, at a CAGR of 15.3%. Our total retail value in the market also increased at a high CAGR of 12.3% from 2020 to 2022, which was 8.6 percentage points higher than the industry average and was the highest among the top five EBN brands during the same years, according to the F&S Report. According to the same source, China's EBN market, in terms of retail value, is expected to grow from RMB43.0 billion in 2022 to RMB92.1 billion in 2027, at a CAGR of 16.5%. We believe we are well-positioned to capture the substantial market opportunity, leveraging our market share and revenue growth.

## BUSINESS

Consumer experience is our top priority. We leverage modern technology to continually drive product innovation that elevates consumer experience. Our product portfolio primarily consists of three product categories, i.e., pure EBN products, “EBN+” products and “+EBN” products, to meet the differentiated consumer needs for experience in different life scenarios. In 2022, we had 250 SKUs, among which 194 were pure EBN SKUs under four major product series, including *One Nest* (碗燕), Freshly Stewed Bird’s Nest (鲜炖燕窝), Crystal Sugar Bird’s Nest (冰糖官燕), and dried EBN (乾燕窝). *One Nest*, launched in 2012, was among the earliest mass-produced, ready-to-serve EBN products in China with a standardized manufacturing process. This manufacturing process has allowed us to preserve the EBN’s original taste and, at the same time, ensure consistent product quality. After over a decade of development, *One Nest* has expanded in variety and become our signature product series beloved by our customers. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our revenue generated from *One Nest* (pure EBN) was RMB559.3 million, RMB661.4 million, RMB672.6 million, RMB288.0 million and RMB283.4 million, respectively. In addition, leveraging our extensive research of active ingredients extraction from EBN, we have expanded the value chain of the EBN industry by developing other EBN products, including “EBN+” products (which are ready-to-serve EBN products enhanced with other ingredients and/or nutrients), such as *One Nest — Vitality* (碗燕-元氣款) and Crystal Sugar Bird’s Nest with Ginseng (人參冰糖官燕), and “+EBN” products (which are products that feature EBN as an enhancement for elevated nutrition or other benefits), such as EBN porridge and EBN skincare products which use bird’s nest peptides as an enhancement. The following diagram is a simplified illustration of our product matrix.



We have developed a geographically diverse brick-and-mortar sales network, consisting of both self-operated stores and distributor-operated stores. As of May 31, 2023, we had a nationwide offline sales network consisting of 91 self-operated stores and 214 offline distributors covering 614 distributor-operated stores in China. The number of our offline distributors increased from 136 as of January 1, 2020 to 214 as of May 31, 2023. Among the 136 distributors as of January 1, 2020, 111, or 81.6%, of them had remained with us as of May 31, 2023. To capture the rapid growth of e-commerce in recent years, we have also expanded our online presence on major e-commerce or social media platforms, such as Tmall, JD.com, Douyin and Xiaohongshu. In addition, we have launched products specifically designed for online channels, such as Freshly Stewed Bird’s Nest, which has quickly gained popularity among younger consumers. Our revenue generated from sales of Freshly Stewed Bird’s Nests increased from RMB321.1 million in 2020 to RMB485.4 million in 2022, at a CAGR of 22.9%, and increased by 14.0% from RMB188.7 million in the five months ended May 31, 2022 to RMB215.2 million in the five months ended May 31, 2023.

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## BUSINESS

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We stay close to our customers. Through the Yan Palace (燕之屋) membership mini program, our Golden Yan Club (金燕薈) membership program, and other membership programs on major e-commerce platforms, we have cultivated a loyal membership network of customers with a tiered membership system to drive customer stickiness and repeated purchase. As of the Latest Practicable Date, we had over 1.8 million customers registered in our membership programs. Through this membership network, we organize various interactive events to maintain direct engagement with our customers. We have gained considerable insight from our interaction with customers, which allows us to continually optimize our product offerings and customer services. In 2020, 2021 and 2022, we had approximately 143,700, 168,200 and 204,800 paying customers registered in our membership programs, respectively, accounting for 25.0%, 22.1% and 23.5% of our total registered customers as of December 31, 2020, 2021 and 2022, respectively. In the five months ended May 31, 2023, we had approximately 117,600 paying customers registered in our membership programs, accounting for 7.2% of our total registered customers as of May 31, 2023. In 2020, 2021, 2022 and the five months ended May 31, 2023, purchases from such paying customers registered in our membership programs was RMB616.0 million, RMB806.4 million, RMB1,057.5 million and RMB500.0 million, respectively, representing an average purchase amount per registered paying customer of approximately RMB4,280, RMB4,790, RMB5,150 and RMB4,240, respectively.

Our philosophy and primary focus are bringing people beauty and wellness, quality and heritage of EBN products. We collaborate with upstream suppliers to ensure strict control over raw material procurement, implement stringent supplier selection process, and source natural, high-quality and cruelty-free EBN from Southeast Asia. We relentlessly bring EBN to consumers in their natural and pure form.

We achieved robust growth and profitability during the Track Record Period. Our revenue increased from RMB1,301.2 million in 2020 to RMB1,729.9 million in 2022, at a CAGR of 15.3%, and increased by 12.3% from RMB696.9 million in the five months ended May 31, 2022 to RMB782.6 million in the five months ended May 31, 2023. Our net profit increased from RMB123.4 million in 2020 to RMB205.9 million in 2022, at a CAGR of 29.2%, and increased by 20.0% from RMB83.8 million in the five months ended May 31, 2022 to RMB100.5 million in the five months ended May 31, 2023. Our net profit margin was 9.5%, 11.4%, 11.9%, 12.0% and 12.8% for 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. Our adjusted net profit (non-IFRS measure) increased from RMB123.9 million in 2020 to RMB211.1 million in 2022, at a CAGR of 30.5%, and increased by 32.4% from RMB85.9 million in the five months ended May 31, 2022 to RMB113.7 million in the five months ended May 31, 2023. According to the F&S Report, our profitability during the Track Record Period was higher than the industry average, which was estimated to be 5.0% to 9.0% during the same periods. See “Financial Information” for more information.

We believe that our strong brand reputation, continuous research and innovation in quality EBN products, established sales network and loyal consumer base will enable us to maintain our industry leadership. We are committed to advancing the sustainable development of our Company and the industry and strive to fulfill our economic, social and environmental responsibilities. As such, we believe we are able to continue to deliver benefits to our Shareholders, employees, suppliers, business partners, customers and other stakeholders.

### COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors.

#### **A leading brand in China’s EBN product market with sustained growth**

We are a leading brand in China’s EBN product market, dedicated to the development, production and marketing of high-quality modern EBN products. According to the F&S Report, we are the largest EBN product company in China for three consecutive years in terms of retail value from 2020 to 2022,

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with a market share of 5.8% in China in 2022, and ranked No.1 by the number of EBN specialty storefronts and the volume of CAIQ-certified imports in the EBN product market in China in 2022. We imported 26.3 tonnes, 57.2 tonnes, 50.4 tonnes and 52.2 tonnes of CAIQ certified EBN from Indonesia in 2019, 2020, 2021 and 2022, respectively, accounting for 14.4%, 17.0%, 15.2% and 11.6% of the total volume of imported traceable EBN to China in respective years, and 20.1%, 21.4%, 22.1% and 17.9% of the total volume of imported traceable EBN from Indonesia to China in respective years, according to the F&S Report. Moreover, we also ranked No.1 in the scale of EBN manufacturing bases in China in 2022, according to the same source.

Benefiting from our industry leadership, our growth has far exceeded the industry average. Our revenue increased from RMB1,301.2 million in 2020 to RMB1,507.0 million in 2021 and further to RMB1,729.9 million in 2022, at a CAGR of 15.3% from 2020 to 2022. Our total retail value in the market also increased at a high CAGR of 12.3% from 2020 to 2022, which was 8.6 percentage points higher than the industry average and was the highest among the top five EBN brands during the same years, according to the F&S Report. Our outperformance against the industry average from 2020 to 2022 was primarily due to the industry-wide lower growth rate in terms of retail value during the same years except for a few leading market participants. Specifically, according to the F&S Report, while offline sales of EBN products accounted for over 69% of China's EBN market in terms of retail value from 2020 to 2022, the overwhelming majority of EBN companies, not among the industry leaders, were more susceptible to the negative impact of the pandemic on their offline sales, resulting in a low CAGR of 1.5% for the retail value of EBN products sold through offline channels in China during the period. However, as a leading brand in the industry, we had successfully navigated challenges posed by the pandemic by leveraging our established market position, brand awareness and well-established online sales channels. Moreover, our imported volume of EBN increased from 0.2 tonnes in 2015 to 52.2 tonnes in 2022 at a CAGR of 128.6%, as compared to the total imported volume of EBN to China, which increased from 22.5 tonnes in 2015 to 451.6 tonnes in 2022 at a CAGR of 53.5%, according to data published by the CAIQ. Leveraging our favorable industry position, advantage in scale and growth potential, we believe we are well positioned to capture the market opportunity in the EBN industry.

We have established ourselves as a widely recognized brand among consumers in the beauty and wellness industry. Our brand has consistently ranked No.1 by the China Brand Power Index in the EBN category since 2019 and was elected for Xinhua News Agency's Ethnic Brand Project in 2021 and a consumer product brand with national influence by People's Daily Online in 2022. Moreover, in 2021, we established an official partnership with the Chinese national fencing team and become their designated EBN product brand. We believe our advantage in brand awareness will further solidify our industry leadership and give us a head start in expanding our presence in the beauty and wellness industry.

### **A track record of continued product innovation and success underpinned by our research and development capabilities**

We have proven our ability to innovate and develop products that re-define the industry and expand customer reach. Our signature product series, *One Nest*, was among the earliest mass-produced, ready-to-serve EBN products in China with a standardized manufacturing process, enabling us to preserve the original taste of EBN and, at the same time, ensure consistent quality. We launched *One Nest* in 2012, which quickly gained popularity among consumers for its original taste and convenience. We have continued to innovate and introduced new products under *One Nest* series tailored to different consumer groups, significantly enriching the variety of this product series and contributing to our growth. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our revenue generated from *One Nest* (pure EBN) was RMB559.3 million, RMB661.4 million, RMB672.6 million, RMB288.0 million and RMB283.4 million, respectively.

Our product development capabilities enable us to timely respond to evolving consumer demands and continue to strengthen our market leadership by blazing new trails in the industry. For instance, to capture the rapid growth of e-commerce in recent years, we launched Freshly Stewed Bird's Nest, which

was specifically designed for online channels and quickly gained popularity among younger consumers. In addition, as individual servings of ready-to-serve EBN products can be heavy and inconvenient to carry around in the soup form, we applied supercritical fluid drying technology and developed EBN for hand-brewed delicacies, which are more portable, quick to prepare and easier to absorb. Moreover, leveraging our extensive research of EBN extracts, we have expanded the value chain of the EBN industry to develop other innovative EBN products, including EBN+ products, such as *One Nest — Vitality* (碗燕—元氣款) and Crystal Sugar Bird's Nest with Ginseng (人參冰糖官燕), and +EBN products, such as EBN porridge and EBN skincare products which use EBN peptides as an enhancement.

In 2022, we had 250 SKUs, among which 194 were pure EBN SKUs under four major product series, including *One Nest*, Freshly Stewed Bird's Nest, Crystal Sugar Bird's Nest, and dried EBN, to meet the differentiated consumer needs for experience in different life scenarios. Highly recognized among the general public for social occasions, our products have become a symbol of high quality, safety and high brand awareness.

Our success in product innovation is built on our research and development capabilities. We have established an industry-leading research and development platform, which consists of the EBN Research Institute, EBN Peptide Research Center, EBN Skincare Research Center, and the Peking University – Yan Palace Joint Lab. As of the Latest Practicable Date, we had a strong in-house research and development team of 49 personnel, and more than 30% of them hold a master's degree or above. We have also established extensive collaborations with industry leading experts such as academicians from the Chinese Academy of Sciences and the Chinese Academy of Engineering, as well as various well-known academic institutions, such as South China University of Technology, Jiangnan University, and Xiamen University. Benefiting from the research and development platform, our research and development capabilities have positioned us at the forefront of our industry, evidenced by a total of 133 patents granted to us as of the Latest Practicable Date, which ranks No.1 in the industry and significantly surpasses the second place, according to the F&S Report. Many of the patents have tremendously improved customers' experience with our products and solidified our industry leadership. For instance, our high-temperature adhesive-free sealing technology allows for room temperature storage and on-the-go consumption and, at the same time, avoids the use of potentially toxic adhesive agents. Our sterilization equipment features temperature control with a controlled precision of within  $\pm 0.2$  degrees Celsius, ensuring standardized taste.

Leveraging our in-depth research on EBN extracts, we were among the first in the industry to research EBN peptides and develop products utilizing its skin-whitening, anti-skin-inflammatory, anti-oxidant and cell repair properties. Through our patented EBN peptide production method, we have successfully hydrolyzed the high molecular weight protein found in EBN into smaller, more easily digestible and absorbable peptides, which we have incorporated as a key ingredient in our skincare products. We were also the first company in China to complete the filing of EBN peptides as new cosmetic raw materials, according to the F&S Report, which allows us to enjoy a three-year protection period in the skincare field from 2022. In addition, we were the first enterprise to obtain production qualification for EBN peptides, according to the same source. We believe that our first-mover advantage will allow us to maintain a leading position in the development and marketing of EBN skincare products.

### **High-quality and scientifically validated EBN products in their natural and pure form which have become a cultural symbol of self-care and hospitality in modern society**

Upholding our philosophy of harnessing the nourishing power of nature, we remain committed to using only fine quality raw materials and providing consumers with quality natural EBN products. To this end, we have established stringent quality control measures covering raw material procurement, full-chain traceability program, quality assurance scheme, and advanced manufacturing facilities to ensure the purity, natural origin and fine quality of our EBN products, which forms the foundation and safeguards of our success.

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*Raw material procurement.* We have adopted strict grading criteria for imported EBN, based on factors such as shape, color, moisture content, and sialic acid content, and select high-quality swiftlet nests from Indonesia as our raw materials. During the Track Record Period, substantially all of raw nests used in our production process were sourced from suppliers in Indonesia, the largest raw nest production country in the world. In 2020 and 2021, we also sourced a total of RMB1.9 million of raw nests from suppliers in China, which, to the best knowledge of our Directors, imported these raw nests from Malaysia and Thailand. We have implemented strict supplier admission policies and thoroughly review and assess the capabilities and background of all supplier candidates through qualification checks, on-site inspections and sample testing. We only choose the best suppliers who possess complete qualifications, offer the highest quality raw nests, and have the strongest supply capacity.

*Full-chain traceability program.* We have established a full-chain traceability program to ensure that we only import compliant and traceable raw nests for our products. Moreover, our traceability program extends beyond the raw materials to cover the entire production process and enables transparency and accountability at every stage of the supply chain. According to the CAIQ, we are the only enterprise that has integrated CAIQ traceability data to its ERP system and achieved full-chain traceability of raw materials.

*Quality assurance scheme.* We have formulated a stringent quality assurance scheme to ensure the quality of our products. According to the F&S Report, we are the first EBN product company in China that has been certified by the BRC Global Standard for Food Safety and International Food Standard. We have also received major quality accreditations, including the certifications of ISO 9001 Quality Management System, ISO 22000 Food Safety Management System, Hazard Analysis and Critical Control Points, Integrity Management System, and ISO 14001 Environmental Management System.

*Advanced manufacturing facilities.* We have built our own production bases with a total floor area of approximately 39,300 square meters to house our experienced technical specialists, cutting-edge research and development equipment, and integrated EBN processing production line to focus on the quality and safety of our products and the sustainability of the production process. We adhere to the principle of digitalized manufacturing to present EBN to consumers in their natural and pure form. For ready-to-serve pure EBN products, we strictly follow the principles of “Four Zeros” in manufacturing, i.e., zero-additive, zero-preservative, zero-fat and zero-nitrite. In particular, leveraging our standardized production processes which incorporate low-temperature air energy drying and antibacterial technology, high-temperature glue-free sealing technology and steam stewing technology, our automatic production lines in our GMP-compliant facilities could produce EBN products with a shelf life of up to 24 months without preservatives, presenting our products to consumers in their natural and pure form.

### **Established sales network with differentiated product offerings**

We have established a national sales network covering online and offline channels. We have rapidly expanded our brick-and-mortar sales network through a combination of self-operated stores and distributor-operated stores. As of May 31, 2023, we had established a nationwide offline sales network consisting of 91 self-operated stores and 214 offline distributors covering 614 distributor-operated stores in China. According to the F&S Report, we ranked No.1 as measured by the number of EBN specialty storefronts in 2022 and surpasses the runner-up by over 100%. Our offline sales network has covered all direct-administered municipalities and provincial capitals in China. Our stores are located at prime locations in these cities, as we recognize the vital role storefronts serve for maintaining our brand image, engaging our customers, enhancing customer coverage and loyalty, and promoting the concept of beauty and wellness. We are also expanding into the mass markets to maintain our first-mover advantage in distribution channels. Our strong brand reputation and exceptional product quality have led distributors to foster long-term partnerships with us. The number of our offline distributors increased from 136 as of January 1, 2020 to 214 as of May 31, 2023. Among the 136 distributors as of January 1, 2020, 111, or 81.6%, of them had remained with us as of May 31, 2023.

In addition to the traditional offline channels, we have also expanded our online presence by attracting online distributors, engaging e-commerce platform customers, and establishing online stores on all major e-commerce or social media platforms, such as Tmall, JD.com, Douyin and Xiaohongshu. We adopt a differentiated product and service offering strategy for different channels. For instance, Freshly Stewed Bird's Nest was launched specifically for online channels with a subscription model, catering to demands from the younger generations.

Capitalizing on our online and offline presence, we have cultivated a robust pool of private domain traffic through the Yan Palace membership mini program, our Golden Yan Club membership program, and other membership programs on major e-commerce platforms, enabling us to maintain direct contact with our consumers and strengthen our engagement with them. As of the Latest Practicable Date, there were over 1.8 million customers registered in our membership programs. We frequently organize various interactive events for our valued members. For instance, we regularly invite selected members to join a tour in Xiamen, where members not only visit popular tourist sites and enjoy local food, but also have an immersive factory tour, which allows them to further understand our products and connect to our brand. We have also established the Yan Palace Golf Club and organized the National Women's Golf Tour around the country to promote the sport of golf among women as well as the concept of beauty and wellness. Our membership program and interactive events have resulted in elevated customer loyalty.

### **A leader in formulating industry standards and an active contributor to public welfare**

We have continually spearheaded the formulation of nationwide industry standards. In 2014, we joined forces with China National Institute of Standardization in drafting the first industry standard for dried EBN in China, GH/T 1092-2014, which was a milestone in the industry's development as it ended the long standing lack of industry standards for dried EBN in China, set guidelines for the quality grading of imported dried EBN and related professional terminology, and provided quantitative and qualitative specifications for sensory and physicochemical quality inspection methods of dried EBN, including specific requirements for nitrite content testing. In 2019, we were invited as an industry leader to participate in the formulation of the national food safety standard for EBN and its products, led by the Xiamen Customs Technology Center and entrusted by National Health Commission, which stipulates the sensory requirements, physicochemical indicators, and pollutant limits for EBN and its products, marking the beginning of the highest level of inspection and testing standard for the EBN industry. In 2019, we participated in the formulation of the first nationwide industry standard for EBN products, Bird's Nest Products for Light Industry, working alongside with the China National Research Institute of Food Fermentation Industry. This standard classifies EBN products based on their production process and EBN feed ratios and stipulates the sensory and physicochemical quality indicators for the corresponding products, marking the future industry regulation of EBN products produced by different processes. We believe our extensive experience and long-term dedicated research, distilled into these industry standards, will benefit and promote the industry development in the long run, as we are committed to using our expertise to promote the growth and sustainability of the industry.

We work closely with our suppliers in Indonesia to ensure that we only use harvested bird's nests abandoned by swiftlets. The artificial birdhouses protect swiftlets from their enemies and predators and create a safe breeding environment for them, thereby promoting the healthy growth of the swiftlet population and enabling a sustainable and environmentally friendly manufacturing process. In addition, we continuously invest in the application of green technology to our manufacturing processes to reduce energy consumption and emissions. Taking the example of our Freshly Stewed Bird's Nest (Eco-Friendly Packaging) in 45g×7 size, it produces approximately 54.1% less carbon emissions compared to the same size of refrigerated delivery packaging. In other words, the carbon emission reduction from 1000 boxes of this EBN product is equivalent to the carbon sequestration of approximately 166 trees in one year. We believe that it is our responsibility to protect the environment and promote sustainable practices in the industry, and we are committed to doing our part to achieve this goal.

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We honor our social responsibility and are committed to giving back to the society. We have been recognized for our commitment to social responsibility, and we were named the Pioneer Group in Poverty Alleviation (脫貧攻堅先進集體) in Fujian Province in 2021 and the Annual Role Model for Social Responsibility in the 2021 Beautiful Charity Conference (2021美好公益大會年度責任典範). Mr. Huang, founder and chairman of our Company, was awarded the Pioneer Individual in Poverty Alleviation (脫貧攻堅先進個人) in Gansu Province in 2021.

### **Dedicated, visionary and experienced management team leading a group of elite talents in the industry**

Our dedicated, visionary and experienced management team has been essential in driving the growth of our business. In particular, Mr. Huang, founder and chairman of our Company, has been engaged in the EBN industry since 1997, amassing extensive industrial experience. Mr. Huang has been recognized with various awards and honors, including, to name a few, the Outstanding Private Sector Entrepreneur in Fujian Province (福建省優秀民營企業家), the New Consumer Annual Focus Figure in 2020 (2020新消費年度關注人物), and the Outstanding Contribution Award at the 2020 Global Bird's Nest Golden Swallow Awards (2020年度全球燕窩金燕獎卓越貢獻人物獎). In addition, Mr. Wenbin Zheng, our vice chairman, and Mr. Youquan Li, our general manager, both of whom are our Controlling Shareholders, have brought in a wealth of resources and experience in marketing and distribution to our Company since their founding of our Company along with Mr. Huang in 2014, and have significantly contributed to our rapid growth.

Our management place great emphasis on talent. We attract new talents in the industry and maintain our existing employees with fair compensation for their contributions. Additionally, we are committed to continuously nurturing our employees' growth by establishing the Yan Palace Academy, which is supported by a team of professional trainers and a comprehensive training system. Through these initiatives, we aim to foster an environment that encourages our employees to learn and grow along with our Company, building a strong and dedicated team that is capable of achieving our goals.

### **GROWTH STRATEGIES**

We intend to pursue the following strategies to further grow our business.

#### **Continue to solidify our industry leadership by expanding our product portfolio and strengthening our research and development capabilities**

We believe that a high-quality and diversified product portfolio is key to sustaining our competitive edge, enabling sustainable long-term growth and success. We plan to further enrich our product matrix to meet differentiated consumer needs. More specifically, we plan to further improve and upgrade our existing product series by (1) enhancing their taste and introducing new flavors, (2) improving production and sealing processes to ensure product safety and quality, and (3) upgrade our product packaging to target different consumer groups and promotional seasons, while adhering to our low-carbon and environmentally friendly packaging principles. We also plan to explore and develop new EBN products that cater to different consumer groups and life scenarios. For instance, we plan to expand the application of EBN peptides in skincare products to diversify the product portfolio of our sub-brand, *Yan Palace — Yan Bao Shi* (燕寶詩). Leveraging our research into the medicinal properties of EBN and its extracts, we also plan to launch more EBN+ products that meet the specific functional needs of different consumer groups. Moreover, we plan to explore new application scenarios for EBN products through collaborations with leaders from other industries.

To support the expansion of our product portfolio, we plan to increase investment in our research and development capabilities to consolidate our leadership in industry innovation. More specifically, we plan to set up new research and testing laboratories, establish fully-equipped pilot workshops for all product

categories, purchase advanced research and development equipment, and recruit professional research and development talents to provide technical support for product development and upgrades. In addition, we plan to establish research institutions devoted to the research and development of EBN products, including (1) Yan Palace Indonesia Joint Laboratory, in collaboration with the National Research and Innovation Agency of Indonesia (印度尼西亞國家研究創新署), to conduct research into various aspects of raw nests, such as raw nest characteristics, EBN product processing techniques and ecological environment protection for swiftlets; (2) Yan Palace Japan Joint Laboratory, in collaboration with Kyoto University and Japan Kyushu University, to conduct research and development of EBN and EBN peptides for use in skincare and health food products; and (3) Edible Bird's Nest Special Food Research Center, dedicated to exploring the application of EBN in specialized foods for medical purposes and targeted diets. As of the Latest Practicable Date, we had launched a joint study program on the absorption and action mechanism of bird's nest peptides with Kyoto University, and we were at a preliminary stage for the establishment of these research institutions. Furthermore, we will continue to strengthen our collaborations with renowned domestic and international universities and research institutions to conduct specialized research in areas, such as EBN pharmacology, product development, manufacturing automation and intelligent upgrading, to promote the overall development of the EBN industry in China.

### **Further fortify our sales network to deepen our consumer reach**

We will continue to expand and deepen our sales network to increase market penetration and enhance consumer stickiness.

We plan to further penetrate our existing markets by (1) establishing integrated experience stores primarily in tier-1 cities; (2) opening more flagship stores primarily in tier-2 and tier-3 cities; (3) setting up signature stores at major airport hubs and railway stations in Beijing, Shanghai, Xiamen and Shenzhen, among others; (4) introducing various types of stores customized to each storefront location, such as EBN dessert stores and EBN afternoon tea stores, in busy areas such as central business districts and high-end shopping malls, to cover more consumption scenarios; and (5) upgrading the design of existing stores in Beijing, Harbin, Hangzhou and Xiamen, among others, and expanding their area to establish more flagship stores to enhance our premium brand image. With respect to customized stores to cover more consumption scenarios, we plan to fund such strategy with funds generated from our operations.

We plan to further diversify our sales channels. We recognize the high-frequency consumption pattern and the strong market potential of channels such as supermarkets and convenience stores, which are ideal for modern consumers' fast-paced lifestyles. As such, we plan to enter boutique supermarkets, membership supermarkets and convenience stores to reach a wider range of consumers and introduce both existing and new products tailored to the characteristics of these channels.

We also plan to further expand our online presence. We will continuously analyze online sales data and develop targeted promotion strategies and product combinations that differentiate us from our competitors. We will also focus on growing our membership base and increasing member loyalty and repurchase rates by refining our member community operations and providing personalized services that enhance consumer experience. In addition, we plan to strengthen our presence on emerging e-commerce platforms, such as Douyin and Kuaishou, and collaborate with influencers to enhance brand awareness and increase sales through word-of-mouth marketing activities.

Moreover, we plan to tap into new markets for growth opportunities. We plan to expand our coverage of domestic cities by replicating successful offline sales models in new markets with high population density and growth potential. We also see great potential in markets such as Hong Kong and Macau, where there is already a well-established culture of EBN consumption. Additionally, we plan to gradually establish our distribution network overseas in developed countries with an existing market for EBN consumption and use as well as countries with a large Chinese expatriates.

### **Continue to invest in branding building and foster strong and lasting customer relationships**

As a well-known brand in China's beauty and wellness industry, we will continue to invest in brand building to increase our brand recognition and foster strong and lasting customer relationships to increase their loyalty.

We plan to continue to leverage marketing channels proven to be effective, including traditional media channels like television, radio and e-commerce platforms to enhance our brand awareness. In addition, we will reinforce the premium and high-quality brand image of Yan Palace through selected event sponsorships.

We plan to further refine our member community operations to strengthen our relationships with our members, foster a greater sense of trust and loyalty, and build up our own private domain traffic. We will organize offline member events with different themes and formats to create diverse and engaging experiences for our members.

Furthermore, we will increase our marketing and promotion activities in new media and social platforms to enhance our brand exposure in emerging channels and increase engagement with our customers on these platforms.

### **Strengthening operational capacities in supply chain, expanding production capacities and investing in intelligent manufacturing**

We will continue to strengthen our supply chain management capabilities to ensure a robust and efficient supply chain. We plan to establish another production base in Xiamen to house our new production lines. We also plan to increase our warehousing space to meet the increasing demand from a growing sales network by upgrading our existing warehouses and establishing an intelligent logistics warehousing center within our second production base in Xiamen. We will introduce advanced equipment and intelligent management systems to enhance the automation and intelligence of our operations, leading to increased production and supply efficiency, reduced costs and the ability to quickly adapt to changes in market demand.

Moreover, we plan to selectively establish strategic partnerships or seek strategic investment opportunities along the EBN industry value chain, particularly suppliers of high quality raw nests to ensure sufficient and stable supply of key raw materials and maintain control over the quality of our raw material supply. When assessing the investment or acquisition opportunities, we will primarily consider targets that are complementary to our business and are in line with our corporate philosophy and growth strategies. As of the Latest Practicable Date, we had not identified any specific investment or acquisition targets, nor had we negotiated with any specific investment or acquisition targets.

### **Investing in corporate digitalization to improve operational efficiency**

To further enhance our digital capabilities, we are committed to strengthening the digitalization of our business processes through various measures.

We plan to continue to develop our business collaboration platform to achieve cross-functional digital integration of our business, finance, supply chain management, and customer management systems. This will improve our management and operational efficiency and enable us to respond quickly to changes in the market. We will also invest in the construction of a full-channel data platform that supports the digitalization of our business processes. This platform will enable us to integrate our online and offline sales data, analyze consumer preferences and market trend, and optimize our product portfolio and sales strategies using data analytics technology.

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In addition, we will enhance our digital capabilities over membership management by integrating our online and offline member pools and constructing member profiles through data analysis, which we believe will enable us to better understand consumer behavior and provide precise marketing to our members. We will also continue to optimize the system and mini program for membership management by (1) improving online order management system functions to improve system response efficiency and enhance the online customer shopping experience; (2) upgrading our Golden Yan Club membership system and optimizing features in the mini program, such as payment, member center and reward points; and (3) adding new features such as periodic delivery and shopping guide components, provide members with a better service experience.

Moreover, we will continue to invest in our information technology infrastructure to support the digital operation of our business processes. We plan to consolidate the reliability, stability and security of our systems by purchasing advanced software and hardware and strengthening cooperation with cloud service and data service providers.

### **Continue to invest in our employees**

We believe experienced and well-trained employees at all levels are instrumental to our success and future development. Following our tradition of valuing, respecting, inspiring, and cultivating talents, we will continue to make investment to attract, retain and motivate outstanding employees. We will continue to provide our employees with competitive compensation packages and develop a healthy promotion mechanism within our Company to attract and retain talents.

We will also continue to provide employees with guidance and training tailored to their career development paths to improve their professional skills and overall capabilities. More specifically, we will further upgrade the training courses under the Yan Palace Academy to provide more in-depth training in various aspects. We will continue to provide employees with opportunities to achieve their career aspirations, such as job rotation opportunities, to develop comprehensive skills in the edible bird's nest industry and support our sustainable development and long-term success.

### **OUR PRODUCTS**

We currently have primarily three major product categories, i.e., pure EBN products, EBN+ products and +EBN products. During the Track Record Period, our pure EBN products (with an EBN feed rate of over 1% and up to 6% for ready-to-serve products) consisted primarily of (1) *One Nest* (碗燕), our bowl-shape-canned EBN product series which promotes the lifestyle of beauty and wellness, (2) Freshly Stewed Bird's Nest (鲜嫩燕窝), our bottle-canned EBN product series primarily targeting e-commerce consumers, (3) Crystal Sugar Bird's Nest (冰糖官燕), our primary bottle-canned crystal sugar flavored EBN product series, and (4) dried EBN, our traditional EBN product series for customers to prepare their own serving of delicacy. In addition to pure EBN products, we have also developed (i) EBN+ products, primarily including EBN-based products with additional ingredients added to create enhanced flavors and cater to different consumption scenarios, and (ii) +EBN products, primarily including food products using EBN or EBN extracts to enhance flavors and functions such as EBN porridge, and EBN skincare products that use bird's nest peptides as an enhancement. We will continue to iterate and diversify our product portfolio in response to the evolving consumer demand.

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The following table sets forth a breakdown of our revenue by product category for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue
	(Unaudited)									
	(RMB in thousands except for percentages)									
Pure EBN products . . . . .	1,253,900	96.4	1,442,951	95.8	1,638,127	94.7	665,161	95.4	738,613	94.3
— One Nest . . . . .	559,288	43.0	661,412	44.0	672,640	38.9	287,958	41.3	283,406	36.2
— Freshly Stewed Bird’s Nest . . . . .	321,144	24.7	423,264	28.1	485,372	28.1	188,664	27.1	215,168	27.5
— Other bottle-canned bird’s nest <sup>(1)</sup> . . . . .	201,298	15.5	193,318	12.8	305,105	17.6	122,816	17.6	169,259	21.6
— Dried EBN . . . . .	172,170	13.2	164,957	10.9	175,010	10.1	65,723	9.4	70,780	9.0
EBN+ and +EBN products . . . . .	43,051	3.3	56,115	3.7	73,103	4.2	28,619	4.1	37,237	4.8
Others <sup>(2)</sup> . . . . .	4,206	0.3	7,931	0.5	18,715	1.1	3,096	0.5	6,726	0.9
<b>Total revenue . . . . .</b>	<b>1,301,157</b>	<b>100.0</b>	<b>1,506,997</b>	<b>100.0</b>	<b>1,729,945</b>	<b>100.0</b>	<b>696,876</b>	<b>100.0</b>	<b>782,576</b>	<b>100.0</b>

*Notes:*

(1) Includes primarily Crystal Sugar Bird’s Nest.

(2) Includes non-EBN products, promotional gifts to customers, and products for internal sales.

### Pure EBN Products

#### *One Nest* (碗燕)

*One Nest* features ready-to-serve EBN contained in bowl-shaped cans. Launched in 2012, *One Nest* is our signature product series that revolutionarily standardized the manufacturing process of EBN. According to the F&S Report, *One Nest* was one of the earliest mass-produced, ready-to-serve EBN products in China.

By standardizing the manufacturing process of ready-to-serve EBN products, we believe *One Nest* allows consumers to avoid the intricate and time-consuming process of cooking, which frustrates many consumers and deters them from purchasing EBN products. Our standardized manufacturing process enables us to preserve EBN’s original taste in *One Nest*, and at the same time, ensures consistent quality and safety of the products. Through *One Nest*, we have established ourselves as a leading EBN product brand, according to the F&S Report.

In 2022, we had 54 pure EBN SKUs sold under *One Nest* product series. The standard prices of our pure EBN products under *One Nest* in 2022 ranged from RMB198 to RMB598 per bowl. Such prices depend on various factors including EBN contents per bowl and the number of bowls included in each product box, among others. *One Nest* products typically contain more EBN in each bowl as compared to that in each bottle of Freshly Stewed Bird’s Nest and Crystal Sugar Bird’s Nest. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the revenue generated from our pure EBN products under *One Nest* was RMB559.3 million, RMB661.4 million, RMB672.6 million, RMB288.0 million and RMB283.4 million, respectively, accounting for 43.0%, 44.0%, 38.9%, 41.3% and 36.2% of our total revenue in the same periods, respectively. The following table sets forth certain key information about our current pure EBN products under *One Nest*.

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Product <sup>(1)</sup>	Illustration	Description <sup>(2)</sup>	Launch year	Shelf life	Percentage of EBN content <sup>(3)</sup>	Standard price <sup>(4)</sup> in 2022 (RMB/bowl-shaped can)	Product positioning
Premium Edition (尊享款)		Each box contains six, 12 or 30 bowls. Each bowl weighs 180 grams net.	2014	18 months	Over 3.6%	458	Premium products primarily for gifting
Classic Edition (經典款)		Each box contains three, five, 10 or 30 bowls. Each bowl weighs 180 grams net.	2018	18 months	Over 3.1%	398	Premium to middle-end products primarily for gifting
Honorable Edition (榮耀款)		Each box contains six bowls. Each bowl weighs 108 grams net.	2018	18 months	Over 2.9%	258	Premium to middle-end products primarily for gifting
True Love Edition (甄愛款)		Each box contains 30 bowls. Each bowl weighs 108 grams net.	2019	18 months	Over 3.4%	298	Premium to middle-end products primarily for self-consumption
Little Red Bowl Edition (小紅碗款)		Each box contains one, three or 10 bowls. Each bowl weighs 138 grams net.	2019	18 months	Over 2.7%	298	Premium to middle-end products primarily for self-consumption
Deep Love Edition (濃情款)		Each box contains one bowl along with a porcelain bowl. Each bowl weighs 180 grams net.	2016	18 months	Over 3.6%	520	Affordable products primarily for gifting as each box contains only one bowl
Sky Flying Edition (飛天款)		Each box contains six bowls. Each bowl weighs 180 grams net.	2021	18 months	Over 4.7%	598	Premium products primarily for gifting

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Product <sup>(1)</sup>	Illustration	Description <sup>(2)</sup>	Launch year	Shelf life	Percentage of EBN content <sup>(3)</sup>	Standard price <sup>(4)</sup> in 2022 (RMB/bowl-shaped can)	Product positioning
Blessed Pregnancy (禧孕)		Each box contains 10 bowls. Each bowl weighs 80 grams net.	2022	12 months	Over 3.7%	238	Specifically designed for pregnant female consumers
Star Diamond (星鑽)		Each box contains 10 bowls. Each bowl weighs 100 grams net.	2022	12 months	Over 4.5%	359.9	Premium products primarily for gifting

**Notes:**

- (1) Exclusively available for offline channels, except for Star Diamond which is exclusively available for online channels.
- (2) Made from long-length raw nest strips.
- (3) Calculated by dividing the weight of EBN in a given bowl by the net weight of that bowl.
- (4) Applies to the indicated sales channels.

### **Freshly Stewed Bird's Nest (鮮燉燕窩)**

We believe e-commerce consumers have the demand for higher freshness requirements and launched our Freshly Stewed Bird's Nest, which is available primarily for online channels. Our fresh stewed EBN products are bottle-canned and stewed at 115 degrees Celsius, which led to a relatively short shelf life but ensures the freshness. Consumers could order our weekly, monthly or annual packages for such products at different prices. Depending on the consumption frequency specified in a particular package, we deliver three or seven bottles in different volumes to consumers every six or seven days. We believe this package ordering program has enhanced customer stickiness. In addition to our cooperation with industry-leading express courier companies, we have also established a production base that primarily manufactures Freshly Stewed Bird's Nest in Songjiang District, Shanghai to ensure faster delivery. See “—Production—Production Bases.”

In 2022, there were 75 SKUs sold under Freshly Stewed Bird's Nest product series. The standard prices of these products in 2022 ranged from RMB86 to RMB249.5 per bottle. Such prices primarily depend on EBN content per bottle, the bottle volume as well as the length and consumption frequency of ordered packages. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our revenue generated from Freshly Stewed Bird's Nest was RMB321.1 million, RMB423.3 million, RMB485.4 million, RMB188.7 million and RMB215.2 million, respectively, accounting for 24.7%, 28.1%, 28.1%, 27.1% and 27.5% of our total revenue in the same periods, respectively. The following table sets forth certain key information about our current Freshly Stewed Bird's Nest products.

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Product <sup>(1)</sup>	Illustration	Description <sup>(2)</sup>	Launch year	Shelf life	Percentage of EBN content <sup>(3)</sup>	Standard price <sup>(4)</sup> in 2022 (RMB/bottle)	Product positioning
Environmental-friendly Edition (環保款)		Each bottle weighs 45 grams or 70 grams net. Customers could order boxes that contain different number of bottles with different net content, i.e., 45 grams x seven bottles, 70 grams x three bottles and 70 grams x seven bottles, depending on their consumption frequency.	2022	15 days	Over 4.4% (bottles weighted 45 grams net)  Over 5.0% (bottles weighted 70 grams net)	133 (bottles weighted 45 grams net)  228 (bottles weighted 70 grams net)	Middle-end products primarily for self-consumption
Refrigerated Edition (冷藏款)		Each bottle weighs either 45 grams or 70 grams net. Customers could order boxes that contain different number of bottles with different net content, i.e., 45 grams x seven bottles, 70 grams x three bottles and 70 grams x seven bottles, depending on their consumption frequency.	2021	15 days	Over 4.4% (bottles weighted 45 grams net)  Over 5.0% (bottles weighted 70 grams net)	133 (bottles weighted 45 grams net)  228 (bottles weighted 70 grams net)	Middle-end products primarily for self-consumption
Fresh Enjoyment Edition (鲜享装)		Each box contains three or seven bottles. Each bottle weighs 45 grams net.	2020	15 days	Over 3.3%	86	Affordable products primarily for self-consumption

**Notes:**

- (1) Exclusively available for online channels.
- (2) Made from medium-length raw nest strips.
- (3) Calculated by dividing the weight of EBN in a given bottle by the net weight of that bottle.
- (4) Applies to online channels.

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### *Other Bottle-canned Bird's Nest*

Other bottle-canned bird's nest is our traditional EBN product series, primarily including Crystal Sugar Bird's Nest. We produce product series in accordance with traditional Chinese recipes that preserve the original taste of EBN as a delicious dish in traditional Chinese cuisine. Compared to Freshly Stewed Bird's Nest, Crystal Sugar Bird's Nest products generally have a longer shelf life of 24 months. In 2022, we had 35 pure EBN SKUs sold under other bottle-canned bird's nest. The standard prices of these products in 2022 ranged from RMB66.3 to RMB169.9 per bottle. Such prices primarily depend on EBN content per bottle, the bottle volume and the number of bottles included in each product box. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the revenue generated from our pure EBN products under other bottle-canned bird's nest was RMB201.3 million, RMB193.3 million, RMB305.1 million, RMB122.8 million and RMB169.3 million, respectively, accounting for 15.5%, 12.8%, 17.6%, 17.6% and 21.6% of our total revenue in the same periods, respectively. The following table sets forth certain key information about our current pure EBN products under other bottle-canned bird's nest.

Product <sup>(1)</sup>	Illustration	Description <sup>(2)</sup>	Launch year	Shelf life	Percentage of EBN content <sup>(3)</sup>	Standard price <sup>(4)</sup> in 2022 (RMB/bottle)	Product positioning
Crystal Sugar Bird's Nest for offline channels (冰糖官燕線下款)		Each box contains six or 12 bottles. Each bottle weighs 75 grams net.	2022	24 months	Over 1.6%	80	Affordable products for both gifting and self-consumption
Blooming Castle Edition (花漾城堡系列)		Each box contains five, eight, 15 or 30 bottles. Each bottle weighs 70 grams net.	2021	24 months	Over 2.1%	95	Affordable products primarily for gifting
Sugar Free Edition (悦·享零糖燕窩)		Each box contains 10 bottles. Each bottle weighs 60 grams net.	2022	100 days	Over 3.3%	169.9	Middle-end products primarily for gifting

**Notes:**

- (1) Exclusively available for online channels, except for Crystal Sugar Bird's Nest for offline channels.
- (2) Made from short-length raw nest strips.
- (3) Calculated by dividing the weight of EBN in a given bottle by the net weight of that bottle.
- (4) Applies to the indicated sales channels.

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### **Dried EBN**

We rigorously select high-quality raw nests in the intact shape of a shallow cup for customers to prepare their own serving of delicacy. We grade such intact raw nests depending on their length, height and weight. For example, we grade intact raw nests with a length not less than 12.5 cm, a height not less than 4.0 cm, and a weight not less than 6.5 grams as 6A nests. Consumers could turn these intact raw nests into various dishes of their choosing through their own preparation process, which at least includes soaking and feather picking. In addition, we also provide consumers with dried EBN that have gone through certain processes, such as soaking, feather picking, cleaning and drying, so that these products are available for instant stewing, avoiding hours of preparation by our customers.

In 2022, we had 30 SKUs sold under our classic dried EBN product series. The standard prices of intact raw nests in 2022 ranged from RMB28 to RMB88 per gram. Such prices primarily depend on the grades of raw nests and the weight per intact nest. The standard prices of dried EBN for instant stewing (即燉乾燕窩) in 2022 was RMB440 per serving. Each serving weights approximately five grams. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the revenue generated from our classic dried EBN product series was RMB172.2 million, RMB165.0 million, RMB175.0 million, RMB65.7 million and RMB70.8 million, respectively, accounting for 13.2%, 10.9%, 10.1%, 9.4% and 9.0% of our total revenue in the same periods, respectively. The following table sets forth certain key information about our current classic dried EBN products.

Product <sup>(1)</sup>	Illustration	Description <sup>(2)</sup>	Launch year	Shelf life	Weight (gram/box, unless otherwise indicated)	Standard price <sup>(3)</sup> in 2022 (RMB/box)	Product positioning
4A Intact Nests		Made from grade 4A intact raw nests with a length ranged from 8.0 to 12.0 cm, a height not less than 3.3 cm, and a weight not less than 4.0 grams.	2020	36 months	100 grams	5,200	Middle-end products primarily for gifting
6A Intact Nests		Made from grade 6A intact raw nests with a length not less than 12.5 cm, a height not less than 4.0 cm, and a weight not less than 6.5 grams.	2018	36 months	100 grams	8,800	Premium to middle-end products primarily for gifting
Dried EBN for Instant Stewing		Made from raw nests that have gone through certain processes, such as soaking, feather picking, cleaning and drying.	2015	36 months	12 servings per box, each weighs five grams	5,280	Premium products primarily for gifting

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Product <sup>(1)</sup>	Illustration	Description <sup>(2)</sup>	Launch year	Shelf life	Weight (gram/box, unless otherwise indicated)	Standard price <sup>(3)</sup> in 2022 (RMB/box)	Product positioning
China Red (中國紅)		Made from five-star intact raw nests with a length not less than 12.0 cm, a height not less than 4.0 cm, and a weight not less than 5.5 grams.	2021	36 months	50 grams	3,400	Premium products primarily for gifting

**Notes:**

- (1) Exclusively available for offline channels, except for China Red which is exclusively available for online channels.
- (2) To avoid competition between our online and offline sales channels, we grade dried EBN products exclusively available for online channels from three stars to five stars. For dried EBN products targeting offline consumers, we grade them from grade 4A to 6A.
- (3) Applies to the indicated sales channels.

The following table sets forth a breakdown of our sales volume and average selling price per minimum unit or gram by product series for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>
One Nest (pure EBN) . . . . .	3,430,930	RMB163	3,855,506	RMB172	3,868,281	RMB174	1,648,520	RMB175	1,596,938	RMB177
	bowls	per bowl	bowls	per bowl	bowls	per bowl	bowls	per bowl	bowls	per bowl
Freshly Stewed Bird's Nest . . . . .	5,943,315	RMB54	8,116,586	RMB52	8,941,642	RMB54	3,564,531	RMB53	4,066,314	RMB53
	bottles	per bottle	bottles	per bottle	bottles	per bottle	bottles	per bottle	bottles	per bottle
Other bottle-canned bird's nest (pure EBN) <sup>(2)</sup> . . . . .	5,162,726	RMB39	4,366,735	RMB44	7,162,425	RMB43	2,719,766	RMB45	4,056,142	RMB42
	bottles	per bottle	bottles	per bottle	bottles	per bottle	bottles	per bottle	bottles	per bottle
Dried EBN . . . . .	6,064	RMB28	5,949	RMB28	6,497	RMB27	2,319	RMB28	2,658	RMB27
	kilograms	per gram	kilograms	per gram	kilograms	per gram	kilograms	per gram	kilograms	per gram

**Notes:**

- (1) Calculated by dividing the total revenue from a given product series in the indicated period with the total sales volume of such product series sold in same period.
- (2) Includes primarily Crystal Sugar Bird's Nest.

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### EBN+ Products

We have also developed EBN+ products, primarily including EBN-based products (with an EBN feed rate of 1% or above and up to 5%) with additional tonic ingredients to create enhanced flavors and cater to different consumption scenarios, such as *One Nest — Vitality* (碗燕—元氣款) and *Crystal Sugar Bird's Nest with Ginseng* (人參冰糖官燕). In addition, we have also launched *Little Blue Bottle* (晚安小藍瓶) product series under EBN+ product category, which add gamma-aminobutyric acid to produce a calming effect and improve sleep quality. In 2022, we had 22 SKUs for EBN+ products. The following table sets forth certain key information about our current EBN+ products.

Product <sup>(1)</sup>	Illustration	Description	Launch year	Shelf life	Percentage of EBN content <sup>(2)</sup>	Standard price <sup>(3)</sup> in 2022 (RMB/bottle or bowl-shaped can)
One Nest — Vitality		EBN-based products made from long-length raw nest strips with additional tonic ingredients including matsutake, ginseng, white fungus and wolfberry. Each box contains two or 10 bowls. Each bowl weighs 138 grams net.	2020	12 months	Over 1.3%	198
Crystal Sugar Bird's Nest with Ginseng		Made from short-length raw nest strips. Each box contains eight bottles. Each bottle weighs 70 grams net.	2019	18 months	Over 2.1%	98.5
Little Blue Bottle		EBN-based products with gamma-aminobutyric acid to produce a calming effect and improve sleep quality. Each box contains two or six bottles. Each bottle weighs 50 grams net.	2022	12 months	Over 2.0%	99.5

**Notes:**

- (1) Exclusively available for online channels, except for One Nest—Vitality, which is exclusively available for offline channels.
- (2) Calculated by dividing the weight of EBN in a given bowl/bottle by the net weight of that bowl/bottle.
- (3) Applies to the indicated sales channels.

### +EBN Products

Leveraging our in-depth understanding of EBN extract accumulated over decades of product research and development, we have expanded the value chain of the EBN industry by developing innovative +EBN products, including food products, such as EBN porridge, EBN zongzi, various EBN beverages, and introduced a line of EBN skincare products that use bird's nest peptides as an enhancement. Our +EBN products contain EBN or EBN extracts as an enhancement for elevated nutrition or other benefits. +EBN food products are products that use EBN (with an EBN feed rate of less than 1%) and other food ingredients as raw materials. +EBN skincare products are products that contain EBN or EBN extracts. In 2022, we had 34 SKUs for +EBN products.

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In March 2023, we commercially launched our skincare product series featuring small molecule bird’s nest peptide as an enhancement under our sub-brand of “Yan Palace — Yan Bao Shi” (燕寶詩). With our proprietary modern enzymatic hydrolysis technology, we are able to convert functional macromolecular protein of EBN extracts into active small molecules peptide, which has the functions of repairing skin damage, anti-aging and anti-oxidation, among others. We are one of the first movers in the industry that launched skincare products featuring bird’s nest peptide, according to the same source. As of the Latest Practicable Date, our skincare product series included facial masks, essence, essence mist, facial cleanser and hand cream.

The following table sets forth certain key information about our current +EBN products.

Product <sup>(1)</sup>	Illustration	Description	Launch year	Shelf life	Percentage of EBN content <sup>(2)</sup> (unless otherwise indicated)	Standard price <sup>(3)</sup> in 2022
EBN porridge		Each box contains six bowls. Each bowl weighs 252 grams net.	2023	12 months	Over 0.26%	RMB36.5/bowl
Iced EBN zongzi		Each box contains eight zongzis with different flavors. Each zongzi weighs 60 grams net.	2023	Three months	Over 0.58%	RMB46/zongzi
Drinkable EBN essence with ginsengs		Each box contains 10 bottles, the volume of each is 25 milliliters.	2022	12 months	100 milligrams/	RMB98.8/bottle bottle
EBN facial masks		Each box contains two masks.	2023	Three years	Not applicable (EBN as non-food additive)	RMB199/box

**Notes:**

- (1) Available for both online and offline channels, except for iced EBN zongzi and drinkable EBN essence with ginsengs which are exclusively for offline channels.
- (2) Calculated by dividing the weight of EBN in a given bowl/zongzi by the net weight of that bowl/zongzi.
- (3) Applies to the indicated sales channels.

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### OUR SALES NETWORK

We have a broad sales network for our products, covering both online and offline channels. We not only engage distributors to distribute our products through their online and offline stores but also sell directly to customers through self-operated online and offline stores. In addition, we have engaged e-commerce platforms as our customers to further expand our online channels. The following table sets forth a breakdown of our revenue by sales channel for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue
	(Unaudited)									
	(RMB in thousands except for percentages)									
Offline channels . . . . .	578,506	44.5	738,711	49.0	791,991	45.8	333,941	47.9	353,209	45.2
— Sales to offline distributors . . .	409,777	31.5	509,917	33.8	477,525	27.6	198,716	28.5	208,563	26.7
— Direct sales to offline customers .	168,729	13.0	228,794	15.2	314,466	18.2	135,225	19.4	144,646	18.5
Online channels . . . . .	722,651	55.5	768,286	51.0	937,954	54.2	362,935	52.1	429,367	54.8
— Direct sales to online customers .	575,220	44.1	564,587	37.4	695,265	40.2	264,361	38.0	327,802	41.8
— Direct sales to e-commerce platforms <sup>(1)</sup> . . . . .	137,545	10.6	189,196	12.6	227,071	13.1	92,228	13.2	93,700	12.0
— Sales to online distributors . . .	9,886	0.8	14,503	1.0	15,618	0.9	6,346	0.9	7,865	1.0
<b>Total . . . . .</b>	<b>1,301,157</b>	<b>100.0</b>	<b>1,506,997</b>	<b>100.0</b>	<b>1,729,945</b>	<b>100.0</b>	<b>696,876</b>	<b>100.0</b>	<b>782,576</b>	<b>100.0</b>

Note:

(1) Include sales to platform-operated online stores by JD.com, Vipshop and Tmall Supermarket, among others.

### Our Offline Channels

We have established a nationwide offline sales network covering substantially all provincial administrative divisions across China. We engage distributors to distribute our products. In addition, we also sell directly to consumers through our self-operated stores. As of May 31, 2023, we had 91 self-operated stores in 14 cities and 614 stores operated by 214 distributors in 202 cities. The following table sets forth a breakdown of the number of our distributors by city tier as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
Offline distributors . . . . .	155	195	225	214
— Tier 1 cities . . . . .	8	30	37	31
— New tier 1 cities . . . . .	17	21	24	20
— Tier 2 cities . . . . .	28	30	29	30
— Other cities . . . . .	102	114	135	133
Online distributors . . . . .	6	8	13	13
<b>Total . . . . .</b>	<b>161</b>	<b>203</b>	<b>238</b>	<b>227</b>

Our distributorship and direct-sale network complement each other in geographic coverage and consumer reach. We leverage our distributors' understanding of and resources in local markets to quickly expand our presence in various regions in an asset-light manner. Meanwhile, we establish our own self-operated stores to strengthen our brand image and engage with customers directly. We designate

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pre-determined distribution areas for distributor-operated stores as defined in their respective distribution agreements to avoid unnecessary competition among stores. Moreover, for certain greenfield markets that require substantial upfront investment, we may tap into those markets by establishing our self-operated stores, cultivating customer relationships and leading marketing initiatives in such market. We operate all self-operated stores through their respective local operation team under the supervision of our headquarters-level operating staff. We require both self-operated stores and distributor-operated stores to reflect our unique decoration style in a consistent manner and offer our products and services with consistent quality. The following images illustrate the typical decoration style of our storefronts.





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During the Track Record Period, the numbers of our self-operated offline stores and distributor-operated stores both experienced increases. The increase in the number of stores during the Track Record Period was attributable to our business growth in general. According to the F&S Report, we ranked No.1 as measured by the number of EBN specialty storefronts in 2022, surpassing the runner-up by over 100%. As of May 31, 2023, our stores had a nationwide presence covering over 200 cities in China, with a strong foothold in all tier-1 cities and the majority of new tier-1 cities. Our stores are located at prime locations in these cities, as we recognize the vital role storefronts serve for maintaining our brand image, engaging our customers, enhancing customer coverage and loyalty, and promoting the concept of beauty and wellness. In recent years, we have been expanding our reach into tier-2 and tier-3 cities to allow more customers to have access to our products.

During the Track Record Period, we terminated certain self-operated offline stores, primarily due to either their unsatisfactory operating results or the increased leasing expenses. The termination of distributor-operated offline stores during the Track Record Period was mostly voluntary by the relevant distributors themselves due to their underperformance. In 2021, we recorded 101 terminated distributor-operated offline stores, primarily because we terminated certain small-scale distributors with infrequent orders, in part motivated by a shift in our strategic focus to promote direct sales in certain cities. These terminated distributor-operated offline stores contributed an insignificant portion of our revenue in the previous year prior to the termination. In the five months ended May 31, 2023, we recorded 77 terminated distributor-operated offline stores, primarily as a result of our efforts to optimize our distribution network. In particular, we ceased to collaborate with certain distributors that failed to meet our performance target. The termination of those distributor-operated offline stores during the Track Record Period did not have any material adverse effect on our operations or financial condition.

### *Our Offline Distributors*

As of December 31, 2020, 2021 and 2022 and May 31, 2023, there were 155, 195, 225 and 214 distributors in our offline distribution network, respectively. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the revenue generated from our sales to offline distributors was RMB409.8 million, RMB509.9 million, RMB477.5 million, RMB198.7 million and RMB208.6 million, respectively, representing 70.8%, 69.0%, 60.3%, 59.5% and 59.0% of our revenue generated from offline channels, respectively.

We allow our offline distributors to engage sub-distributors. Our offline distributors occasionally develop sub-distributors to leverage their coverage of the underserved areas within the same city or the peripheral regions. As of December 31, 2020, 2021 and 2022 and May 31, 2023, we had 17, 14, 18 and 18 sub-distributors, respectively. As of May 31, 2023, the sub-distributors were all Independent Third Parties with relevant experience and resources in local EBN or consumer goods markets. During the Track Record Period, there was no revenue directly generated from the sub-distributors, as we did not have any purchase, payment or other direct transaction with the sub-distributors and they purchased our products from our distributors. Although we do not enter into a distribution agreement with the sub-distributors, we require our distributors to notify us of their engagement with sub-distributors and we pay visits to the sub-distributors.

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Our relationship with offline distributors is a buyer and seller relationship, as offline distributors acquire ownership of the products we deliver to them. We do not accept returns and only allow exchanges for limited circumstances such as quality defects or damages during transportation. According to the F&S Report, our product return and exchange policy for offline distributors is common in the industry. We recognize sales revenues from offline distributors when control over our products is transferred to them.

We generally designate one distributor within a specific city. Our offline distributors are responsible for the daily operations of their own offline stores. However, we exert strong control over material aspects of distributor-operated offline stores, covering the decoration, marketing and promotional materials to be used by such stores, as well as the display of our products.

We require all distributors to adhere to our pricing guidelines, which establishes the standard prices at which our products shall be sold to retail customers.

In 2020, 2021, 2022 and the five months ended May 31, 2023, the revenue attributed to our returned products from offline channels as a percentage of our revenue generated from offline channels was 0.19%, 0.16%, 0.07% and 0.07%, respectively.

### Our Online Channels

Our online sales network consists of self-operated online stores, distributor-operated online stores and e-commerce platforms. As of May 31, 2023, we had 23 self-operated online stores and 13 distributor-operated online stores on mainstream e-commerce or social media platforms such as JD.com, Tmall and Douyin. In addition, we began to engage e-commerce platforms to distribute our products through platform-operated online stores in 2018 to further expand our online presence. As of May 31, 2023, we had 15 e-commerce platforms as our customers, including JD.com, Vipshop and Tmall Supermarket, among others.

The following table sets forth the number of our online stores by type as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	
<b>Online stores</b>				
Self-operated stores . . . . .	12	18	23	23
Distributor-operated stores . . . . .	6	8	13	13
<b>Total . . . . .</b>	<b>18</b>	<b>26</b>	<b>36</b>	<b>36</b>

### Online Channel Management

*Store management.* All self-operated online stores are managed and operated by our e-commerce operation team. Online distributor-operated stores are managed and operated by online distributors, while the marketing materials used by and promotional events held by such stores are subject to our supervision. For e-commerce platform customers, online stores are owned and managed by e-commerce platforms, and we generally provide operational assistance by designating operational staff to such stores and providing online marketing materials. In particular, the designated operational staff to each of our e-commerce platform customers regularly communicate with them regarding the sales of our products, assist them in designing promotional activities and produce marketing materials such as promotion images for our products. We also assign our customer service staff to these e-commerce platform customers to more efficiently resolve questions concerning our products from their end customers.

*Order and delivery.* For all self-operated online stores, we handle customer orders and payments and deliver products to customers directly. For distributor-operated online stores, we receive orders from distributors and ship products in the manner mandated by the order, usually to retail customers directly. For e-commerce platform customers, we take orders from such customers; per their instructions, our products may be shipped either to such customers' warehouses or to retail customers directly.

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*Payment.* We generally receive payments from retail customers upon order. For online distributors, we generally receive payments from them before a fixed date each month. For e-commerce platform customers, we settle payment with them according to respective cooperation agreements with such customers and typically on a monthly basis.

*Product return and exchange.* All the e-commerce platforms we work with impose a seven-day return/exchange policy, which allows consumers to return or exchange our products within seven days after the delivery for no cause if the product is unopened in their original packaging. For all products sold online (other than Freshly Stewed Bird's Nest), we abide by the return/exchange policies imposed by e-commerce platforms. Returned products are shipped directly to our warehouses. We typically do not re-sell these returned products even if they are not defective in quality and still within the shelf life. In limited circumstances such as quality defects or late deliveries that exceed two-thirds of the shelf life of our products, online distributors are allowed to request for return or exchange within seven days. In 2020, 2021, 2022 and the five months ended May 31, 2023, the revenue attributed to our returned products from online channels as a percentage of our revenue generated from online channels was 2.1%, 1.1%, 2.5% and 1.6%, respectively.

We manage the cannibalization risk among offline stores through clear delineation of geographic distribution scope. Additionally, we have differentiated product offerings for online channels and offline channels to avoid unnecessary competition between online and offline channels. For example, Freshly Stewed Bird's Nest was specifically designed for online channels and quickly gained traction after its launch. Given that online distribution of EBN products is highly fragmented and each e-commerce platform has its own target user base with varied user profiles according to the F&S Report, we believe cannibalization risk among online distributors is relatively low and therefore have not installed measures that particularly address the cannibalization risk among online distributors.

### **Selection of New Distributors**

As part of our commitment to maintaining high standards, we select new distributors throughout the year and conduct annual assessment of existing distributors. We have implemented rigorous selection criteria for new distributors to ensure that they are well equipped to represent our brand and promote our products.

Major considerations of our offline distributor selection criteria include:

- *Business qualification.* We require offline distributor candidates to obtain all requisite business licenses and permits to carry out businesses covering at least sales of EBN products.
- *Business premises.* Successful candidates shall be able to establish stable business premises within agreeable locations pursuant to our standards.
- *Financial resources.* Successful candidates must demonstrate their ability to access adequate financial resources to establish and operate new stores effectively.
- *Management ability.* We assess candidates' operational and management capabilities through previous or current business experience.
- *Sales force.* Distributors must have the ability to establish a sales force to effectively distribute our products.
- *Marketing experience or resources.* Candidates with relevant marketing experience or resources that can help promote the sales of our products are strongly preferred.

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Major considerations of our online distributor selection criteria include:

- *E-commerce team.* Candidates must be able to establish an e-commerce team that is capable of online store management and operation, online marketing and promotion, art design and customer service.
- *Successful e-commerce operation experience.* Candidates must demonstrate their e-commerce operational and management capabilities through successful e-commerce operation experience.
- *Detailed e-commerce operation plan.* Candidates must submit an operation plan for the upcoming year, which includes certain details such as sales target and budget.
- *Resourcefulness.* Candidates with demonstrated resources that could promote online store development, such as resources in the e-commerce live streaming industry, are strongly preferred.
- *Minimum sales target.* Online distributor candidates shall have the ability to satisfy our minimum sales target for each procurement cycle.

We conduct a stringent annual assessment to review our business relationships with existing distributors. Our primary evaluation criteria, among others, are the actual annual purchase amount, store establishment as well as advertising and marketing activities. In cases where dishonest or illegal operations, intellectual property infringement, or other improper behaviors that could damage our brand are discovered, we may terminate our business relationship with such distributors and take any other prompt and appropriate action to safeguard our brand.

The following table sets forth the total number of our distributors and their movements (including addition and termination) for the periods indicated.

	Year ended December 31,			Five months ended May 31,
	2020	2021	2022	2023
<b>Number of distributors at the beginning of the period</b> . . . . .	<b>136</b>	<b>161</b>	<b>203</b>	<b>238</b>
— Offline . . . . .	136	155	195	225
— Online . . . . .	0	6	8	13
<b>Number of new distributors</b> . . . . .	<b>28</b>	<b>57</b>	<b>53</b>	<b>24</b>
— Offline . . . . .	22	54	45	20
— Online . . . . .	6	3	8	4
<b>Number of terminated distributors</b> .	<b>3</b>	<b>15</b>	<b>18</b>	<b>35</b>
— Offline <sup>(1)</sup> . . . . .	3	14	15	31
— Online . . . . .	0	1	3	4
<b>Number of distributors at the end of the period</b> . . . . .	<b>161</b>	<b>203</b>	<b>238</b>	<b>227</b>
— Offline . . . . .	155	195	225	214
— Online . . . . .	6	8	13	13

*Note:*

- (1) We acquired four distributors in 2021, which have become our subsidiaries since then. Such distributors were counted as terminated distributors in 2021. See “History, Development and Corporate Structure—Major Acquisitions, Disposals and Mergers.”

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The addition of new distributors during the Track Record Period was primarily attributable to our business growth in general. In 2021, due to our acquisitions of four distributors, we engaged the sub-distributors of these distributors directly, who were previously not in privity with us. The termination of distributors during the Track Record Period was mostly voluntary by themselves due to underperformance of these distributors. In the five months ended May 31, 2023, we terminated 31 offline distributors. The termination was primarily driven by our efforts to optimize our distribution network. In particular, we ceased to collaborate with certain distributors that failed to meet our performance target. Additionally, we terminated certain small-scale distributors with infrequent orders during our collaboration term in Beijing, in part motivated by a shift in our strategic focus to promote direct sales in Beijing following the acquisition of the then local distributor in 2021. These terminated 31 offline distributors contributed an insignificant portion of our revenue in the previous year prior to the termination. The termination of these distributors did not have any material adverse effect on our operations or financial condition.

During the Track Record Period and up to the Latest Practicable Date, we had an unsettled litigation with a terminated online distributor (and its absolute controlling shareholder) which defaulted on several payments for our products, where we demanded compensation of approximately RMB1.3 million including interests accrued. As of the Latest Practicable Date, we had not received final judgment from the court for this unsettled litigation. Save for this unsettled litigation, during the Track Record Period and up to the Latest Practicable Date, there were no material unsettled disputes or litigations between terminated distributors and us.

We value our distributors' business operation capabilities and their cooperative relationships with us. The number of our offline distributors increased from 136 as of January 1, 2020 to 214 as of May 31, 2023. Among the 136 distributors as of January 1, 2020, 111, or 81.6%, of them had remained with us as of May 31, 2023. We do not rely on any single distributor or a few distributors. Our revenue from any single distributor accounted for no more than 5% of our total revenue during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had not provided any financial assistance to any of our distributors for any purpose. During the Track Record Period, in addition to Beijing Tianfeiyuan, Changchun Jinyanhui, Harbin Jinyanhui, Taiyuan Jixiangyan and the distributorship businesses controlled by Mr. Zheng, Ms. Xue and Mr. Li and his spouse that had been consolidated into these four subsidiaries prior to our acquisitions, we had (1) two distributors each controlled by a former employee of ours; (2) one distributor, namely Tianjin Union Yutai Trading Co., Ltd. (天津市合聯裕泰商貿有限公司) ("Union Yutai"), which is held as to 38.5% by Mr. Zheng and will continue to conduct business with us after Listing (see "Connected Transactions" for further details); (3) one distributor, namely Fuding Yixing Trading Co. (福鼎市怡興貿易商行), which is controlled by an associate of Mr. Huang and no longer had business relationship with us; and (4) one distributor, namely Beijing Sanhe Tianrun Trading Co., Ltd. (北京三和天潤商貿有限公司), which is controlled by Mr. Liu and no longer had business relationship with us. See "History, Development and Corporate Structure—Major Acquisitions, Disposals and Mergers" for details of our acquisitions of Beijing Tianfeiyuan, Changchun Jinyanhui, Harbin Jinyanhui and Taiyuan Jixiangyan. See also "—Our Customers" for details of Union Yutai. Save as disclosed above, to the best of our knowledge after reasonable inquiry, all of our distributors during the Track Record Period were Independent Third Parties.

### Major Terms of Distribution Agreements

We typically enter into standard distribution agreements with our distributors. Major terms of our standard distribution agreements with offline distributors include:

- *Duration.* The duration of distribution agreements is typically three year. We may renew the distribution agreements in the event that offline distributors pass our assessment.
- *Exclusivity.* We require our distributors to sell only our products unless with our permission.
- *Right to use our trademark.* We authorize offline distributors to use our trademarks within the duration and scope of distribution agreements.
- *Offline store operations.* Offline distributors shall establish offline stores according to our unified decoration standards. Supplies and promotional materials required for display in offline stores shall all be provided by us.
- *Management on prices.* We provide offline distributors with standard prices of our products according to our price system. Offline distributors shall abide by our price system. Except for our brand-wide promotional events, any adjustment made to standard prices requires a written application from distributors for our approval. We generally allow a deviation from our standard pricing of less than 20% in the forms of gifts and price discounts.
- *Sales rebates.* We provide sales rebates to offline distributors upon their satisfaction of performance requirements. We primarily look at their procurement volume and their contribution to distribution network expansion and marketing events. Such sales rebates can be applied to their future purchase of our products.
- *Scope of distribution.* Offline distributors are only permitted to sell our products in a predetermined geographic area. They are prohibited from distributing our products through any online channels without our approval. They are also prohibited from distributing any products that are similar to our products.
- *Sub-distribution.* We authorize our offline distributors to set up and sell products to offline sub-distributors. We generally do not require sub-distributors to enter into direct agreements with us.
- *Payment.* We require offline distributors to make payment before the delivery of our products. We may provide short-term payment period for certain offline distributors with excellent qualifications and stable business relationships with us.
- *Logistics.* After offline distributors make the payment, we deliver our products according to the time and method specified in the purchase order.
- *Limitations on return or exchange.* We typically do not accept return or exchange of products from offline distributors. We only allow product exchanges under limited circumstances such as quality defects or damages during transportation.
- *Termination.* Grounds for termination under the distribution agreements include, among others, unauthorized usages of our trademark, selling products of our competitors or any counterfeits of our products and other actions that are harmful to our interests. We are entitled to terminate the distribution agreements if offline distributors breach the distribution agreements.

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Major terms of our standard distribution agreements with online distributors include:

- *Duration.* The duration of distribution agreements is typically one year. The distribution agreements can be renewed upon mutual agreement.
- *Exclusivity.* We require our distributors to sell our products exclusively on the designated e-commerce platform unless with our permission.
- *Right to use our trademark.* We authorize online distributors to use our trademarks within the duration and scope of distribution agreements.
- *Management on prices.* Online distributors shall abide by our price system that included in the purchase agreement. Except for our brand-wide promotional events, any adjustment made to the standard price by online distributors requires an additional price adjustment agreement with us. We generally allow a deviation from our standard pricing of less than 20% in the forms of gifts and price discounts.
- *Scope of distribution.* Online distributors are only authorized to distribute our products through their online stores. They are prohibited from distributing or promoting our products through any other sales channels.
- *Sub-distribution.* Our online distributors are not allowed to engage sub-distributors, or assign their rights or obligations to any third party.
- *Payment and delivery.* We generally deliver our products after receiving the orders from e-commerce consumers who have made the payments online and settle full payments with online distributors on a monthly basis for such orders.
- *Limitations on return or exchange.* In the event that a customer refuses to accept the delivery of our products or requests to return our products unopened and in their original packaging within seven days after the delivery, online distributors could instruct such customer to return relevant products to our warehouses. In limited circumstances such as quality defects or late deliveries that exceed two-thirds of the shelf life of our products, online distributors could also request for return or exchange within seven days.
- *Termination.* Grounds for termination under the distribution agreements include, among others, unauthorized grant, assignment or transfer of our trademark, selling products of our competitors or any counterfeits of our products and other actions that are harmful to our interests. We are entitled to terminate the distribution agreements if online distributors breach the distribution agreements.

During the Track Record Period, we did not experience material breach of distribution agreements that had a significant impact on our business. During the same period, we did not have any material disputes with our distributors that had a significant impact on our business.

### Distributor Management

We believe that effective management of our distribution network is crucial to our success. We have adopted a detailed distributor management policy that is agreed to by our distributors. We regularly pay visits to our offline distributors and collect information on their sales results, inventories, operations and market development. The inventory information collected from our offline distributors was made on sampling or cycling basis. We also inspect distributor-operated online stores from time to time for the same purposes, although our online distributors generally do not maintain an inventory. In each year during the Track Record Period, we generally inspected and paid visits to each of our distributor-operated stores at least once, unless it was unfeasible to do so due to the COVID-19 pandemic related restrictions. In 2022, we inspected and paid visits to over 73% of our distributor-operated stores. If we discover any irregularity in their sales practice, we may take relevant punishment measures according to the distribution agreement. In addition, we require our distributors to provide sales targets and sales results reports on a monthly basis. Their operating results are used by us to control and monitor their inventories and to assess whether they are qualified to be part of our distribution network for the next year.

We believe that the risk of channel stuffing on our distributors is low, based on the following facts and observations: (1) our relationship with offline distributors is a buyer and seller relationship and we generally require payments before delivery; (2) we do not accept returns of our products and only allow exchanges of our products under limited circumstances such as quality defects or damages during transportation; (3) our online distributors generally do not maintain an inventory as we typically receive orders from such distributors and ship products in the manner mandated by the order (i.e., usually to retail customers directly); and (4) our offline distributors generally maintain a relatively low level of inventory and frequently make procurement from us to replenish their inventory. In 2020, 2021, 2022 and the five months ended May 31, 2023, each of our offline distributors made purchases from us for a monthly average of 3.6, 4.5, 4.5 and 5.3 times, respectively. During the Track Record Period, to the best knowledge of our Directors, the offline distributors maintained their inventory as a percentage to their monthly turnover within a range of approximately 3.7% to 6.2%.

We strive to provide our distributors with operational supports to boost their development. In particular, we provide them with promotional materials, management support and employee training from time to time. We also provide them with product procurement guidance based on their respective circumstances as part of our efforts to control and monitor our distributors' inventories. We assist our distributors in formulating promotional plans and provide certain supports in organizing promotional events. We also provide certain supports for online distributors, such as online store page design and marketing material editing services.

We impose a minimum sales target on our distributors, which is the result of negotiation between us and each distributor. Such minimum sales target is not mandatory in nature, and failure to meet the target does not constitute a ground for automatic termination of distributorship. Instead, only distributors who meet their respective sales target are eligible for sales rebate. However, if a distributor repeatedly fails to hit its target, we reserve the right to terminate our cooperation with such distributor, and we would take such underperformance into consideration when it comes to distributorship renewal.

We provide sales rebates to our distributors as performance-based incentives. Distributors meeting their respective minimum sales target are eligible for sales rebates, which are calculated by multiplying their actual purchase amount with an agreed-upon percentage. Distributors may apply such sales rebates for future purchase of our products of their own choice. According to the F&S Report, our terms for such performance-based sales rebates conform with the industry norm. In 2020, 2021, 2022 and the five months ended May 31, 2023, our sales rebates to offline distributors was RMB47.6 million, RMB46.8 million, RMB50.3 million and RMB19.3 million, respectively, accounting for 11.6%, 9.2%, 10.5% and 9.3% of our revenue generated from offline distributorship in the same periods, respectively. In the same periods, our

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sales rebates to online distributors was RMB0.7 million, RMB0.6 million, RMB0.02 million and RMB0.05 million, respectively, accounting for 7.1%, 4.1%, 0.1% and 0.6% of our revenue generated from online distributors in the same periods, respectively. Our sales rebates to online distributors experienced decreases during the Track Record Period, primarily because we reduced the agreed-upon rebate percentage for online distributors in 2021, and further adjusted our sales rebate policies for online distributors primarily by limiting eligible period for sales rebates to certain months in 2022.

### OUR CUSTOMERS

Our customers primarily include distributors, e-commerce platform customers and retail customers of our self-operated stores. For details of our distributors and e-commerce platform customers, see “—Our Sales Network.” We believe that our engagement with retail customers is beneficial to strengthening our market leadership and enable us to better serve both large and small customers. For example, we can directly receive customers’ feedbacks on our products, which help us adjust our marketing strategies in a timely manner and control the direction of research and development of our products. Generally, we accept returns or exchanges from our direct sale customers only for quality defects or damage during transportation. During the Track Record Period, the value of returned products from direct sale customers was insignificant.

### Our Membership Programs

We stay close to our customers. Through the Yan Palace (燕之屋) membership mini program, our Golden Yan Club (金燕薈) membership program, and other membership programs on major e-commerce platforms, we have cultivated a loyal membership network of customers with a tiered membership system to drive customer stickiness and repeated purchase. As of the Latest Practicable Date, there were over 1.8 million customers registered in our membership programs. Through this membership network, we organize various interactive events to maintain direct engagement with our customers.

Members could earn points on their purchases with us and their membership level goes up with aggregated purchase amount within a period of time, which allows them to enjoy various benefits, such as points redemption for our EBN products, birthday gifts and invitations for events designed for our valued customers. We primarily promote and recommend our membership program to retail customers through publicities in our stores and in-person recommendation by sales staff. We have gained considerable insight from our interaction with customers, which allows us to continually optimize our product offerings and customer services.

In 2020, 2021 and 2022, we had approximately 143,700, 168,200 and 204,800 paying customers registered in our membership programs, respectively, accounting for 25.0%, 22.1% and 23.5% of our total registered customers as of December 31, 2020, 2021 and 2022, respectively. In the five months ended May 31, 2023, we had approximately 117,600 paying customers registered in our membership programs, accounting for 7.2% of our total registered customers as of May 31, 2023. In 2020, 2021, 2022 and the five months ended May 31, 2023, purchases from such paying customers registered in our membership programs was RMB616.0 million, RMB806.4 million, RMB1,057.5 million and RMB500.0 million, respectively, representing an average purchase amount per registered paying customer of approximately RMB4,280, RMB4,790, RMB5,150 and RMB4,240, respectively.

### Major Customers

In 2020, 2021, 2022 and the five months ended May 31, 2023, our revenue from the five largest customers in each year/period during the Track Record Period in total amounted to RMB219.3 million, RMB245.6 million, RMB274.2 million and RMB110.9 million, accounting for 16.9%, 16.3%, 15.8% and 14.2% of our total revenue, respectively. In the same periods, our revenue from the single largest customer

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in each year/period during the Track Record Period amounted to RMB100.8 million, RMB141.1 million, RMB189.0 million and RMB71.0 million, accounting for 7.7%, 9.4%, 10.9% and 9.1% of our total revenue, respectively. We typically require our customers to make payment before the delivery of our products. However, we may grant credit periods of no more than 60 days to certain customers such as e-commerce platforms.

Save for Beijing Zhongda Baichengtang Biotechnology Co., Ltd. (“Zhongda Baichengtang”) and Tianjin Union Yutai Trading Co., Ltd. (“Union Yutai”) as disclosed below, to the best of our knowledge after reasonable inquiry, none of our Directors, their respective associates or Shareholders who owned five percent or more of the total issued share capital of our Company had any interest in any of our Group’s five largest customers in each year/period during the Track Record Period, and all of our five largest customers in each year/period during the Track Record Period were Independent Third Parties. Zhongda Baichengtang, which is controlled by one of our Controlling Shareholders, has ceased its EBN product distribution business since 2022, as its business operations were transferred to Beijing Tianfeiyuan in 2021, after which we acquired Beijing Tianfeiyuan. The acquisition was completed on June 29, 2021 and Beijing Tianfeiyuan was then owned as to 55% by our Company and 45% by Qingdao Zhenpindao Enterprise Management Partnership (Limited Partnership) (青島珍品道企業管理合夥企業(有限合夥)), which is an employee shareholding platform of Beijing Tianfeiyuan and is controlled by the employees of Beijing Tianfeiyuan. See “Connected Transactions” for details about continuing connected transactions relating to Union Yutai.

The following table sets forth the details of our top five customers during the Track Record Period.

Customers	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Type of services provided	Type of customer	Payment method	Year of commencement of business relationship	Background
<i>For the year ended December 31, 2020</i>							
Customer A and its related parties . . . .	100,831	7.7	Sales of EBN products	E-commerce platform customer	Bank transfer	2018	Customer A is a leading provider of medical and health products, services and solutions in China. Customer A was established on June 6, 2019, and its registered office is located in Beijing, with registered capital of RMB100.0 million as of the Latest Practicable Date. On December 8, 2020, Customer A was listed on the Stock Exchange of Hong Kong
Zhongda Baichengtang and its related parties .	63,164	4.9	Sales of EBN products	Distributor	Bank transfer	2015	Zhongda Baichengtang and its related parties are companies that primarily distribute EBN products in Beijing. Zhongda Baichengtang is a private company established on January 13, 2004, and its registered office is located in Beijing, with registered capital of RMB0.5 million as of the Latest Practicable Date

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<u>Customers</u>	<u>Revenue amount (RMB in thousands)</u>	<u>Percentage of total revenue (%)</u>	<u>Type of services provided</u>	<u>Type of customer</u>	<u>Payment method</u>	<u>Year of commencement of business relationship</u>	<u>Background</u>
Customer B . . . . .	21,853	1.7	Sales of EBN products	Corporate customer	Bank transfer	2020	Customer B is a company primarily engaged in sales of healthy food. Customer B is a private company established on August 19, 2015, and its registered office is located in Guangzhou, with registered capital of RMB50.0 million as of the Latest Practicable Date
Customer C and its related parties . . . . .	16,719	1.3	Sales of EBN products	E-commerce platform customer	Bank transfer	2018	Headquartered in Guangzhou, Customer C operates an e-commerce platform. Customer C was established on January 20, 2011, and its registered office is located in Guangzhou, with registered capital of US\$180.0 million as of the Latest Practicable Date. On March 23, 2012, Customer C was listed on the New York Stock Exchange
Customer D and its related parties . . . . .	16,689	1.3	Sales of EBN products	Distributor	Bank transfer	2016	Established in Hefei, Customer D primarily distributes EBN products. Customer D is a private company established on December 12, 2016, and its registered office is located in Hefei, with registered capital of RMB5.0 million as of the Latest Practicable Date
<b>Total . . . . .</b>	<b><u>219,256</u></b>	<b><u>16.9</u></b>					

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Customers	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Type of services provided	Type of customer	Payment method	Year of commencement of business relationship	Background
<i>For the year ended December 31, 2021</i>							
Customer A and its related parties . . . .	141,137	9.4	Sales of EBN products	E-commerce platform customer	Bank transfer	2018	Customer A is a leading provider of medical and health products, services and solutions in China. Customer A was established on June 6, 2019, and its registered office is located in Beijing, with registered capital of RMB100.0 million as of the Latest Practicable Date. On December 8, 2020, Customer A was listed on the Stock Exchange of Hong Kong
Zhongda Baichengtang and its related parties . . . .	40,969	2.7	Sales of EBN products	Distributor	Bank transfer	2015	Zhongda Baichengtang and its related parties are companies that primarily distribute EBN products in Beijing. Zhongda Baichengtang is a private company established on January 13, 2004, and its registered office is located in Beijing, with registered capital of RMB0.5 million as of the Latest Practicable Date
Customer C and its related parties . . . .	23,596	1.6	Sales of EBN products	E-commerce platform customer	Bank transfer	2018	Headquartered in Guangzhou, Customer C operates an e-commerce platform. Customer C was established on January 20, 2011, and its registered office is located in Guangzhou, with registered capital of US\$180.0 million as of the Latest Practicable Date. On March 23, 2012, Customer C was listed on the New York Stock Exchange

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Customers	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Type of services provided	Type of customer	Payment method	Year of commencement of business relationship	Background
Union Yutai . . . . .	19,989	1.3	Sales of EBN products	Distributor	Bank transfer	2015	Established in Tianjin, Union Yutai primarily distributes EBN products. Union Yutai is a private company established on November 4, 2011, and its registered office is located in Tianjin, with registered capital of RMB1.0 million as of the Latest Practicable Date
Customer E . . . . .	19,881	1.3	Sales of EBN products	Distributor	Bank transfer	2017	Established in Zhengzhou, Customer E primarily distributes EBN products in Henan. Customer E is a private company established on November 20, 2015, and its registered office is located in Zhengzhou, with registered capital of RMB1.0 million as of the Latest Practicable Date
<b>Total . . . . .</b>	<b>245,572</b>	<b>16.3</b>					

Customers	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Type of services provided	Type of customer	Payment method	Year of commencement of business relationship	Background
<i>For the year ended December 31, 2022</i>							
Customer A and its related parties . . . . .	189,036	10.9	Sales of EBN products	E-commerce platform customer	Bank transfer	2018	Customer A is a leading provider of medical and health products, services and solutions in China. Customer A was established on June 6, 2019, and its registered office is located in Beijing, with registered capital of RMB100.0 million as of the Latest Practicable Date. On December 8, 2020, Customer A was listed on the Stock Exchange of Hong Kong

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Customers	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Type of services provided	Type of customer	Payment method	Year of commencement of business relationship	Background
Customer C and its related parties . . . . .	23,870	1.4	Sales of EBN products	E-commerce platform customer	Bank transfer	2018	Headquartered in Guangzhou, Customer C operates an e-commerce platform. Customer C was established on January 20, 2011, and its registered office is located in Guangzhou, with registered capital of US\$180.0 million as of the Latest Practicable Date. On March 23, 2012, Customer C was listed on the New York Stock Exchange
Customer D and its related parties . . . . .	21,113	1.2	Sales of EBN products	Distributor	Bank transfer	2016	Established in Hefei, Customer D primarily distributes EBN products. Customer D is a private company established on December 12, 2016, and its registered office is located in Hefei, with registered capital of RMB5.0 million as of the Latest Practicable Date
Union Yutai . . . . .	20,447	1.2	Sales of EBN products	Distributor	Bank transfer	2015	Established in Tianjin, Union Yutai primarily distributes EBN products. Union Yutai is a private company established on November 4, 2011, and its registered office is located in Tianjin, with registered capital of RMB1.0 million as of the Latest Practicable Date
Customer F . . . . .	19,763	1.1	Sales of EBN products	Distributor	Bank transfer	2017	Customer F primarily distributes EBN products in Wuhan. Customer F is a private company established on November 20, 2015, and its registered office is located in Wuhan, with registered capital of RMB0.5 million as of the Latest Practicable Date
<b>Total . . . . .</b>	<b>274,229</b>	<b>15.8</b>					

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Customers	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Type of services provided	Type of customer	Payment method	Year of commencement of business relationship	Background
<i>For the five months ended May 31, 2023</i>							
Customer A and its related parties . . . .	70,953	9.1	Sales of EBN products	E-commerce platform customer	Bank transfer	2018	Customer A is a leading provider of medical and health products, services and solutions in China. Customer A was established on June 6, 2019, and its registered office is located in Beijing, with registered capital of RMB100.0 million as of the Latest Practicable Date. On December 8, 2020, Customer A was listed on the Stock Exchange of Hong Kong
Customer C and its related parties . . . .	13,130	1.7	Sales of EBN products	E-commerce platform customer	Bank transfer	2018	Headquartered in Guangzhou, Customer C operates an e-commerce platform. Customer C was established on January 20, 2011, and its registered office is located in Guangzhou, with registered capital of US\$180.0 million as of the Latest Practicable Date. On March 23, 2012, Customer C was listed on the New York Stock Exchange
Customer D and its related parties . . . .	10,864	1.4	Sales of EBN products	Distributor	Bank transfer	2016	Established in Hefei, Customer D primarily distributes EBN products. Customer D is a private company established on December 12, 2016, and its registered office is located in Hefei, with registered capital of RMB5.0 million as of the Latest Practicable Date
Customer F . . . . .	8,081	1.0	Sales of EBN products	Distributor	Bank transfer	2017	Customer F primarily distributes EBN products in Wuhan. Customer F is a private company established on November 20, 2015, and its registered office is located in Wuhan, with registered capital of RMB0.5 million as of the Latest Practicable Date

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Customers	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Type of services provided	Type of customer	Payment method	Year of commencement of business relationship	Background
Customer G. . . . .	7,903	1.0	Sales of EBN products	Distributor	Bank transfer	2015	Customer G primarily distributes EBN products in Chengdu. Customer G is a private company established on November 7, 2018, and its registered office is located in Chengdu, with registered capital of RMB5.0 million as of the Latest Practicable Date
	<u>110,931</u>	<u>14.2</u>					

Zhongda Baichengtang, one of our five largest customers in 2020 and 2021, is controlled by Ms. Xue, one of our Controlling Shareholders and the spouse of Mr. Zheng. Ms. Xue also serves as the executive director and general manager of Zhongda Baichengtang. During the Track Record Period and prior to the acquisitions as described in “History, Development and Corporate Structure—Major Acquisitions, Disposals and Mergers,” certain then related parties of Zhongda Baichengtang were also our customers, including Beijing Tianfeiyang, Changchun Jinyanhui, Harbin Jinyanhui, Beijing Huixin Trading Co., Ltd. (北京惠忻商貿有限公司) (“Beijing Huixin”), Harbin Yanzhiwu Trading Co., Ltd. (哈爾濱市燕之屋商貿有限公司) (“Harbin Yanzhiwu”) and Changchun Changshengrong Trade Co., Ltd. (長春市昌盛榮商貿有限公司) (“Changchun Changshengrong”). After the acquisitions, as of the Latest Practicable Date, (1) Beijing Tianfeiyang is a non-wholly owned subsidiary of our Company and is owned as to 55% by our Company and 45% by Qingdao Zhenpindao Enterprise Management Partnership (Limited Partnership) (青島珍品道企業管理合夥企業(有限合夥)), which is an employee shareholding platform of Beijing Tianfeiyang and is controlled by the employees of Beijing Tianfeiyang; (2) Changchun Jinyanhui is a non-wholly owned subsidiary of our Company and is owned as to 55% by our Company and 45% by Qingdao Pintianxia Enterprise Management Partnership (Limited Partnership) (青島品天下企業管理合夥企業(有限合夥)), which is an employee shareholding platform of Changchun Jinyanhui and is controlled by the employees of Changchun Jinyanhui; (3) Harbin Jinyanhui is a non-wholly owned subsidiary of our Company and is owned as to 55% by our Company and 45% by Qingdao Tonggelin Enterprise Management Partnership (Limited Partnership) (青島桐格林企業管理合夥企業(有限合夥)), which is an employee shareholding platform of Harbin Jinyanhui and is controlled by the employees of Harbin Jinyanhui; and (4) Beijing Huixin, Harbin Yanzhiwu and Changchun Changshengrong, which were deregistered on July 21, 2022, February 15, 2022 and November 15, 2022, respectively, were previously controlled by Mr. Zheng.

Customer D, one of our five largest customers in 2020, 2022 and the five months ended May 31, 2023, is controlled by one of our indirect minority Shareholders, who also serves as the executive director and general manager of Customer D. During the Track Record Period, one related party of Customer D was also our customer, which is indirectly controlled by the same indirect minority Shareholder. Union Yutai, one of our five largest customers in 2021 and 2022, is held as to 38.5 % by Mr. Zheng and 50.0% by the spouse of one of our indirect minority Shareholders, who also serves as the executive director of Union Yutai. Customer E, one of our five largest customers in 2021, is held as to 40.0% by a family member of one of our indirect minority Shareholders. Customer F, one of our five largest customers in 2022 and the five months ended May 31, 2023, is controlled by the spouse of one of our minority Shareholders.

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Save as disclosed above, our Directors confirm that, to their best knowledge having made reasonable enquiries, they are not aware of any other past or present relationships (including business, shareholding, employment, family, trust, financing and fund flows) between our Group and each of our five largest customers in each year/period during the Track Record Period, their respective substantial shareholders, directors or senior management, or any of their respective close associates during the Track Record Period and up to the Latest Practicable Date.

We applied standard terms and conditions of distributorship to transactions with our distributors, including both related distributors and independent distributors. Our transactions with related distributors and the pricing, credit terms, rebate and return policies of such transactions were in line with the terms and conditions we provided to a similar independent distributor during the Track Record Period.

### MARKETING AND BRANDING

#### Branding

We have long-term plans for the development of our brand and strong brand communication capabilities. According to the F&S Report, we have established ourselves as a leading EBN product brand. We have a dedicated sales and marketing team with rich industry experience, who are responsible for the implementation of our branding and marketing strategies. As of the Latest Practicable Date, our sales and marketing team had a total of 685 members. Our executive director and general manager, Mr. Youquan Li, who is also our sales and marketing team leader, has over nine years of extensive marketing experience in China's EBN market.

#### Marketing Campaigns

We adopt a multi-channel marketing approach that allows us to reach and influence a broad target customer base. Our focus is on maintaining and enhancing brand awareness through professional marketing and branding strategies. We conduct advertising campaigns via traditional channels such as television, radio and billboards. Additionally, we leverage e-commerce and social media platforms to promote our brand and products, collaborating with influencers and implementing targeted marketing campaigns on emerging e-commerce platforms, such as Douyin and Xiaohongshu. Our marketing efforts also include sponsorship and celebrity endorsements. For instance, we partnered with the China national fencing team as their official EBN product supplier and enlisted Ms. Liying Zhao (趙麗穎), a highly influential celebrity in China, as our brand ambassador. We actively organize and sponsor various interactive events, such as immersive Xiamen factory tours, golf tournaments, the Zhigang Think Tank Forum (智網智庫論壇) led by Mr. Zhigang Wang (王志綱), a strategic consulting expert, and sharing sessions with renowned host Ms. Lan Yang (楊瀾). These initiatives help consolidate our distribution system, attract more consumers, and promote the beauty and wellness lifestyle. We strive to enhance our marketing efficiency to maximize brand visibility and expand our consumer reach in a cost-effective manner.

We adopted certain measures to comply with relevant advertisement laws and regulations. We designated our legal department as the one in charge of advertising compliance review, and require that all proposed advertisements shall be reviewed and approved by our legal department before public release. We also require our production and quality control departments to further review and approve advertisement content in connection with production techniques, product features, and our research and development results, among others. While our advertising materials could also be produced by relevant third-party service providers, we adopted relevant internal control policies which stipulate that only service providers with relevant qualifications can be engaged for our outsourced advertising activities. Our advertising materials relating to the perceived health benefits of EBN products are generally supported by relevant published journals and scientific studies. As advised by our PRC Legal Advisor, during the Track

Record Period and up to the Latest Practicable Date, we were not subject to any material legal proceedings or administrative penalties in connection with our advertising activities, according to relevant public searches conducted by our PRC Legal Advisor and relevant certificates issued by local market supervision and administration authorities. Furthermore, we have implemented certain measures to ensure that our distributors and influencers who we engaged for marketing and live streaming activities as well as relevant marketing materials used by them (including representations made during live streaming sessions) do not (1) contain any misleading information relating to us or our products or (2) contravene any applicable PRC laws and regulations. In particular, (1) our legal department shall screen all such marketing materials to ensure that all information relating to us and/or our products is accurate and complies with relevant laws and regulations in China, and we require in agreements with influencers or their agencies that all influencers should use the marketing materials and follow the marketing scripts provided by us (2) we typically engage influencers from multi-channel network companies (“MCNs”) and pursuant to our agreement with MCNs we engaged during the Track Record Period, such MCNs shall ensure that influencers who streamed online or marketed our products for us comply with relevant laws and regulations in China, and (3) we regularly monitor the marketing and live streaming activities by these influencers and pay visits to and inspect stores operated by our distributors. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, based on the public search conducted by our PRC Legal Advisor, there was no public record of government investigations or fines relating to marketing activities in connection with our products against these influencers by the relevant authorities when they were promoting our products on social media platforms.

**PRODUCTION**

**Production Process**

We have accumulated rich experience in the production of EBN products. According to the F&S Report, the preparation of EBN products from raw nests takes approximately 3.8 to 5.2 hours. By standardizing EBN production processes including, among others, soaking, feather picking, ingredient adding and stewing, we eliminated various obstacles caused by the traditional processing methods, so that our customers could enjoy such delicacy with consistent quality in a convenient manner.

The following diagram summarizes the key steps of our production processes for canned EBN products.



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Our standardized production processes for canned EBN products consist of 49 core steps. The following table sets forth the most critical steps of our production processes for canned EBN products.

<b>Step</b>	<b>Description</b>
Raw material examination	We strictly examine raw materials including raw nests and other ingredients for our canned EBN products, and evaluate their qualitative index from sensory, physical and chemical perspectives.
Soaking and feather picking	We use traditional, purely manual process to remove impurities such as feathers from raw nests.
Drying	We evenly spread wet raw nests on the steaming tray after feather picking, and dry them in a cold air-drying room.
Secondary feather picking	We conduct secondary feather picking process for dried raw nests, further reducing the impurity contents in our products.
Weighing	We manually weigh dried raw nests required for each bottle or bowl-shaped can of our EBN products, and pack each serving separately in sorting bags made of food-grade materials.
Water purification	We pass tap water through quartz sand, active carbon filters and reverse osmosis to remove impurities and odors in the water, and obtain purified water that meets industry standards.
Filling raw materials	We precisely prepare the sugar solution according to our product formula to ensure consistent taste, and use automatic filling equipment to fill EBN and sugar solution into the bottles or bowl-shaped cans.
Sealing and stewing	We use high-temperature glue-free sealing technology to seal bowl-shaped cans and use four-turn stainless iron caps or aluminium cover rolling caps to seal bottles for our products. We then stew all ingredients in the bottles or bowl-shaped cans at high temperature, in which way for nutrients from EBN to stay in longer.
Quality control and labeling	We conduct a final inspection for our finished products, mainly for the product appearance and impurities in the content. For finished products that pass our quality control process, we label each bottle or bowl-shaped can with a QR code, which could be used by our customers to retrieve particulars of our products such as production factory, importer, raw nest origin and registration number and production date.

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### Production Bases

As of the Latest Practicable Date, we had three production bases in China, located in Xiamen City, Fujian Province, Songjiang District, Shanghai and Guanghe County, Gansu Province, respectively, with an aggregate gross floor area of approximately 39,300 square meters. As of December 31, 2022, we had the largest production bases for EBN products in China in terms of aggregate gross floor areas, according to the F&S Report. The following table sets forth the details of our production bases for the periods indicated.

Production base	Production capacity (tonnes) <sup>(1)</sup>				Production volume (tonnes)				Utilization rate (%) <sup>(2)</sup>			
				First five months in 2023				First five months in 2023				First five months in 2023
	2020	2021	2022		2020	2021	2022		2020	2021	2022	
Xiamen, Fujian. . . . .	1,563.0	1,518.4	1,825.0	778.1	1,281.8	1,348.3	1,627.0	582.3	82.0	88.8	89.2	74.8
Songjiang, Shanghai . . .	—	31.8	135.0	66.5	—	6.4	66.4	49.3	—	20.1	49.2	74.1
Guanghe, Gansu <sup>(3)</sup> . . .	9.2	9.0	3.5	1.5	—	—	—	—	—	—	—	—

*Notes:*

- (1) Production capacity is calculated based on the assumption that our production facilities operate 3,020 hours per year.
- (2) Utilization rate is calculated by dividing the production volume of a given period by the production capacity of the same period.
- (3) During the Track Record Period, our Guanghe production base was utilized for the feather picking process. The volume of raw nests that had gone through such process was not reflected in the production volume of such base as these raw nests were not counted as finished goods. In 2020, 2021, 2022 and the five months ended May 31, 2023, our Guanghe production base processed 4.0 tonnes, 6.9 tonnes, 1.9 tonnes and 0.9 tonnes of raw nests, respectively.

Our production base in Xiamen, with a gross floor area of approximately 31,100 square meters, is our first and primary production base, where we focus on the production of substantially all series of our products. Our production base in Shanghai, with a gross floor area of approximately 6,200 square meters, is our secondary production base, which is mostly designed for the production of Freshly Stewed Bird's Nest. We established our Shanghai production base in 2021 to shorten the delivery distance in light of the short shelf life of our Freshly Stewed Bird's Nest. In 2019, we established our Guanghe production base with a gross floor area of approximately 2,000 square meters, primarily for the lowered labor costs and the availability of production facilities. Our Guanghe production base is designed primarily for the feather picking process, through which we manually remove impurities such as feathers from raw nests.

### Equipment and Machinery

We purchase our production lines from relevant companies in China. We regularly inspect and maintain our production equipment. To ensure production safety and efficiency, we have employed maintenance personnel to regularly inspect and maintain our key production equipment and machinery. Our major production equipment and machinery have an estimated average useful life of 10 years. We use straight-line basis to make provision and depreciation, with an annual rate of 9.5%. The remaining useful life of such equipment and machinery was approximately 6.8 years on average as of May 31, 2023.

### QUALITY CONTROL

We have established an enterprise quality management system, covering the raw material and packaging material supply chain, product manufacturing, storage and sales, to ensure our products comply with relevant quality standards. We implement stringent policies to manage raw material and packaging material suppliers regarding their admission and elimination, to strictly control the quality of our material

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supplies. We strictly implement product safety and quality control standards and take corresponding control measures throughout our entire product manufacturing process to ensure that all of our products meet the relevant national safety standards and our strict internal quality standards. We have also set up a dedicated quality assurance team consisting of 33 employees as of the Latest Practicable Date. As of the same date, members of our quality assurance team had an average of approximately four years of relevant experience. Our members of quality assurance team possessed relevant certificates, including ISO internal auditor certificate, internal auditor certificate for the BRC Global Standard for Food Safety, and advanced skills certificate for food safety inspection, among others. During the Track Record Period and up to the Latest Practicable Date, we (1) did not receive any fines, product recall orders or other penalties from the relevant competent authorities regarding material product quality issues, (2) did not receive any material product returns from our customers, and (3) did not receive any material complaints from the customers. During the same period, we were not involved in any claims, non-compliance or material complaints incidents relating to food safety or quality.

We are often involved in the formulation of industry standards. In 2014, we cooperated with China National Institute of Standardization and other government agencies to take the lead in formulating China's first raw nest industry standard, i.e., GH/T 1092-2014, representing the beginning of the standardization development of China's raw nest industry. In 2018, the China National Health Commission entrusted Xiamen Entry-Exit Inspection and Quarantine Bureau to take the lead in formulating the National Food Safety Standard for Edible Bird's Nest Products. As an industry leader, we were invited to participate in the formulation of such standard. In 2020, we cooperated with the China National Research Institute of Food and Fermentation Industries to lead the formulation of the China Light Industry Standard for Edible Bird's Nest Products. In 2020, we participated in the drafting of the group standard for fresh stewed EBN products, which has been implemented by the China Pharmaceutical Culture Society.

### **Our Quality Accreditations**

We have implemented a stringent quality assurance system to ensure the quality of our products. According to the F&S Report, we are the first EBN product company in China that has been certified by the BRC Global Standard for Food Safety and International Food Standard. In addition, we have also obtained other major quality accreditations, including the certifications of ISO 9001 Quality Management System, ISO 22000 Food Safety Management System, Hazard Analysis and Critical Control Points, Integrity Management System, and ISO 14001 Environmental Management System.

In addition to the quality accreditations and certifications mentioned above, we have adopted various measures to ensure our continuous compliance with relevant food safety laws and regulations. In particular, we have obtained necessary qualifications, including food production licenses and food distribution licenses, made necessary filings required by relevant food safety laws and regulations for our production bases and self-operated stores, and continue to monitor the status of such qualifications. Moreover, we require all distributors to obtain food distribution licenses from and make relevant filings with competent government agencies for the sales of our products. As advised by our PRC Legal Advisor, we complied with all material aspects of relevant food safety laws and regulations during the Track Record Period and up to the Latest Practicable Date.

### **Our Quality Assurance Program**

We ensure the continuous supply of quality products from different production bases through the effective implementation and continuous improvement of our stringent quality assurance system.

### ***Raw Material Quality Control***

We procure imported raw nests that passed inspection by China Inspection and Quarantine primarily from Indonesia as our principal raw materials. All these nests are affixed with the CAIQ traceability labels. Such labels record particulars of each imported raw nest such as its source of origin and importation date.

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We have integrated CAIQ traceability data to our ERP system, which enables us to achieve full-chain traceability of raw materials and the production process, allowing our own labeling system to record information about each critical step from the very beginning of the production processes to the sales to end customers. In addition, we are the first EBN product company in China that established a testing laboratory certified by China National Accreditation Service for Conformity Assessment, according to the F&S Report. All of our raw materials must be evaluated in this laboratory before being used in production.

We have implemented the supplier admission and assessment system and created a qualified supplier catalogue in which we record suppliers' names, products and services provided and their quality accreditations. Through evaluation on the suppliers in various aspects such as their prices, delivery cycle, after-sale service, product quality and on-site inspection results, the suppliers which fail to pass the evaluation may be removed from the supplier catalogue. For instance, we obtain raw material samples for evaluation by our Edible Bird's Nest Research Institute, ensuring that the quality of purchased raw materials meet our standards. See “—Research and Development” for details about Edible Bird's Nest Research Institute (燕窝研究院).

In order to prevent unqualified raw materials from being used in production, we have established a procurement acceptance system to inspect raw materials that arrive at our production bases, and only raw materials that meet our standards can be accepted. We have adopted a raw nest acceptance standard, which specifies the sensory criteria, such as shape, color, smell and impurities, as well as physical and chemical criteria. It also lays out the standard sampling and testing methods for each criterion. According to the F&S Report, our raw nest acceptance standard conforms with relevant industry standards.

### *Production Process Quality Control*

We follow relevant standards for the production of our products, including the national mandatory standards and our strict internal standards. We have established comprehensive operating procedures to conduct quality control throughout the entire production process in order to ensure that the quality of our products meets the requirements.

We require our personnel involved in production activities to follow strict hygiene standards. Our production personnel are required to change clean work clothes, including hats and shoes, and thoroughly clean themselves before entering into the production area. Equipment and machinery for the production process are subject to their respective detailed cleaning and sterilization requirements depending on functions and usages, in order to ensure product safety.

We conduct comprehensive supervision and inspections on the entire production process to ensure that all of our production equipment, machinery and personnel satisfy the national mandatory standards and our stricter internal standards.

### *Finished Products Quality Control*

Our quality management extends to the storage, delivery and sales processes of our products. In particular, by leveraging on the sales personnel located in different parts of China, we are able to closely keep track of the quality status of our products during their life cycles, to identify potential quality exposures and to ensure the stable quality of our products. We have implemented various quality control measures over the delivery process of our products. Prior to entrusting our products to our logistics and transportation service providers, we conduct stringent inspection procedures to ensure that our products meet the national quality standards. Additionally, we carefully package our products to suit the specific transportation mode and prevent damage or moisture during the delivery process. We collaborate with reputable express courier companies only and impose strict requirements to prevent the mixing of our products with non-food items, flammable or explosive goods, or items with strong odors.

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All of our finished products are affixed with traceability labels or QR codes that could be used by end customers to retrieve particulars of our products, including information about raw nests' source of origin and registration number, storage condition, shelf life, and production date of finished products. Each of these traceability labels and QR codes is accompanied by unique anti-counterfeiting verification codes, which are covered by concealment layers that can be scratched off by end customers. When the end customer scans the traceability label or QR code and enters the verification code, the information retrieved would also indicate whether it is the first-time scan on this particular label or code. In the event that the information retrieved indicates otherwise, the end customer could easily determine that there may be any re-use or misuse of the traceability labels or QR codes. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any incidents or receive any reports from end customers in connection with the re-use or misuse of the traceability labels or QR codes.

We have also set up procedures to handle consumer complaints, including consumer service hotlines and other feedback mechanism. In addressing the consumers' complaints, we undertake to communicate and liaise with the consumers in a timely manner and to commence the quality investigation procedures. Our dedicated customer complaint team promptly reaches out to customers who have lodged complaints to gain a thorough understanding of the circumstances. They carefully document all the details of the complaint to create a comprehensive written record. Based on the specific nature of each complaint, the customer complaint team escalates the matter to the relevant managers at different levels within our organization to explore potential solutions. Dedicated to addressing all consumer complaints to their satisfaction, we come up with appropriate solutions tailored to the unique circumstances of each complaint. If deemed necessary following quality investigation procedures, we readily and promptly accept return or exchange requests from complaining customers. During the Track Record Period and up to the Latest Practicable Date, we had consistently resolved all consumer complaints in a timely manner to their satisfaction.

### **RAW MATERIALS, PACKAGING MATERIALS AND SUPPLIERS**

#### **Raw Materials and Packaging Materials**

The principal raw materials we use in the production of our EBN products are raw nests. During the Track Record Period, substantially all of raw nests used in our production process were sourced from suppliers in Indonesia, the largest raw nest production country in the world. According to the same source, Indonesia's lowland rainforests are ideal habitats for swiftlets, which create raw nests by their solidified saliva. We have built strong and stable relationships with various suppliers for raw nests in Indonesia. In 2020 and 2021, we also sourced a total of RMB1.9 million of raw nests from suppliers in China, which, to the best knowledge of our Directors, imported these raw nests from Malaysia and Thailand. We currently do not intend to further diversify our raw nest supplier base by engaging relevant suppliers in Malaysia and Thailand, primarily because we intend to focus on procuring raw nests from Indonesia, as such raw nests are of a higher and more consistent quality and Indonesia is the largest raw nest production country. In the event we are to source raw nests from suppliers in these countries, the supplier candidates shall be subject to our comprehensive supplier selection and management policy.

We began to procure imported raw nests with CAIQ traceability labels in 2015, when China started to import CAIQ-certified raw nests from Indonesia, and all raw nests procured by us during the Track Record Period and up to the Latest Practicable Date were CAIQ-certified. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our purchase for raw nests was RMB770.1 million, RMB603.5 million, RMB617.0 million, RMB195.0 million and RMB284.3 million, respectively. In the same periods, the procurement volume of raw nests was 57.2 tonnes, 50.4 tonnes, 52.2 tonnes, 16.2 tonnes and 25.2 tonnes, respectively. According to the F&S Report, we ranked first for four consecutive years from 2019 to 2022 in terms of procurement volume of imported raw nests with the CAIQ traceability labels.

In 2021, through the recommendation of the Indonesian Bird's Nest Association (印度尼西亞燕窩協會) and the Edible Bird's Nest Market Committee of China Agricultural Wholesale Markets Association (全國城市農貿中心聯合會燕窩市場專業委員會), we entered into a non-binding letter of intent for raw

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nest procurement with the then Indonesian Ambassador to China to further strengthen the win-win cooperation between China and Indonesia and promote the long-term economic development of both countries. We believe that entering into such letter of intent could further promote and improve our brand image. Pursuant to this letter of intent, we indicated our intention to import a certain amount of raw nests from Indonesia in 2022, and this letter of intent did not designate any specific raw nest suppliers. As advised by our PRC Legal Advisor, this letter of intent is not a binding contract and therefore we are not obliged to purchase the raw nests as described in the letter of intent. Entering into this letter of intent will not affect how we procure raw nest from suppliers in Indonesia or other countries.

We also source packaging materials, which primarily consist of polypropylene bowls (an FDA-approved food contact plastic), glass bottles, cardboard, and metal packaging materials, to produce our products. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our purchase for packaging materials was RMB86.7 million, RMB85.3 million, RMB110.9 million, RMB38.3 million and RMB36.4 million, respectively.

The procurement price of raw nests and packaging materials could be volatile due to a variety of factors beyond our control, and any increase in the prices of raw nests and packaging materials may cause us to adjust our product prices upward. See “Risk Factors—Risks Relating to Our Business—Fluctuations in prices and changes in the quality of raw materials and packaging materials could materially and adversely affect our profitability and results of operations.” Nonetheless, we have implemented certain measures to manage the price fluctuations of raw materials and packaging materials. We strengthen our bargaining power through direct and centralized procurement for raw materials and packaging materials. We also continually monitor market conditions and purchase such materials to the extent possible at market low. In addition, we continue to optimize our production process to reduce production costs, so that we could mitigate the negative impact caused by the increase in the purchase price of raw materials or packaging materials, avoiding adjusting the prices of our products upward. During the Track Record Period, we did not experience any significant shortage of raw material and packaging material supplies, and the raw materials and packaging materials provided by our suppliers did not have any significant quality issues. See “Risk Factors—Risks Relating to Our Business—We do not conduct any swiftlet farming and primarily depend on suppliers in Indonesia for raw nests. If we are not able to source adequate raw nests from suppliers in Indonesia or fail to maintain good relationships with such suppliers, our business, financial condition and results of operations could be materially and adversely affected.”

### Our Suppliers

We purchase raw materials, packaging materials, and logistics and transportation services from suppliers for our business operations. During the Track Record Period, substantially all of our suppliers for raw nests were located in Indonesia. Our suppliers for packaging materials are primarily located in Zhejiang, Fujian and Jiangxi provinces, China. The following table sets forth the number of our suppliers by type for the periods indicated.

	Year ended December 31,			Five months
	2020	2021	2022	ended May 31, 2023
<b>Suppliers</b>				
Raw nests . . . . .	10	10	9	7
Packaging materials . . . . .	93	79	83	62
Others <sup>(1)</sup> . . . . .	138	139	175	110
<b>Total</b> . . . . .	<b>241</b>	<b>228</b>	<b>267</b>	<b>179</b>

*Note:*

(1) Including primarily suppliers for logistics and transportation services, advertisement services and other food ingredients.

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During the Track Record Period, the number of our raw nest suppliers decreased from 10 in 2020 to seven in the five months ended May 31, 2023, primarily due to our efforts in optimizing our supplier network for raw nests. In particular, we ceased to procure raw nests from certain suppliers that failed to meet our price and/or quality expectations.

### *Supplier Selection and Management*

We consider several factors in the evaluation and selection of suppliers, including, among others, their background, reputation, and industry experience, and most importantly, the quality and price of their supplies. As advised by our PRC Legal Advisor, all of our raw nest and other major food suppliers in China as of the Latest Practicable Date had obtained all necessary licenses and/or registrations in connection with food safety and quality to conduct business in China. To ensure food safety, we only consider foreign supplier candidates for raw nests on the registered list of overseas manufacturers of imported food published by the General Administration of Customs of China, the sole government authority in charge of supervising the food safety qualifications of such suppliers. As advised by our PRC Legal Advisor, foreign suppliers for raw nests are only eligible for being registered on such list through recommendation by competent authorities in their respective countries, and the General Administration of Customs of China requires various registration materials, including inspection report and recommendation letter issued by such competent local authorities of the exporting countries as well as corporate certificates, among others. The General Administration of Customs of China also requires foreign suppliers for raw nests to establish an effective food safety management system, produce and export raw nests legally from their exporting countries, and ensure that raw nests exported to China conform with relevant PRC laws and regulations and national food safety standards. As further advised by our PRC Legal Advisor, all of our raw nest suppliers outside China as of the Latest Practicable Date were on the registered list of overseas manufacturers of imported food published by the General Administration of Customs of China.

All new suppliers must undergo our internal supplier admission process before entering into supply agreements with us. Some of them are subject to an onsite inspection we conducted on their facilities on an as-needed basis to evaluate their quality control and test the raw material and packaging material samples. Furthermore, we require all of the raw materials purchased from suppliers to undergo evaluation by our testing laboratory certified by the China National Accreditation Service for Conformity Assessment before being used in production. Suppliers whose raw materials fail to pass the evaluation may be prohibited from conducting business with us.

Pursuant to purchase agreements between us and raw nest suppliers, the quality of raw nests procured from them shall satisfy the national standards for imported raw nests in China as well as our corporate standards as stipulated in the respective purchase agreements. In the event that the quality of raw nests fails to satisfy any of these standards, we are entitled to return such raw nests. During the Track Record Period and up to the Latest Practicable Date, three batches of raw nests failed to pass the evaluation by our testing laboratory, among which two batches of raw nests with a total value of RMB0.8 million were returned in 2021 and the five months ended May 31, 2023 due to excessive impurities and one batch of raw nests with a value of RMB0.2 million was exchanged in 2022 due to excessive nitrite content. As advised by our PRC Legal Advisor, we had complied with the relevant PRC laws and regulations in connection with raw nest importation in all material aspects during the Track Record Period and up to the Latest Practicable Date.

We have established a comprehensive supplier selection and management policy with the following significant procedures:

- Suppliers must have proper certifications, licenses, and must comply with relevant regulations. Prior to being admitted to our qualified supplier list, supplier candidates shall provide us with business license, production license, third-party test report on safety audits, quality checks and

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compliances, HACCP reviews and other relevant permits, and pass our internal sampling tests. For raw material suppliers, including raw nest suppliers, we require production permits, veterinary health certificate, export permit and traceability report, to the extent applicable. In addition, we typically require suppliers to represent and warrant their qualification to engage in the business and compliance with relevant laws and regulations in China.

- The quality management process for our suppliers must be objective and adhere to relevant quality standards. We pay close attention to the supplier's allergen management, microbial control in the production process, and handling of non-conforming products.
- For certain raw materials including raw nest, we focus on the suppliers' internal control systems in place for product traceability and accountability.
- The supplier's production scale, on-site management, production capabilities, and technological expertise are assessed.
- The supplier's ability to meet delivery timelines and provide quality service are expected.
- We, from time to time, update our existing suppliers' information in our records, including their names, address, primary contact person and contact information.
- We regularly monitor the validity of suppliers' business licenses and permits. If any licenses or permits are found to be expired, the relevant suppliers are required to provide us with the renewed licenses and permits promptly, and we would suspend our cooperation with such suppliers should they fail to provide such documents within the required timeframe. We also reevaluate each supplier in our qualified supplier list every three years absent any material changes, and the suppliers are obligated to notify us of any material change immediately.
- We require proper documentation of the supplier evaluation and admission process. We conduct semi-annual and annual assessments for existing suppliers in our qualified supplier list.

### ***Key Contractual Terms of Supply Agreements for Raw Nests***

We generally formulate procurement plans based on our monthly production requirements and purchase raw nests on an order-by-order basis. Set forth below is a summary of our standard supply agreement for raw nests.

- *Subject matter.* The agreement specifies the quantity, the price per kilogram and the total purchase price of raw nests.
- *Quality.* The quality of raw nests shall not only conform to the admission standards of China customs but also satisfy an agreed-upon quality standard, which describes the appearance, impurity and aroma requirements for raw nests, among others.
- *Insurance.* The supplier shall be responsible for purchasing relevant insurance that cover the invoice value of raw nests.
- *Payment.* We shall settle the payment by bank transfer within 30 days after completing the inspection and obtaining the inspection and quarantine certificates from China customs.
- *Anti-commercial bribery.* Both parties shall abide by relevant laws and regulations as well as business and professional ethics. Any commercial bribery is prohibited under our agreement.

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- *Arbitration.* All disputes in connection with our agreement shall be settled through amicable negotiation. In the event that no mutual agreement could be reached through such negotiation, disputes shall be submitted to and resolved before the China International Economic and Trade Arbitration Commission.

We have maintained long-term and stable business relationships with major raw nest suppliers in Indonesia and expect to maintain amicable relationships with them. In particular, we have built strong relationships with various suppliers for raw nests in Indonesia. As of May 31, 2023, we had maintained an average of four years of business relationships with our raw nest suppliers. In the five months ended May 31, 2023, more than 46% of our purchase amount of raw nests were attributable to suppliers with over five years' business relationship with us. We believe our long-term stable business relationships with these suppliers enable us to minimize the risks of unexpected fluctuation in the price of raw nests. Despite the absence of executed long-term agreements in place, we have established long-standing and stable business relationships with our raw nest suppliers. This demonstrates our ability to secure a reliable and consistent supply of raw nests, which is further strengthened by our strong market position.

Our agreements with suppliers, which vary depending on the type of supplier, typically include specific criteria for allocating product liabilities between the supplier and us. If a product quality issue arises and the supplier is found to be at fault according to the agreed-upon criteria, the supplier will be responsible for the issue and indemnify us against associated loss, if any. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of supply agreements that had a significant impact on our production and did not have any material disputes with our suppliers.

Our Directors confirm that, to their best knowledge having made reasonable enquiries, they are not aware of any other relationships (including business, shareholding, employment, family, trust, financing and fund flows) between our Group's raw nest suppliers, their shareholders, directors or senior management and our Company, its subsidiaries, their shareholders, directors or senior management, and their respective close associates during the Track Record Period and up to the Latest Practicable Date.

### *Major Suppliers*

During the Track Record Period, our major suppliers primarily consisted of suppliers for raw nests. In 2020, 2021, 2022 and the five months ended May 31, 2023, purchases from our five largest suppliers in each year/period during the Track Record Period accounted for 59.7%, 51.7%, 52.2% and 54.2% of our total purchases, respectively. In the same periods, purchases from our largest supplier in each year/period during the Track Record Period accounted for 23.7%, 15.4%, 16.4% and 20.7% of our total purchases, respectively. Our suppliers typically grant credit periods of no more than 30 days to us.

Save for Beijing Zhongshi Hongyun Advertising Co., Ltd. ("Zhongshi Hongyun") as disclosed below, to the best of our knowledge after reasonable inquiry, none of our Directors, their respective associates or Shareholders who owned five percent or more of the total issued share capital of our Company had any interest in any of our Group's five largest suppliers in each year/period during the Track Record Period, and all of our five largest suppliers in each year/period during the Track Record Period were Independent Third Parties. See "Connected Transactions" for details about continuing connected transactions relating to Zhongshi Hongyun.

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The following table sets forth certain information of our major suppliers during the Track Record Period.

Suppliers	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship	Payment method	Type of services supplied	Background
<i>For the year ended December 31, 2020</i>						
Supplier A and its related parties . . . . .	241,023	23.7	2018	Bank transfer	Raw nests	Established before a notary in Bogor Regency, Indonesia on October 26, 2016, Supplier A is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier A has authorized capital, issued capital and paid up capital of IDR8.0 billion, IDR2.0 billion and IDR2.0 billion, respectively
Supplier B . . . . .	150,603	14.8	2015	Bank transfer	Raw nests	Established before a notary in Semarang Regency, Indonesia on March 31, 2000, Supplier B is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier B has authorized capital, issued capital and paid up capital of IDR3.0 billion, IDR3.0 billion and IDR3.0 billion, respectively
Supplier C . . . . .	81,605	8.0	2018	Bank transfer	Raw nests	Established before a notary in Surabaya City, Indonesia on October 13, 2003, Supplier C is an Indonesian private limited partnership primarily engaging in the sales of raw nests. Supplier C has issued capital and paid up capital of IDR145.5 billion and IDR145.5 billion, respectively

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Suppliers	Purchase amount	Percentage of total purchase	Year of commencement of business relationship	Payment method	Type of services supplied	Background
	(RMB in thousands)	(%)				
Supplier D . . . . .	73,236	7.2	2017	Bank transfer	Raw nests	Established before a notary in Medan City, Indonesia on July 22, 2014, Supplier D is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier D has authorized capital, issued capital and paid up capital of IDR25.0 billion, IDR25.0 billion and IDR25.0 billion, respectively
Zhongshi Hongyun and its related parties . . .	61,475	6.0	2018	Bank transfer	Advertisement	Zhongshi Hongyun is an advertisement company located in Beijing and Fujian, China. Zhongshi Hongyun is a private company established on January 18, 2006, and its registered office is located in Beijing, with registered capital of RMB1.0 million as of the Latest Practicable Date
<b>Total . . . . .</b>	<b>607,942</b>	<b>59.7</b>				

Suppliers	Purchase amount	Percentage of total purchase	Year of commencement of business relationship	Payment method	Type of services supplied	Background
	(RMB in thousands)	(%)				
<i>For the year ended December 31, 2021</i>						
Supplier A and its related parties . . . . .	136,825	15.4	2018	Bank transfer	Raw nests	Established before a notary in Bogor Regency, Indonesia on October 26, 2016, Supplier A is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier A has authorized capital, issued capital and paid up capital of IDR8.0 billion, IDR2.0 billion and IDR2.0 billion, respectively

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Suppliers	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship	Payment method	Type of services supplied	Background
Supplier B . . . . .	111,508	12.5	2015	Bank transfer	Raw nests	Established before a notary in Semarang Regency, Indonesia on March 31, 2000, Supplier B is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier B has authorized capital, issued capital and paid up capital of IDR3.0 billion, IDR3.0 billion and IDR3.0 billion, respectively
Supplier C . . . . .	98,014	11.0	2018	Bank transfer	Raw nests	Established before a notary in Surabaya City, Indonesia on October 13, 2003, Supplier C is an Indonesian private limited partnership primarily engaging in the sales of raw nests. Supplier C has issued capital and paid up capital of IDR145.5 billion and IDR145.5 billion, respectively
Supplier D . . . . .	60,741	6.8	2017	Bank transfer	Raw nests	Established before a notary in Medan City, Indonesia on July 22, 2014, Supplier D is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier D has authorized capital, issued capital and paid up capital of IDR25.0 billion, IDR25.0 billion and IDR25.0 billion, respectively
Zhongshi Hongyun and its related parties . . . . .	53,514	6.0	2018	Bank transfer	Advertisement	Zhongshi Hongyun is an advertisement company located in Beijing and Fujian, China. Zhongshi Hongyun is a private company established on January 18, 2006, and its registered office is located in Beijing, with registered capital of RMB1.0 million as of the Latest Practicable Date
<b>Total . . . . .</b>	<b>460,602</b>	<b>51.7</b>				

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Suppliers	Purchase amount	Percentage of total purchase	Year of commencement of business relationship	Payment method	Type of services supplied	Background
	(RMB in thousands)	(%)				
<i>For the year ended December 31, 2022</i>						
Supplier A and its related parties . . . . .	162,840	16.4	2018	Bank transfer	Raw nests	Established before a notary in Bogor Regency, Indonesia on October 26, 2016, Supplier A is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier A has authorized capital, issued capital and paid up capital of IDR8.0 billion, IDR2.0 billion and IDR2.0 billion, respectively
Supplier B . . . . .	119,824	12.1	2015	Bank transfer	Raw nests	Established before a notary in Semarang Regency, Indonesia on March 31, 2000, Supplier B is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier B has authorized capital, issued capital and paid up capital of IDR3.0 billion, IDR3.0 billion and IDR3.0 billion, respectively
Supplier C . . . . .	119,481	12.0	2018	Bank transfer	Raw nests	Established before a notary in Surabaya City, Indonesia on October 13, 2003, Supplier C is an Indonesian private limited partnership primarily engaging in the sales of raw nests. Supplier C has issued capital and paid up capital of IDR145.5 billion and IDR145.5 billion, respectively

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Suppliers	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship	Payment method	Type of services supplied	Background
Zhongshi Hongyun and its related parties . . .	60,298	6.1	2018	Bank transfer	Advertisement	Zhongshi Hongyun is an advertisement company located in Beijing and Fujian, China. Zhongshi Hongyun is a private company established on January 18, 2006, and its registered office is located in Beijing, with registered capital of RMB1.0 million as of the Latest Practicable Date
Supplier D . . . . .	56,168	5.6	2017	Bank transfer	Raw nests	Established before a notary in Medan City, Indonesia on July 22, 2014, Supplier D is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier D has authorized capital, issued capital and paid up capital of IDR25.0 billion, IDR25.0 billion and IDR25.0 billion, respectively
<b>Total . . . . .</b>	<b>518,611</b>	<b>52.2</b>				

Suppliers	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship	Payment method	Type of services supplied	Background
<i>For the five months ended May 31, 2023</i>						
Supplier A and its related parties . . . . .	93,411	20.7	2018	Bank transfer	Raw nests	Established before a notary in Bogor Regency, Indonesia on October 26, 2016, Supplier A is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier A has authorized capital, issued capital and paid up capital of IDR8.0 billion, IDR2.0 billion and IDR2.0 billion, respectively

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Suppliers	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship	Payment method	Type of services supplied	Background
Supplier B . . . . .	55,938	12.4	2015	Bank transfer	Raw nests	Established before a notary in Semarang Regency, Indonesia on March 31, 2000, Supplier B is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier B has authorized capital, issued capital and paid up capital of IDR3.0 billion, IDR3.0 billion and IDR3.0 billion, respectively
Supplier C . . . . .	39,924	8.8	2018	Bank transfer	Raw nests	Established before a notary in Surabaya City, Indonesia on October 13, 2003, Supplier C is an Indonesian private limited partnership primarily engaging in the sales of raw nests. Supplier C has issued capital and paid up capital of IDR145.5 billion and IDR145.5 billion, respectively
Supplier E . . . . .	35,728	7.9	2020	Bank transfer	Raw nests	Supplier E is a raw nest company located in China. Supplier E is a private company established on August 24, 2017, and its registered office is located in Quanzhou, with registered capital of RMB10.0 million as of the Latest Practicable Date
Supplier D . . . . .	19,682	4.4	2017	Bank transfer	Raw nests	Established before a notary in Medan City, Indonesia on July 22, 2014, Supplier D is an Indonesian private limited liability company primarily engaging in the sales of raw nests. Supplier D has authorized capital, issued capital and paid up capital of IDR25.0 billion, IDR25.0 billion and IDR25.0 billion, respectively
	<u>244,683</u>	<u>54.2</u>				

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We have maintained long-term and stable relationships with our suppliers. For our five largest suppliers in each year/period during the Track Record Period, we had maintained business relationships with these suppliers on average for approximately six years.

During the Track Record Period, an affiliate within the group of one e-commerce platform customer also provided marketing services to us. Negotiations of the terms of our sales to such customers and purchase from such marketing service supplier were conducted on an individual basis and the sales and purchases were neither connected with nor conditional upon each other. All of our sales to such e-commerce platform customer and purchases from such marketing service suppliers were conducted in the ordinary course of business under normal commercial terms and in arm's length transactions.

None of our five largest suppliers in each year/period during the Track Record Period was previously involved in any food safety incidents which led to penalties or litigations during the Track Record Period and up to the Latest Practicable Date.

Zhongshi Hongyun, one of our five largest suppliers in 2020, 2021 and 2022, and one of its related parties, Guangyao Tianrun, were indirectly controlled by LIU Zhen, our non-executive Director, during the Track Record Period. See also “Connected Transactions—Purchase of Advertising Services—Zhongshi Hongyun Advertisement Service Framework Agreement and Guangyao Tianrun Advertisement Service Framework Agreement.” Save as disclosed above, our Directors confirm that, to their best knowledge having made reasonable inquiries, they are not aware of any other past or present relationships (including business, shareholding, employment, family, trust, financing and fund flows) between our Group and each of our five largest suppliers in each year/period during the Track Record Period, their respective substantial shareholders, directors or senior management, or any of their respective close associates during the Track Record Period and up to the Latest Practicable Date.

## INVENTORY

During the Track Record Period, majority of our inventory were raw materials, i.e., imported raw nests that we sourced from suppliers in Indonesia. For better storage, our warehouse is equipped with refrigerator compartments, and we conduct testing of temperature and humidity degrees from time to time through our temperature and humidity monitoring system. Our inventories of work in progress primarily included raw nests that have gone through feather picking process. See “—Production—Production Process.” Such raw nests can be completed as finished products, which primarily consist of canned EBN products, in a relatively short period. We generally manufacture our products based on anticipated demand and do not stock considerable amount of finished products.

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The following table sets forth our inventory breakdown as of the dates indicated. See also “Financial Information—Discussion of Certain Items from the Consolidated Statements of Financial Position—Inventories.”

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Raw materials . . . . .	174,103	163,851	125,926	187,748
— Raw nests . . . . .	173,917	163,386	124,722	186,776
— Other raw materials . . . . .	186	465	1,204	972
Work in progress . . . . .	41,092	33,360	36,467	17,608
Finished goods . . . . .	42,071	65,189	81,504	34,881
Goods in transit . . . . .	6,739	4,743	13,295	9,183
Packaging . . . . .	12,981	12,498	14,370	10,832
Right to recover returned goods. . . . .	59	101	233	102
<b>Total . . . . .</b>	<b>277,045</b>	<b>279,742</b>	<b>271,795</b>	<b>260,354</b>

### Inventory Control

We have an inventory control policy in place to monitor our inventory. We perform the following inventory management procedures to keep track of incoming and outgoing inventories and monitor our inventory levels.

- We designate the storage location and area for our inventory according to the attributes of specific inventory to better utilize our warehousing facilities.
- We take necessary measures to protect our inventory from theft and damage.
- Unauthorized persons are prohibited from entering into our warehouses, which shall remain closed when there are no warehouse personnel on duty.
- Responsible departments shall examine each batch of inventory before admitting such inventory into warehousing facilities.
- The warehouse personnel shall regularly check the inventory level, the inspection results for which shall be recorded in writing.
- The inventory level shall be reported to the finance department for valuation.

In 2020, 2021, 2022 and the five months ended May 31, 2023, our inventory turnover days, which are calculated based on average inventories divided by cost of sales times number of days, were 91.2 days, 130.2 days, 118.2 days and 106.7 days, respectively. According to the F&S Report, our inventory turnover days during the Track Record Period were generally in line with the industry norm. As of December 31, 2020, 2021 and 2022 and May 31, 2023, finished products, which primarily include canned EBN products, accounted for 15.2%, 23.3%, 30.0% and 13.4% of our total inventories, respectively.

In 2020, 2021, 2022 and the five months ended May 31, 2023, we recorded raw material write-off of RMB40,300, RMB23,900, RMB266,100 and RMB4,200, respectively. Such write-off was typically due to food expiry of ingredients. In 2022, we wrote off raw nests in the amount of RMB254,200, as those raw nests were primarily fragmented materials designated to be used for a research and development project which did not initiate as anticipated.

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### PRICING

We price our products based on various factors, including the product type, the EBN content per unit, and the purchase cost of raw nests. We provide our distributors with standard prices of our products, as stipulated by our price system. Our distributors shall abide by our price system. See “—Our Products” for details of the standard prices of our products.

### RESEARCH AND DEVELOPMENT

We explore and launch new products through continual product research and development. We have established an experienced research and development team, captained by Mr. Zhang Yukui (張玉奎), an academician of the Chinese Academy of Sciences, and Ms. Zhu Beiwei (朱蓓薇), an academician of the Chinese Academy of Engineering. As of the Latest Practicable Date, we had 49 research and development staff for product development with an average of over seven years’ relevant experience. As of the same date, over 30% of our research and development staff for product development held a master’s degree or above.

We value investment in scientific research and standard research. We established the Edible Bird’s Nest Research Institute, which collaborates with academic institutions such as Nanchang University and Fujian Agriculture and Forestry University. As of the Latest Practicable Date, Edible Bird’s Nest Research Institute had 49 members. Edible Bird’s Nest Research Institute is primarily involved in formulating relevant standards for China’s EBN industry, conducting research on the production of EBN products, and empowering the development of our products. Through Edible Bird’s Nest Research Institute, we have participated in the formulation of multiple standards of EBN products, including one international standard, one national standard, two industry standards, 16 group standards and 25 enterprise standards. In addition, we are the first EBN product company in China that established a testing laboratory certified by China National Accreditation Service for Conformity Assessment, according to the F&S Report. Located in Xiamen, this testing laboratory is equipped with various testing equipment, including triple quadrupole mass spectrometer, atomic absorption spectrometer, ion chromatograph, colorimeter, automatic Kjeldahl nitrogen analyzer, commercial rapid sterility testing system, and rapid microbial detection system, among others. The laboratory can perform tests on various ingredients and packaging materials for our EBN products to ensure that they conform with relevant food safety standards and do not contain nitrite or other harmful substances above the permitted thresholds. Moreover, we strive to promote industry-university-research cooperation in China’s EBN industry. In 2022, we and Peking University Health Science Center established a collaborative innovation laboratory for researching EBN nutrition. We believe that such collaboration could further improve our innovation capabilities.

During the Track Record Period and up to the Latest Practicable Date, we had initiated 94 research and development projects, primarily focusing on research into EBN and EBN extracts, processing and packaging techniques and development of novel products. Among these 94 projects, 31 were in collaboration with third-party research partners mainly consisting of reputable academic institutions in China. As of the Latest Practicable Date, we had completed 56 of the 94 projects and acquired nine patents from these research and development projects.

During the Track Record Period, we collaborated with several third parties for the development and production of certain products, primarily including EBN pastries, drinkable EBN essence with ginsengs and EBN skincare products. To the best of our knowledge after reasonable inquiry, all of these third parties were Independent Third Parties. In 2020, 2021, 2022 and the five months ended May 31, 2023, our transaction amount with these parties was RMB1.7 million, RMB2.3 million, RMB2.5 million and RMB2.4 million, respectively.

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### OUR EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. Our human resources center is responsible for recruiting, managing and training our employees. We have a labor union that is able to protect our employees' rights, assist us in attaining our economic objectives and encourages employees to participate in management decisions.

We recruit employees primarily through recruitment websites, on-campus recruitment and internal referrals. We provide induction training to every new employee. In addition, we formulate and implement training plans for our employees on a regular basis. In particular, we established the Academy of Yan Palace (燕之屋學苑), which empowers the skill development of our employees.

As of the Latest Practicable Date, we had 1,949 full-time employees. We generally enter into labor contracts with our employees. As of the same date, all of our employees were based in China and most of them were in Xiamen City, Fujian Province, Beijing and Songjiang District, Shanghai. The following table sets forth the number of our employees by function as of the Latest Practicable Date.

	<b>Number of employees</b>
Production and operation . . . . .	947
Administrative and management . . . . .	268
Sales and marketing . . . . .	685
Research and development . . . . .	49
<b>Total</b> . . . . .	<b>1,949</b>

We are required by PRC social insurance and housing provident fund laws and regulations to make contributions for mandatory social insurance and housing provident funds for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees, most of whom are production line workers, as required by the relevant PRC laws and regulations. See “—Legal Proceedings and Compliance—Compliance—Social Insurance and Housing Provident Funds” and “Risk Factors—Risks Relating to Our Business—We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.”

We have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. During the Track Record Period and up to the Latest Practicable Date, there were no material strikes which had an adverse impact on our operation and no material disputes between the Group and our employees.

### DATA PRIVACY AND PROTECTION

With the prior consent of our customers, we collect and maintain their personal information to the extent necessary for the sales and delivery of our products through e-commerce platforms or our membership program and in accordance with the relevant laws and regulations on data privacy and security in China. We have taken measures to maintain the confidentiality of such information to ensure regulatory compliance. Specifically, we perform de-identification on raw data stored, during which we redact personal identifiable data, such as name and phone number of a specific customer. Since the collection, storage, usage, retention and transmission of information that can be identified as specific individuals or reflect the relevant activities of specific individuals are all subject to relevant data protection laws and regulations, the de-identification of raw data is necessary for us to efficiently protect personal data of our customers. We also set up an access control system for personal information in our

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internal system so that it cannot be viewed without proper authorization. We set up firewalls to prevent information loss or leakage caused by cyber-attacks. In addition, we from time to time examine the security of our data storage system. We strictly restrict the range of data that our employees are authorized to access based on their seniority and function.

In addition, we continue to pay close attention to the legislative and regulatory developments in cybersecurity and data protection and conduct routine cybersecurity and data protection compliance check and rectification to keep pace with regulatory development. In particular, we have established a comprehensive set of internal cybersecurity and data protection rules and policies. We have also formulated the overarching data security management policy, user personal information protection management policy and network security management policy, which provide the principal management rules on cybersecurity and data protection.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss or any material unauthorized use of customers' personal information. As advised by our PRC Legal Advisor, we had complied with the applicable laws and regulations with respect to data privacy and personal data protection during the Track Record Period and up to the Latest Practicable Date in all material aspects on the following basis.

- (1) As of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications or other sanctions imposed by any competent regulatory authorities in relation to cybersecurity, data and personal information protection, nor had we been subject to or involved in any investigations, or received any inquiry, examination, material warning or interview in such respect;
- (2) As of the Latest Practicable Date, there were no material cybersecurity or data protection incidents, or any infringement upon any third parties, or other legal, administrative or governmental proceedings pending or, to the best of our knowledge, threatened against or relating to us; and
- (3) We have implemented stringent internal control systems for data security and personal information protection.

### **Regulatory Authority-initiated Security Review**

Regulatory authority may initiate cybersecurity reviews if it is of the opinion that the network product or service, data processing activities or listing in a foreign country affects or is likely to affect national security. To avoid such concerns, we are taking a more prudent approach in business operation and can prepare measures to reduce its risk of exposure to the implementation of the Cybersecurity Review Measures:

- Pay close attention to the latest trends in the critical information infrastructure (the "CII") identification by industry authorities and maintain continuous communication with competent and regulatory authorities and local government departments;
- Adopt relevant security measures and internal control system to reduce the risks of data leakage, theft and destruction and illegal control, preferably, as encouraged by the Cybersecurity Law, voluntarily participate in the CII protection system and perform relevant obligations to make advance preparations for possible future CII protection efforts;
- Be more conservative in network products or services procurement process; and
- Conduct personal information security impact assessment and relevant internal assessment to address security issues/concerns that may raise national security concerns in data processing activities.

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Our Directors and our PRC Legal Advisor are of the view that the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security Management, if implemented in current form, will not have material adverse effects on our business operations or the proposed Listing on the following basis:

- (1) We have implemented comprehensive measures to ensure user privacy and data security and to comply with applicable cybersecurity and data privacy laws and regulations;
- (2) During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material investigation, inquiry or sanction in relation to cybersecurity, data privacy or cybersecurity review from the CAC, the CSRC or any other relevant government authorities;
- (3) During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with cybersecurity or data privacy laws or regulations;
- (4) As advised by our PRC Legal Advisor, we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures during the Track Record Period and up to the Latest Practicable Date; and
- (5) As advised by our PRC Legal Advisor and subject to any further official guidance and implementation rules relating to the Cybersecurity Review Measures, Article 7 of the Cybersecurity Review Measures requires a cybersecurity review for internet platform operators possessing personal information of over one million users and pursuing a foreign listing (國外上市).

With the continuous expansion of our business and growth of our customer and distributor base, there can be no assurance that the constantly evolving regulations on the collection and use of personal information in China will have no material adverse effect on us. See “Risk Factors—Risks Relating to Our Business—We are in possession of certain information regarding our customers, and the improper collection, storage, use or disclosure of such information could materially and adversely affect our business and reputation.” We will closely monitor the rule-making process of the relevant regulatory requirement and adjust our data practices in a timely manner to comply with the relevant laws and regulations, if necessary.

### AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we received a number of awards and recognitions in connection with our business. Some of the significant awards and recognitions we have received are set forth below.

<u>Awards and Recognition</u>	<u>Awarding Parties</u>	<u>Year of Award</u>
Well-known Trademark (馳名商標)	State Administration for Industry and Commerce of China (國家工商行政管理總局)	2011
Enterprises with Outstanding Contribution in the Food Industry during the 40 Years of Reform and Opening Up in Fujian Province (福建省改革開放40年食品工業突出貢獻企業)	Fujian Food Industry Association (福建省食品工業協會)	2019
Executive Vice Chairman (常務副理事長)	Edible Bird's Nest Market Committee of China Agricultural Wholesale Markets Association (全國城市農貿中心聯合會燕窩市場專業委員會)	2020

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Awards and Recognition	Awarding Parties	Year of Award
The Fifth Group of Provincial Green Factories (第五批省級綠色工廠)	Fujian Provincial Department of Industry and Information Technology (福建省工業和信息化廳)	2022
Fujian Benchmark Company for Edible Bird's Nest Products (福建省燕窩及燕窩製品標桿企業)	Fujian Food Industry Association (福建省食品工業協會)	2015
Leading Private Enterprise in Xiamen (廈門市龍頭骨幹民營企業)	Xiamen Municipal Government	2022
Advanced Company for Poverty Alleviation in Fujian Province (福建省脫貧攻堅先進集體)	The People's Government of Fujian Province	2021

### INTELLECTUAL PROPERTY

Our intellectual property portfolio consists of trademarks, patents, copyrights and domain names. Our intellectual property is important to our business. See “Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of Our Group.”

We protect our intellectual property rights in accordance with the relevant laws and regulations and contractual agreements. We have established an intellectual property management system and improve and update our intellectual property management system in line with the business development.

When dealing with the infringement of our intellectual property rights, we found incidents about counterfeit products and other infringements against our products through internal and external channels, including: (1) our sales personnel across the country; (2) our staff from legal department when they visit the markets; and (3) complaints and reports by consumers through customer service hotline. After discovering incidents of infringements, we will collect supporting information, make an assessment on whether an infringement actually takes place, and analyze the feasibility of to defend our rights and the approaches we may take. Based on different product infringements and specific circumstances, with the support of intellectual property experts or legal consultants, we defend our rights through targeted approaches, including but not limited to filing industrial and commercial complaints and litigations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to infringement of intellectual property rights which would have a material adverse effect on our business. During the same period, a third-party individual submitted an application to the National Intellectual Property Administration seeking to invalidate two of our registered trademarks, with a registration number of 58276334 and 38107129, respectively. The National Intellectual Property Administration has rejected the invalidation application for our registered trademark with a registration number of 58276334, and the third-party individual did not initiate an administrative proceeding against such rejection within statutory limitation period. Therefore, based on the confirmations from the intellectual property agent we engaged to defend us in this dispute (the “Intellectual Property Agent”), this third-party individual no longer has the right to bring an administrative proceeding in this regard. For the trademark with a registration number of 38107129, the National Intellectual Property Administration supported the invalidation application from the same individual, and the Intellectual Property Agent has engaged a PRC intellectual property legal advisor on our behalf to initiate an administrative proceeding against such unfavorable result. As of the Latest Practicable Date, we had filed all necessary materials with the relevant intellectual property court and had not received the notice of the trial date. Our Directors are of the view that the final result of this administrative proceeding would not have a material adverse effect on our business, as (1) the trademark with a registration number of 38107129 was rarely used on a discrete basis to market our products, (2) no revenue was derived independently from this trademark, and (3) we have many other similar and alternative registered

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trademarks which can be used for the same purposes. See “Risk Factors—Risks Relating to Our Business—We may face intellectual property infringement claims by third parties, which could disrupt our business, cause substantial legal costs, and damage our reputation.”

Our know-hows in production are invaluable assets to us, as we pride ourselves of the unique production techniques we possess. We have entered into confidentiality agreements with our core research and development employees to prevent such employees from disclosing our know-how secrets to others without our proper authorization. Our employment contracts also stipulate that any intellectual property created by such employees in the course of and after a specific period of their employment shall belong to us, in the event that such intellectual property is created as a result of performance of duties within the scope of their employment with us.

### LICENSES, PERMITS AND APPROVALS

We are required to maintain various licenses, permits and approvals in order to operate our business. We are not required to obtain any additional licenses for our online sales to customers. We continually monitor our compliance with the requirements related to licenses, permits and approvals in order to ensure that we have all such licenses, permits and approvals which are necessary to operate our business. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to the operation of our existing business.

The following table sets out a list of material licenses, permits and approval held by us as of the Latest Practicable Date.

<u>License/permit<sup>(1)</sup></u>	<u>Entity holding the license/permit</u>	<u>Grant date</u>	<u>Expiration date</u>
Food production license <sup>(2)</sup> . . . . .	Yan Sinong Shanghai Yan	January 21, 2022	January 20, 2027
Food production license <sup>(3)</sup> . . . . .	Palace	October 29, 2021	October 28, 2026
Food production license <sup>(2)</sup> . . . . .	Zhiqiao Industry	April 1, 2022	March 31, 2027

*Notes:*

- (1) Our Guanghe production base is designed primarily for the feather picking process, through which we manually remove impurities such as feathers from raw nests. As advised by our PRC Legal Advisor, based on the confirmation from Guanghe County Market Supervision Administration, we are not required to obtain a food production license for the feather picking process conducted by our Guanghe production base.
- (2) Applies to our Xiamen production base.
- (3) Applies to our Shanghai production base.

### INSURANCE

We maintain certain insurance policies, including car insurance and property-all-risks insurance, which are consistent with the customary practice in China. We currently do not maintain product liability insurance for our products or litigation insurance. Our Directors consider that our existing insurance coverage is consistent with industry practice in China and sufficient for our present operations.

### SEASONALITY

Our financial condition and results of operations are subject to seasonal fluctuations. We typically carry out more sales and marketing activities before and during holiday seasons and other traditional festivities, such as the mid-autumn festival and the dragon boat festival. We also actively participate in

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shopping events and promotional activities organized by third-party e-commerce platforms, such as Singles' Day Shopping Carnival (雙十一購物狂歡節), to capture more sales opportunities. We typically have increased sales before and during the holiday seasons, festivals and events, most of which happen during the second half of the year. As a result, we generally record higher revenue in the second half of the year.

### PROPERTIES

As of the Latest Practicable Date, all of our production bases were located in China.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all the Group's interests in land or buildings, for the reason that, as of May 31, 2023, we had no single property with a carrying amount of 15% or more of our total assets.

#### Owned Properties

As of the Latest Practicable Date, we owned five properties with an aggregate gross floor area of approximately 5,573.9 square meters in China. We have obtained title certificates for such five properties.

#### Leased Properties

As of the Latest Practicable Date, we leased 121 properties relating to our business operations in total with an aggregate gross floor area of approximately 128,508.2 square meters, which have been used primarily as stores, offices, production bases or warehouses. As of the same date, there were defects in some of our leased properties. See “—Legal Proceedings and Compliance—Compliance—Leased Properties.”

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against our Company or any of our Directors which had caused or could cause a material and adverse effect on our financial condition or results of operations.

#### Compliance

We are subject to various regulatory requirements and guidelines issued by regulatory authorities in China. During the Track Record Period and as of the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, and we did not experience any material non-compliance incident, which taken as a whole, in the opinion of our Directors, is likely to have a material and adverse effect on our business, financial condition or results of operations. As advised by our PRC legal advisor, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant laws and regulations in all material respects in China. During the Track Record Period and up to the Latest Practicable Date, we were from time to time subject to government inspections in connection with our production equipment and facilities, food safety and importation of raw nests. However, relevant government agencies did not have any adverse findings against us.

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### *Third-Party Payment Arrangements*

During the Track Record Period, we had 21 customers (the “Relevant Customers”) that settled their payments with us through third-party payors (the “Third-party Payment Arrangements”). Many small-sized EBN product distributors operated their business in the form of sole proprietorship (個體工商戶), which is a type of organization that typically prefers not to open a separate business bank account but to settle payments through personal bank accounts due to the complexity of using corporate bank accounts. To the best of our knowledge after reasonable inquiry, third-party payors involved in the Third-party Payment Arrangements consisted of owner/co-owners, legal representatives and affiliated companies of the Relevant Customers. Our Directors confirm that all these third-party payors are Independent Third Parties. Since January 1, 2022, we have ceased all Third-party Payment Arrangements.

In 2020, 2021, 2022 and the five months ended May 31, 2023, the aggregate amount of third-party payments was RMB23.5 million, RMB15.3 million, nil and nil, respectively, accounting for 1.8%, 1.0%, nil and nil of our total revenue in the same periods, respectively. No individual Relevant Customer had made material contribution to our revenue during the Track Record Period. In 2020 and 2021, other than simply accepting the third-party payments paid by the third-party payors for the Relevant Customers, we had not proactively initiated any of the Third-party Payment Arrangements, nor had we participated in any separate arrangement between the Relevant Customers and their respective third-party payors for the settlement of the payments owed by the Relevant Customers to the third-party payors. Furthermore, in the same years, we had not provided any discount, commission, rebate or other benefit to any of the Relevant Customers or the third-party payors to facilitate or incentivize the Third-party Payment Arrangements.

As advised by our PRC Legal Advisor, the Third-party Payment Arrangements do not constitute a non-compliance as these arrangements do not contravene or circumvent applicable laws or regulations in China. Nonetheless, we are subject to various risks relating to the Third-party Payment Arrangements, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected. As advised by our PRC Legal Advisor, our Directors believe that any possible claims arising from such Third-party Payment Arrangements will not have any material adverse effect upon our business and results of operation, on the basis that (1) the aggregate amount of third-party payments during the Track Record Period was immaterial and (2) we have ceased all Third-party Payment Arrangements since January 1, 2022. In addition, the Third-party Payment Arrangements also exposed us to the risk of money laundering, as such arrangements may not be based on genuine business transactions. In the event that any of funds received by us under the Third-party Payment Arrangements were illegal proceeds, we may be subject to criminal liability, the funds we receive as well as the revenue we generate from such arrangements may be confiscated, and further fines may be imposed on us. Additionally, persons directly involved in these arrangements may face imprisonment, detention and fines. As further advised by our PRC Legal Advisor, the risk is remote that the Third-party Payment Arrangements involved money laundering, primarily because (1) the majority of the Relevant Customers and their respective third-party payors confirmed that the Third-party Payment Arrangements were based on genuine business transactions and (2) we are not subject to any investigation or prosecution by any law enforcement agency for violating any laws or regulations relevant to money laundering. See “Risk Factors—Risks Relating to Our Business—We are subject to various risks relating to third-party payments.”

Based on the due diligence work performed by the Joint Sponsors, including (i) the review of the full list of all transactions during the Track Record Period that involved the Third-party Payment Arrangements and the sales and cash in bank ledgers of the relevant subsidiaries of the Company which

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received payment pursuant to the Third-party Payment Arrangements; (ii) the discussion with the Company in relation to the reasons for adopting the Third-party Payment Arrangements, its internal control measures in respect of the Third-party Payment Arrangements and understand that the Company had not proactively initiated any of the Third-party Payment Arrangements and that such arrangements have ceased since January 1, 2022; (iii) the interviews with or written confirmations obtained from the Relevant Customers (except for four Relevant Customers) and their respective third-party payors confirming that, amongst other matters, (a) the Third-party Payment Arrangements were based on genuine business transactions, (b) no discount, commission, rebate or other benefit was provided by the Company to facilitate or incentivize the Third-party Payment Arrangements, (c) there have been no disputes arising from the Third-party Payment Arrangements, (d) the Relevant Customers and their respective third-party payors are Independent Third Parties, (e) the source of funding for the Third-party Payment Arrangements was legitimate and independent from the Company, (f) the Third-party Payment Arrangements do not involve any illegal activities, (g) they will not make any claims for return of funds from the Company and (h) such Third-party Payment Arrangements have ceased; (iv) with respect to the four Relevant Customers that the Joint Sponsors were not able to interview or obtain a written confirmation from, obtaining and reviewing the walkthrough documents for selected transactions of the Third-party Payment Arrangements involving those four Relevant Customers, and obtaining and reviewing the relevant third-party payment authorisations and sample walkthrough documents for the other Relevant Customers; (v) the discussion with the Industry Consultant and understand that it is not uncommon for such third-party payment arrangements to be adopted in China's EBN or food sale industry; (vi) the review of the Company's internal control report and noted that the Company has implemented enhanced internal control measures since April 28, 2023 to prevent the reoccurrence of the Third-party Payment Arrangements in the future by prohibiting customers from settling payments through third-party payors; (vii) the background search and litigation search conducted on the Company and its subsidiaries, which did not reveal any litigation, claim or dispute with any Relevant Customers, third-party payors or their creditors/liquidators with respect to the Third-party Payment Arrangements nor any prosecution or penalty for violation of any laws or regulations relevant to money laundering; and (viii) the review of the memorandum of the PRC Legal Advisor regarding the basis of their view as set out above, particularly their view that the Third-party Payment arrangements do not constitute a non-compliance in China and the risk that the Third-party Payment Arrangements involved money laundering is remote, nothing material has come to the attention of the Joint Sponsors in respect of the genuineness, source of funding and legal implications of the transactions underlying the Third-party Payment Arrangements that needs to be brought to the attention of the Stock Exchange.

### ***Leased Properties***

As of the Latest Practicable Date, we leased 121 properties relating to our business operations in total with an aggregate gross floor area of approximately 128,508.2 square meters, which have been used primarily as stores, offices, production bases or warehouses.

Among the 121 leased properties, for 87 leased properties with an aggregate gross floor area of approximately 127,038.7 square meters (accounting for 98.9% of the aggregate gross floor area of our leased properties relating to our business), we had obtained valid title certificates or real estate purchase agreements from the lessors. In respect of the remaining 34 of our leased properties with an aggregate gross floor area of approximately 1,469.5 square meters (accounting for 1.1% of the aggregate gross floor area of our leased properties relating to our business operations), the lessors had not provided us with the relevant title certificates, real estate purchase agreements or permits from the landowner for sublease. Among these 34 leased properties, 32 were used as stores, one was used as staff dormitory and one was used as warehouse. If the lessors of the 34 leased properties are not the legal owners or have not obtained the proper authorization from the legal owners of such premises, the legal owners of such premises or third-party tenants that have leased from the legal owners will have ground to challenge the validity of our leasehold interest in the affected premises. Additionally, the intended purposes contained in the title

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certificates or relevant authorization documents are inconsistent with the actual use of four leased properties (accounting for 0.3% of the aggregate gross floor area of our leased properties relating to our business operations). Among these four leased properties, the intended purpose contained in the title certificates or relevant authorization documents of three leased properties is residence and that for the remaining one is garage. However, as of the Latest Practicable Date, one was occupied as office space and three were occupied as warehouses. As of the Latest Practicable Date, we were not aware of any title or usage challenge being made by any third party or government agency with respect to these leased properties. Should disputes or government actions arise due to title or usage challenges to such properties, we may encounter difficulties in continuing to lease such properties and may be required to relocate. We are confident that we will identify comparable properties in proximity in a timely manner and secure a lease on comparable terms without substantial reinstatement, relocation or renovation costs. As advised by our PRC Legal Advisor, among the 32 leased stores for which the lessors had not provided us with the relevant title certificates or real estate purchase agreements, the risk is low that 31 leased stores will be required to relocate, primarily because these 31 leased stores were located within large shopping malls, which generally would not provide lessees including us with relevant title certificates or real estate purchase agreements. In respect of the remaining one leased stores for which we did not obtain relevant title certificate or real estate purchase agreement, the owner has applied for the title certificate with local government, which may become available in March 2024.

Furthermore, we did not register 119 out of the 121 lease agreements with the competent authorities as of the Latest Practicable Date. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not received any such request from the relevant government authorities. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

### *Social Insurance and Housing Provident Funds*

We are required by PRC social insurance and housing provident fund laws and regulations to make contributions for mandatory social insurance and housing provident funds for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees, most of whom are production line workers, as required by the relevant PRC laws and regulations. We did not make full contributions to the social insurance and housing provident fund for the relevant employees primarily because, among other reasons, (1) consistent with the industry norm, our labor force was mobile, which made it impracticable for us to make such contributions in time for the relevant employees who were only with us on a temporary basis, (2) the applicable PRC laws and regulations governing social insurance and housing provident funds are intricate and vary by region, which added complexity to our compliance efforts, and (3) many of our employees were not willing to bear the costs associated with social insurance and housing provident funds.

If the competent PRC government authority determines that the social insurance contributions we made for our employees violate the requirements under the relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions were due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay the full amount of housing provident fund, the housing provident fund management center may require us to pay the outstanding amount within a

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prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. In 2020, 2021, 2022 and the five months ended May 31, 2023, the estimated shortfall amounts of the social insurance and housing provident fund contributions, calculated based on the prevailing regulatory requirements, were RMB3.5 million, RMB16.5 million, RMB17.1 million and RMB13.0 million, respectively. The maximum amount of penalties in relation to such shortfalls was RMB5.0 million as of September 30, 2023. We made provisions of RMB3.9 million, RMB5.6 million, RMB7.9 million and RMB9.9 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively, in accordance with the relevant accounting standards.

Our Directors believe that the incident described above would not have a material adverse effect on our business and results of operations, considering that: (1) we have obtained written confirmations issued by certain relevant local social insurance and housing provident funds authorities that no administrative penalty was imposed on us during the Track Record Period; (2) as of the Latest Practicable Date, we had not received any notification from the relevant PRC regulatory authorities requiring us to pay material shortfalls with respect to social insurance and housing provident funds; (3) we were not aware of any employee complaints nor were involved in any labor disputes with our employees with respect to social insurance and housing provident funds; (4) we undertake to make full contributions or to pay the shortfall within a prescribed time period if and when requested by the competent government authorities; and (5) Mr. Huang, Mr. Zheng and Mr. Li have undertaken to, pursuant to the terms and condition of their confirmation, indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules and regulations concerning social insurance and housing provident fund contributions. In addition, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears. Our PRC legal advisor is of the view that the risk we would be subject to administrative penalties by the competent authorities regarding our contribution to the mandatory social insurance and housing provident fund during the Track Record Period is low. Based on the foregoing, our Directors are also of the view that such incident would not have a material adverse effect on our business and results of operations. See "Risk Factors—Risks Relating to Our Business—We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations."

To monitor our compliance with relevant laws and regulations in respect of social insurance and housing provident fund contributions, we have taken the following internal control measures:

- we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident funds on a monthly basis;
- we are in the process of communicating and will continue to communicate with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base for the social insurance and housing provident funds, which also requires additional contributions from our employees; and
- we will consult our PRC legal advisors on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant PRC laws and regulatory developments, including but not limited to PRC laws and regulations in relation to social insurance and housing provident funds, and will provide relevant employees with legal compliance trainings relating to the same.

### RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our policies and procedures relate to managing our procurement, production, as well as monitoring our sales performance and product quality.

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To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. See “Directors, Supervisors and Senior Management” for the qualifications and experience of the committee members;
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- execute anti-money laundering management and anti-bribery compliance management on our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks;
- organize training session for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- enhance our reporting and records system for production bases, including centralizing their quality control and safety management systems and conducting regular inspections; and
- provide enhanced training programs on quality assurance and product safety procedures.

Sales and delivery of products through e-commerce platforms involve certain customer privacy information, such as personal information, contact information and user address. We sell our products on e-commerce platforms primarily through self-operated online stores on e-commerce platforms, under which circumstances we have access to customers’ network identity information, address and contact information, among others, all of which will be used for product delivery. See “Risk Factors—Risks Relating to Our Business—Our information technology and software systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.” We highly value the protection of the privacy and personal information of our customers, and also treat and process customers’ personal information with high prudence. We have technical support for data protection and various safeguards to ensure information security. In addition, with database audits, high-strength firewalls and security reinforcement provided by established security vendors, we regularly organize tests and perform security scans on our systems. We have also formulated the data security management policy, which requires our employees to abide by information security regulations, in order to ensure safety of the relevant information involved in the business operations.

### **Anti-bribery and Anti-corruption Policy**

In order to maintain our reputation and integrity, we have implemented anti-bribery and anti-corruption policies which require our employees and business partners such as distributors and suppliers to conduct business legally and ethically. We require our employees and business partners to undertake in writing not to conduct non-compliances, suspicious transactions, fraud, corruption or bribery by signing a letter of commitment. Our letter of commitment prohibits our employees and business partners from offering unauthorized payment, such as bribes, kickbacks or benefit with each other. In addition, our anti-bribery and anti-corruption policy provides whistle blowing contact details including hotline and email address for reporting suspicious conducts. Information of the whistleblowers are strictly confidential. Our anti-bribery and anti-corruption supervision team, which consists of the general manager, human resources director, financial director, head of the audit department and head of the legal department, are responsible for receiving internal reports and conducting investigation against suspicious conducts.

**Fraud Prevention and Anti-money Laundering Measures**

Keeping defrauders and money launderers out of our business has long been a priority of ours. We prohibit and actively prevent fraudulent activities and money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. We have installed “know your customer” policies in place to help prevent fraudulent and money laundering activities, which involves monitoring the activity of our distributors and understanding the types of transactions that should raise red flags through training sessions for our employees. We also keep records of all account transactions with our distributors. In addition, we have established an anti-fraud and anti-money laundering supervision team consisting of the general manager, human resources director, financial director, head of the audit department and head of the legal department, all of whom are responsible for receiving internal reports for suspicious activities and conducting appropriate investigation against such activities. Furthermore, we are under obligations to report suspicious activities to relevant law enforcement agencies. During the Track Record Period and up to the Latest Practicable Date, we had not identified any incident related to fraudulent or money laundering activities.

**ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE POLICY**

We are subject to various PRC environmental laws and regulations, the implementation of which involves regular inspections by local environmental protection authorities. See “Regulatory Overview—Laws and Regulations Relating to Environmental Protection.” We have adopted environmental protection measures to ensure compliance with applicable PRC environmental laws and regulations. Our wastewater discharge procedures comply with national standards, and we treat solid waste and liquid waste in cooperation with qualified third parties.

We work closely with our suppliers in Southeast Asia to ensure that we only use harvested bird’s nests abandoned by swiftlets. The artificial birdhouses protect swiftlets from enemies and predators and create a safe breeding environment for them, thereby promoting the healthy growth of the swiftlet population and enabling a sustainable and environmentally friendly manufacturing process. In addition, we continuously invest in the application of green technology to our manufacturing processes to reduce energy consumption and emissions. For instance, our Freshly Stewed Bird’s Nest (Eco-Friendly Packaging) in 45g×7 size, it produces approximately 54.1% less carbon emissions compared to the same size of refrigerated delivery packaging. In other words, the carbon emission reduction from 1,000 boxes of this EBN product is equivalent to the carbon sequestration of approximately 166 trees in one year. We believe that it is our responsibility to protect the environment and promote sustainable practices in the industry, and we are committed to doing our part to achieve this goal.

We also adhere to the principles of waste and pollutant emission reduction, energy saving and an overall environmentally friendly approach in the way we operate. During the Track Record Period, all of our production bases met the national compulsory standards for wastewater and exhaust gas emission.

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with applicable PRC environmental laws and regulations in all material aspects, and not subject to any material administrative penalties for violations of applicable PRC environmental laws or regulations which would have a material adverse effect on our business.

**Governance Structure**

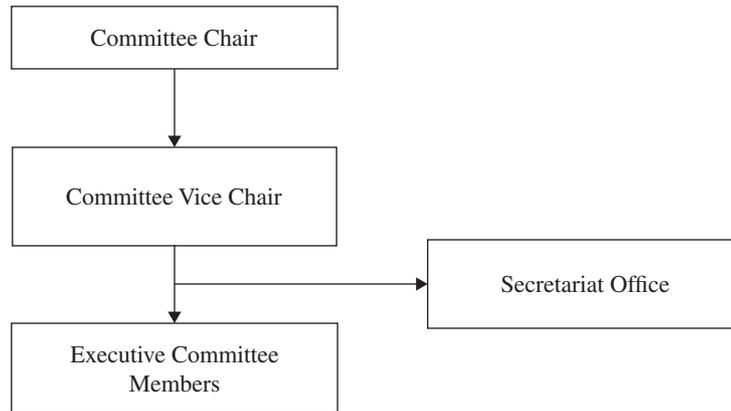
Solid corporate governance forms the foundation of our operations. The Board has the overall responsibility for our sustainability strategy and reporting and oversees sustainability issues related to our operations.

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To ensure a better implementation system is in place, the Board has established a committee that is focused on environmental, social, and governance matters (the “ESG Committee”) on July 21, 2022. The structure of the committee is as follows:



Our general manager and executive Director, Mr. Li, was appointed as Chairperson of the ESG Committee, who represents the Board of Directors to oversee the whole operation and implementation of ESG matters. Our executive Director and vice general manager, Ms. HUANG Danyan, and our vice general manager, Mr. FAN Qunyan were appointed as Committee Vice Chairperson of the ESG Committee, who will bridge the work of the Board and the management team. The committee members have included representatives from different departments and roles across the organization to ensure that all aspects of our Group are represented. The ESG Committee reports up to the executive leadership level through the chairperson and vice chairperson.

The Board will adopt the following approaches to identify, manage and review material ESG issues:

**Identify:** The Board will engage key stakeholders, including our major suppliers, management team, employees, and clients to identify material ESG issues and risks inherent in our business operations. The Board believes that open dialogue with stakeholders plays a crucial role in maintaining our business sustainability.

**Assess:** Apart from assessing the performance of our ESG measures through discussion with our stakeholders, the Board will engage an independent third party to identify and assess our performance in respect of environmental protection and climate change.

**Review:** The Board will review the metrics and progress made against ESG-related goals yearly to guide us to achieve better ESG performance. Via our ESG policy, a set of systematic risk management practices have been put in place to ensure financial and operational functions, compliance control systems, material control, asset management and risk management all operate effectively.

Our independent non-executive Director candidate, Mr. LAM Yiu Por (林曉波), will conduct a thorough analysis of potential risks that may affect the Group’s operations and management. This analysis considers three key dimensions: environmental protection, social responsibility, and corporate governance.

After identifying these risks, the Group evaluates their significance in terms of their potential impact on sustainable operations and social values. The risks are then sorted based on their level of impact, with those having the most significant impact given priority status.

In essence, Mr. LAM Yiu Por’s professional knowledge and expertise are utilized to help the Group identify and prioritize ESG risks, in order to ensure the sustainable operation of the Group while also considering its impact on society as a whole.

### Potential Climate Risk on Our Business Operation and Financial Performance

Climate change is a critical issue that has become increasingly relevant to the bird’s nest industry in recent years. The industry is vulnerable to climate-related risks as extreme weather events, such as hurricanes, thunderstorms, and heatwaves, can disrupt natural resources, and impact supply chains. Climate change will undoubtedly be of increasing concern to the Group and industry as a whole for the foreseeable future. The Group has identified the following risks that climate change poses.

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### *Climate risk, including physical risks and transition risks*

We have identified relevant climate-related risks and assessed their potential financial impacts. The climate risks identified, their time horizon, trend and the potential financial impacts affecting the Group are shown below.

Climate Risks	Time horizon	Trend	Potential financial impact	
Physical Risks	Acute	Short term	Increase	Climate change affects all regions around the world. South Asia Pacific is particularly vulnerable to extreme weather events which these risks can destroy the birdhouses built by the farmers to accommodate the wild birds, damaging the bird's nest farm that may disrupt the supply chain of EBN products and ultimately impacting revenue.
	Chronic	Long term		Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and increased insurance premiums and potential for reduced availability of insurance on assets for production. Long-term climate change may also cause changes in habitats and animal behaviors. Warmer temperatures and shifts in precipitation are increasing drought risk in many tropical forests. This environmental stress makes trees more vulnerable to disease and death. As climate conditions change, many tropical tree and plant species are experiencing population declines or range shifts. Species that cannot adapt fast enough face higher extinction risks. There is a chance that swiftlets may change their migration routes and patterns due to climate change.
	Market	Medium term	Increase	The Group's industry relies on a product of nature, bird's nest, as a key input for our processed food production. If natural product shortages, supply disruptions and price volatility are not well managed, the risk of not being able to supply stably would increase and will lead to an inability to access necessary natural products, reduced margins, constrained revenue growth and/or high costs or capital
	Reputation	Long term	Increase	For centuries, bird's nests were harvested from lime caves in Indonesia. Bird's nest products were widely attacked by environmentalists for the destruction of natural habitats. Some animal rights groups may also emphasize animal cruelty issues with exaggerated stories and videos. As climate change becomes an increasingly pressing issue, consumers and investors are paying more attention to the environmental impact of companies. Misunderstanding of the EBN industry may lead to fierce attacks from environmental groups and animal rights groups.

### *Suppliers' risk*

Raw nest farmers construct farming structures to provide habitat for swiftlets to build nests. However, without universal construction standards, some farms become overcrowded and stressed habitats. High-density farmhouses and intensive practices violating regulations can put environmental pressure on surrounding forests. Additionally, overpopulation within areas raises risks of avian flu and other diseases spreading among bird populations. As substantially all of our raw nest suppliers are located in Indonesia, concentrating production carries short-term supply chain risks. Disease outbreaks or environmental impacts threatening swiftlets' health could disrupt our incoming product supply and negatively affect our financial condition.

### *How to mitigate physical risk and suppliers' risk*

To mitigate the risk derived from the disruption of the upstream supply chain, the Group engages suppliers from various geographical regions in Indonesia to diversify the sources of suppliers. Given that substantially all of our suppliers are based in Indonesia, in the event that they are facing the risks of habitat changes affecting swiftlet populations, we will proactively seek to diversify our supplier network across multiple countries as a mitigation strategy. The Group continues to enhance internal awareness and training for the Group's professionals regarding climate risk so that the ability of the Group to cope with the negative impacts of extreme weather can be strengthened. The Group enhances supply chain management continuously to mitigate risks arising from the supply chain. This helps to ensure the smooth and effective acquisition of edible bird's nest products from different locations, even during extreme weather conditions in the long term.

### *How to mitigate transition risks*

We have a stringent code of conduct for all of our raw nest suppliers to comply with the local conservation law. All of the nests are farmed rather than collected from caves. Farmers build wooden huts to attract and accommodate wild swiftlets and harvest their nests on a seasonal basis. No swiftlets were cruelly treated nor were wild habitats destroyed. As an industry leader, the Group has the responsibility to vindicate the misunderstanding.

We are prioritizing sustainability and will actively engage with our stakeholders, including customers, investors and employees, to understand their expectations and concerns around sustainability. In addition, we will establish environmental targets for reducing our carbon footprint and regularly review and report their progress. By doing so, we demonstrate our commitment to sustainability and provide transparency to stakeholders.

Additionally, to further increase transparency and provide accurate disclosure of sustainability-related information, we will publish ESG reports annually. This report can provide stakeholders with a comprehensive overview of our sustainability initiatives, progress, and future plans, which assures our customers that we operate in a sustainable and responsible manner.

### *Climate Opportunities*

Climate change interacts with and exacerbates existing health risks, while it also presents new challenges. Impacts involve increased respiratory and cardiovascular issues as well as injuries and fatalities resulting from extreme weather. Changing climate conditions can influence the spread and incidence of food-borne, water-borne and infectious diseases globally. Mental health faces threats as well from climate-driven disruptions.

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Traditional Chinese medicine ascribes various remedial properties to EBN, citing benefits for conditions such as tuberculosis, asthma, stomach ailments, libido improvement, immune function enhancement, energy metabolism and circulatory system stimulation. As interest in and reliance upon traditional remedies grows, it could generate expanding demand for our EBN products. A wider embrace of oriental medicinal philosophies and deepening consumer belief in the restorative powers attributed to EBN present viable commercial opportunities for us. Adaptive farming and manufacturing practices will ensure supply chain reliability in meeting rising market needs.

### **ESG Policies**

The Group is committed to working on the environmental, health and safety, employment, and supply chain issues that its operations affect, and to working with its stakeholders to promote sustainable development in the industry in which it operates. The Group undertakes all reasonable efforts to ensure compliance with all applicable national and local safety, health, labour, and environmental obligations. The Group has implemented an ESG policy, which provides guidelines to manage our environmental, social, and climate-related issues, and the Board will constantly update the policy in response to the environmental, social, and climate-related changes.

#### ***Environmental Policy***

##### *Use of resources*

- Responsibly manage energy and water resources for the benefit of the business and society
- Design and implement effective energy and water management measures
- Minimize the production of all kinds of waste where applicable
- Handle waste in accordance with national and local laws and regulations
- Source edible bird's nest responsibly and sustainably, including prioritizing suppliers with environmentally sound practices and management
- Reuse and recycle as much as our used material

##### *Emissions management and energy efficiency*

- Encourage the adoption of energy-efficient machinery, system and equipment in the procurement process
- Avoid unnecessary vehicle use and encourage its employees to use public transport
- Turn off the unnecessary electrical equipment and lights

## BUSINESS

### *Social policy*

#### *Human resources*

The following table sets forth our workforce by gender, age and expertise diversity.

	December 31,	
	2021	2022
<b>Expertise diversity</b>		
Sales . . . . .	558	592
Management and administration. . . . .	209	223
Research and development . . . . .	47	51
Production . . . . .	898	1039
<b>Total . . . . .</b>	<b>1712</b>	<b>1905</b>
<b>Age</b>		
18-25. . . . .	117	169
26-35. . . . .	887	1028
36-45. . . . .	575	589
46-55. . . . .	120	108
56 or above . . . . .	13	11
<b>Total . . . . .</b>	<b>1712</b>	<b>1905</b>
<b>Gender</b>		
Male . . . . .	393	446
Female. . . . .	1319	1459
<b>Total . . . . .</b>	<b>1712</b>	<b>1905</b>

- Equal Opportunity applies to all aspects of employment. The Group is committed to the principle of equal opportunities for all employees and candidates regardless of their gender, age, race, nationality, marital status, disability, religious belief, sexual orientation or any other characteristic protected under the law.
- All employees are recruited based on a merit basis. No discrimination in recruitment and remuneration is involved. In fact, the Group has been working on increasing the ratio of male employees within a female-dominated industry. As indicated above, the number of females outweighs that of males in the Group. This situation is a result of our product nature. The Group strives to recruit more males to contribute to deconstructing gender norms, stereotypes and expectations.
- For the Group's formal staff, remuneration packages, which includes salary and bonuses, are offered. They also receive various welfare benefits, such as medical care, retirement benefits, occupational injury insurance and other miscellaneous items. Public holidays, marital leaves, maternity leaves, compassionate leaves and annual leave are also granted by the Group according to labor laws and regulations. Paternity leave and special breastfeeding arrangements are also provided.
- The Group has employee handbooks in place which stipulated procedures regarding employment, compensation and dismissal, performance review and promotion, working hours, rest periods, other benefits and welfare, development and training, and employees' code of conduct. Such employee handbooks aim to provide employees with guidance on daily operation practices, establish a standard for employees to be treated on a fair basis, and establish a sound management system to manage the Group's internal social issues.

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- The Training Policy encourages the Group's employees to constantly improve their skills and abilities and develop competencies through the taking up of both internal and external training programmes. Training needs for improvement on existing skills will be regularly identified through performance appraisals. The Group will provide appropriate training and development opportunities to assist employees in meeting their training objectives and achieving business goals.
- Promotional and job opportunities are offered to existing employees and suitable candidates, and selection is based on the assessment of the work performance of all individuals on merit, qualifications, and abilities, and suitability for the position.

### *Occupational safety and health*

We are subject to the PRC laws and regulations in respect of employee health and safety. We have in place safety guidelines with which our employees are required to strictly comply and equip our production personnel with adequate safety equipment.

Our occupational safety and health policy includes the following:

- A management system that imposes full compliance with laws and regulations
- To provide and maintain a safe and healthy working environment and work systems for all the staff
- To strive for continual improvement in safety and health management and performance, including identifying and developing best practices in safety and health
- To provide adequate resources for implementing the safety and health policy and safety plan, and to provide the necessary information, staff training, and supervision
- To foster a proactive risk-based accident prevention culture, the attitude that every level of the organization bears responsibility for work safety
- Regularly evaluate our equipment and production facility to ensure their safety for our operations
- Conduct training for employees to strengthen their awareness and knowledge of safety procedures and accident prevention from time to time

Number of workplace accidents and lost working days due to injury:

	Year ended December 31,	
	2021	2022
Work-related fatality . . . . .	0	0
Work injury cases . . . . .	2	2
Lost days due to work injury . . . . .	42	85

Given the inherent characteristics of our production process, the risk associated with our production is low. The four incidents mentioned above occurred due to violations of working procedures and mishandling of equipment. The Group has provided comprehensive working insurance coverage for our staff, ensuring that any harm or injury they sustain can be claimed through the Administration Department of Labor. Additionally, the Group has bought additional insurance coverage for commercial damages.

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### *Anti-corruption*

- Policy sets out the responsibilities of those who work for the Group regarding observing and upholding a zero-tolerance position on issues related to bribery and corruption
- Any act of corruption is to be condemned strongly
- The policy is applicable to all stakeholders, including but not limited to, all employees, consultants, contractors, and trainees, associated with the Group
- All employees are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, anywhere the Group operates
- A whistle-blowing system that allows employees to make a report if they are aware of any malpractice

### *Food safety and product recall mechanism*

The food safety and product recall mechanism works on three levels:

- The Group established a food procurement procedure and supplier management system on January 17, 2023. We have categorized our products into different types. Edible products are under special monitoring regarding their licensing, certificate of approval, health certificate, supplier's credibility, traceability, and third-party approval certificate.
- The Group established a handling procedure on December 15, 2020 for all the purchased food including:
  1. Entrance approval for qualified workers
  2. Provide sufficient lighting for all working process
  3. Prevention of mishandling of storage
  4. Prevention of harmful material from food additive
  5. Prevention of mishandling during the transportation process
  6. Prevention of hostile action on water supply
  7. Prevention of hostile action during our treatment process
- The Group established a product recall system and procedure on January 19, 2022, which includes the criteria and procedure for recalling our products. Furthermore, our research and development department will implement appropriate testing and analysing processes to determine further actions. Whenever any incident of product recall occurs, related departments should notify the accreditation agency within 3 days and provide sufficient evidence within 21 days.

### *Supply chain management*

The Group is responsible for evaluating the price, the standard of product quality, business condition and environmental and social corporate responsibility of the new suppliers regularly in order to ensure the product and service quality of the suppliers.

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Indonesian farmers construct buildings for swiftlets and harvest their nests. EBN farming does not directly degrade forest resources and is therefore considered a sustainable means of production. Swiftlets only use their nests for one mating season, after which they have no use for the nests after their babies fly away. Sustainable harvesting refers to the process whereby the farms only harvest these nests when the swiftlets have no use for the nest. This practice protects the swiftlets' population and poses no harm to the environment.

Our suppliers are required to sign a code of conduct declaration to make sure that they adhere to the ethical and legal standard required by us. We also conduct on-site inspections annually to ensure that our suppliers have not materially deviated from the code of conduct. In the event that we discover suspicious practice of a supplier that violates the code of conduct, we will require the relevant supplier to submit evidence or documents to demonstrate that it complies with the code of conduct in all material aspects. We may reassess and possibly discontinue our business relationship with suppliers who fail to comply with our code of conduct.

Key elements of our code of conduct include the following.

1. **Environmental commitment.** Our raw nest suppliers shall pledge to uphold ecological and environmental protection standards.
2. **Ethical harvesting.** Our raw nest suppliers shall refrain from over-harvesting swiftlet nests.
3. **Legal compliance.** Our raw nest suppliers shall adhere to all relevant laws and regulations pertaining to swiftlet nest harvesting.
4. **Preservation of swiftlet health.** Our raw nest suppliers shall commit to safeguarding the overall health and well-being of swiftlet populations.
5. **Fair labor practices.** Our raw nest suppliers are prohibited from engaging in illegal child labor and are committed to fair labor practices.
6. **Prohibition of forced labor.** Our raw nest suppliers shall have zero tolerance for forced labor and prioritize the rights and dignity of all workers.

Major, well-known, and sizeable suppliers with good governance, relevant licenses, and registrations are chosen in order to ensure all suppliers are committed to good ESG performance and high-quality products. Priority is given to green procurement. Products from cave harvest are strictly prohibited. Scores will be given to the related supplier and unauthorized suppliers will be penalized and taken out from our supplier list.

The Group will monitor the environmental and social performance of all existing suppliers continuously in order to ensure the quality of suppliers and their compliance with all environmental and social related laws and regulations.

### Packaging Material Consumption

The following table sets forth the details of our packing material consumption.

	December 31,	
	2021	2022
	<i>(tonnes)</i>	
<b>Materials</b>		
Plastic . . . . .	604.2	602.5
Stainless steel . . . . .	1.4	6.8
Iron . . . . .	118.1	197.3
Aluminium . . . . .	26.3	33.1
Glass . . . . .	1475.6	2045.0
Paperboard . . . . .	2738.6	3457.9
Ceramic . . . . .	2.0	2.2
Others . . . . .	905.0	386.9
<b>Total . . . . .</b>	<b>5871.2</b>	<b>6731.7</b>

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The Group acknowledges that packaging waste accounts for 40% of all solid waste in municipal waste streams. Environmentally friendly packaging is more important than ever. The ESG committee closely analyses different packaging materials and evaluates possible uses. Our agenda for the continuous development of sustainable packaging includes the following:

- Invest in custom size packaging to reduce material use
- Use tailored packaging to improve space efficiency and reduce material usage
- Minimize void fill and secondary packaging materials
- Utilize packaging design that eliminates or reduces use of tapes and wraps
- Integrated fittings to minimize material use
- Substitute materials to reduce volume/weight
- Eliminate unnecessary packaging such as outer sleeves
- Use recyclable and reuse material
- Train staff to be aware of packaging costs

### Metrics and Targets

#### *Electricity and water consumption*

The following table presents our total consumption of water and electricity for the year ended December 31, 2022 and December 31, 2021:

	Unit	2022	2021
Water . . . . .	Tons	147,126	127,568
Intensity . . . . .	(Tons/million RMB revenue)	85	85
Electricity . . . . .	kWh	4,329,635	3,553,119
Intensity . . . . .	(kWh/million RMB revenue)	2,503	2,358

#### *GHG emissions*

The following table presents our greenhouse gas emissions for the year ended December 31, 2022 and December 31, 2021:

Scope of Greenhouse gas emissions	Emission Sources	Unit	2022	2021
<b>Scope 1 emission<sup>(1)</sup></b> . . . .	Combustion of natural Gas, diesel and petrol	tCO <sub>2</sub> e	1,268	913
<b>Scope 2 emission<sup>(2)</sup></b> . . . .	Purchased electricity	tCO <sub>2</sub> e	2,642	2,168
<b>Total</b> . . . . .		tCO <sub>2</sub> e	3,910	3,081
<b>Intensity</b> . . . . .		tCO <sub>2</sub> e/million RMB revenue	2.26	2.05

*Notes:*

- (1) As pursuant to Appendix 2 of “How to Prepare an ESG Report” set out by Hong Kong Exchanges and Clearing Limited, Scope 1 greenhouse gas emissions refer to direct emissions from equipment and operations that are owned or controlled by our Group including natural gas used by manufacturing process, and petrol and diesel used by our vehicles.
- (2) As pursuant to Appendix 2 of “How to Prepare an ESG Report” set out by Hong Kong Exchanges and Clearing Limited, Scope 2 greenhouse gas emissions refer to energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling, and steam consumed within our Group.

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### *Targets*

The Group recognizes the importance of environmental protection and sustainability. To promote environmental responsibility and reduce our environmental footprint, the Group has established environmental targets that are aligned with its overall business strategy and objectives. These targets are regularly reviewed and updated to ensure continuous improvement in sustainability practices. By setting these targets, the Group believes that they can demonstrate its commitment to environmental protection by taking proactive measures to minimize its impact on the environment.

Category	Targets for the next 10 years
<b>GHG emissions</b>	Reduce total GHG emission intensity by 10% within 10 years, with 2022 as the base year.
<b>Energy efficiency</b>	Reduce total electricity consumption intensity by 10% within 10 years, with 2022 as the base year.
<b>Water efficiency</b>	Reduce total water consumption intensity by 10% within 10 years, with 2022 as the base year.

The above target setting is mainly based on the following two reference factors:

1. At least 30% of our fossil fuel cars will be replaced by EV cars in the coming 10 years.
2. The portion of renewable energy provided to the main grid will be at least 5% higher in 2028, and our internal energy conservation policy will contribute the other 5%.

### *Approaches to achieving environmental targets*

	Measures	Financial impact
<b>Reducing GHG emission</b>	<ul style="list-style-type: none"> <li>• Actively improve energy efficiency to reduce GHG emissions from gas consumption and electricity consumption</li> <li>• Gradually replace our aging fossil car with EV car</li> <li>• Actively upgrade our manufacturing machinery and equipment when appropriate</li> <li>• Maintain an appropriate temperature and humidity for the inventories at warehouses to avoid overuse of electricity</li> <li>• In case we are unable to achieve the GHG reduction target, we will purchase voluntary carbon certificates to offset our remaining target</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrading manufacturing machinery and equipment whenever appropriate is a permanent policy of our Group, no extra cost will be incurred on this aspect</li> <li>• As we set the target to reduce the intensity by 10% of total consumption within 10 years, our worst-case scenario will be that we cannot achieve our target by 10%, which is approximately 400 tonnes of carbon dioxide emission. As the China Certified Emission Reductions (the “CCERs”) were priced at approximately RMB80 per tonne, the total extra cost will not exceed RMB40,000 per year starting from 2032</li> </ul>

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	<u>Measures</u>	<u>Financial impact</u>
<b>Energy efficiency</b>	<ul style="list-style-type: none"><li>• Purchase energy-efficient equipment throughout the whole Group</li><li>• Constantly monitor the energy consumption in the manufacturing process and the warehouses</li><li>• Purchase energy from renewable sources when possible and available</li><li>• Educate employees to turn off unnecessary electronic machines when they are away from their post</li></ul>	<ul style="list-style-type: none"><li>• We estimate the cost of electricity from renewable sources will be slightly higher than conventional electricity in the coming five years but will be on par after 2028. The total extra cost per year will be around RMB300,000 per year for five years</li></ul>
<b>Water efficiency</b>	<ul style="list-style-type: none"><li>• Actively reuse and recycle our water usage</li><li>• Install water efficiency equipment to reduce water usage</li></ul>	<ul style="list-style-type: none"><li>• No extra cost needed</li></ul>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

During the Track Record Period, our Company was controlled by (i) Mr. Huang, our founder, chairman and executive Director, by himself and through Xiamen Suntama and Jinyan Tengfei LP, (ii) Mr. Zheng, our vice chairman and executive Director, by himself and through his spouse, and (iii) Mr. Li, our general manager and executive Director, by himself (together with Mr. Huang, Mr. Zheng and Xiamen Suntama, collectively, the “Concert Parties”), pursuant to certain acting in concert agreements dated December 29, 2016 and December 23, 2020 entered into between themselves (the “Concert Party Agreements”). Pursuant to the Concert Party Agreements, the Concert Parties have agreed to act in concert with each other in respect of the decision making at the Board meeting level and Shareholders meeting level relating to the business operation and major issues of the Company since December 29, 2016, and agreed further that if the Concert Parties have disagreements on the major issues of the Company, the Concert Parties will cast vote on such major issues and shall act in accordance with the direction of the Concert Party or Concert Parties with more than two-thirds of the total number of voting rights held by the Concert Parties. The acting in concert arrangement under the Concert Party Agreements will continue until the expiry of 36 months after the Listing and will be automatically renewed for five years each time after the expiry date unless any of the party to such Concert Party Agreements terminates it in writing.

In addition, Jinyan Tengfei LP (the employee incentive share platform of our Company and its general partner is Mr. Huang) and Ms. Xue (the spouse of Mr. Zheng) are also deemed to be our Controlling Shareholders by virtue of their relationship with the Concert Parties pursuant to the Listing Rules. For further details, See “History, Development and Corporate Structure—Concert Party Arrangement” for more information.

Xiamen Suntama has been controlled by Mr. Huang during the Track Record Period and as of the Latest Practicable Date. In April 2023, Xiamen Suntama repurchased all the 14.43% minority interests in Xiamen Suntama held by Torch Investment, a Pre-IPO Investor and a state-owned entity, at the consideration of RMB42 million. Torch Investment is principally engaged in equity investment in technology and emerging companies includes companies in the industry of manufacturing computer, communications and other electronic equipment as well as research and experimental development. As confirmed by such investor, it did not have any right to nominate directors to the Board and the board of directors of Xiamen Suntama, participate in any management or board meetings of, hold any board seat or have any board representation in Xiamen Suntama or the Company, nor had any veto right to any board resolutions or shareholders resolutions of Xiamen Suntama or the Company. Accordingly, Torch Investment is only a passive investor of the Company and Xiamen Suntama, but not a member of the group of Controlling Shareholders. See “History, Development and Corporate Structure” for more information of Torch Investment. As such, although there had been a change in ownership in Xiamen Suntama, the Company satisfied the requirements of ownership continuity and control for at least the most recent audited financial year under the Listing Rules

As of the Latest Practicable Date, our group of Controlling Shareholders collectively owned approximately 41.40% of the total issued share capital of the Company, comprising (1) 37.52% of the equity interest directly held by the Concert Parties; (2) 1.89% of the equity interests of the Company held by Jinyan Tengfei LP; and (3) 1.99% of the equity interest of the Company held by Ms. Xue.

Accordingly, pursuant to the Listing Rules, Mr. Huang, Mr. Zheng, Mr. Li, Xiamen Suntama, Jinyan Tengfei LP and Ms. Xue are members of the group of controlling shareholders (the “Controlling Shareholders”).

Immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming that the Over-allotment Option is not exercised), our group of Controlling Shareholders collectively owned approximately 38.56% of the total issued share capital of the Company,

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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comprising (1) 34.94% of the equity interest directly held by the Concert Parties; (2) 1.76% of the equity interests of the Company held by Jinyan Tengfei LP; and (3) 1.85% of the equity interest of the Company held by Ms. Xue. Accordingly, our group of Controlling Shareholders will remain as our Controlling Shareholders upon completion of the Global Offering and assuming no exercise of the Over-allotment Option. For details of the shareholding of our Controlling Shareholders, see “Substantial Shareholders.”

### COMPETITION

The core business of our Group is producing and sales of edible bird’s nest related products. We mainly produce EBN products and sell our products through online and offline channels, while our offline distributors only distribute and sell our EBN products offline in a specifically designated district. In light the different user portraits for online and offline customers, we have differentiated our products sold through online channels with those through offline channels in various aspects including branding, packaging and product specifications. Union Yutai, which was held as to 38.5 % by Mr. Zheng, our Controlling Shareholder, is the exclusive offline distributor of our EBN products in Tianjin City and it does not sell our products through online channels. Union Yutai only sells EBN products under brands owned by the Group. In addition to EBN products, Union Yutai also sells other retail food products such as Lunar New Year’s Eve dinner gift box from a brand not owned by the Group. During the year ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, the unaudited total revenue of Union Yutai was approximately RMB29.8 million, RMB29.4 million, RMB30.6 million and RMB15.1 million, respectively, accounted for 2.29%, 1.95%, 1.77% and 1.93% of our total revenue in the same periods, respectively. During the year ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, sales of our products to Union Yutai accounted for 1.19%, 1.33%, 1.18% and 0.96% of our total revenue in the same periods, respectively. See “Connected Transactions” for more information. Union Yutai has no present or future intention to expand its EBN distribution business beyond Tianjin City. Although Union Yutai may potentially compete with our core business, our Company believes that such potential competition does not materially and adversely affect the Group because we have differentiated our products sold through online channels with those through offline channels, including those distributed by Union Yutai in Tianjin City, and there are differences in the business model and scale of business between the Group and Union Yutai, and that the business of Union Yutai, as a distributor of the Company is with aligning interests in sales of EBN products with our Company.

Save as disclosed above, each of the Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, he/she/it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

#### Management Independence

Our business is primarily managed and conducted by our Board and senior management. Upon the Listing, our Board will consist of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, see “Directors, Supervisors and Senior Management.” Mr. Huang, Mr. Zheng and Mr. Li are our executive Directors and our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Except for the Concert Parties and HUANG Danyan (sister of Mr. Huang, and our executive Director and deputy general manager), our other Directors and senior management are independent from our group of Controlling Shareholders. Notwithstanding such relationships, our Directors believe that our Board and senior management are able to manage our business and function independently from our group of Controlling Shareholders based on the following reasons:

- (i) except for the Concert Parties and HUANG Danyan (sister of Mr. Huang), the other five Directors are independent of our group of Controlling Shareholders, comprising two non-executive Directors and three independent non-executive Directors, all of whom possess sufficient knowledge, experience and competence in respect of management and corporate governance affairs. Accordingly, they are able to discharge their duties independently from our Controlling Shareholder. Each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our group of Controlling Shareholders or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;
- (iii) our Board will comprise nine Directors upon Listing, and three of them will be independent non-executive Directors, which represent one-third of the members of the Board. Our independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made after due consideration of independent and impartial opinions; and
- (iv) our Company has established internal control mechanisms to manage conflict of interests, including, among others, the policies and procedures to identify connected transactions and material interests of our Directors, Supervisors, senior management and Shareholders to ensure that our Shareholders, Directors, Supervisors or senior management with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. See “—Corporate Governance Measures” in this section for further details.

### **Operational Independence**

Our Group is operationally independent of our group of Controlling Shareholders. We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. Our Group holds or enjoys the benefits of material relevant licenses and intellectual properties necessary to carry on our business. We have our own facilities, equipment and employees to operate our business independent from our group of Controlling Shareholders. We also have independent access to our customers and suppliers.

During the Track Record Period, our Company conducted certain transactions with our group of Controlling Shareholders and their respective close associates, certain of which are expected to continue after the Listing and will constitute continuing connected transactions of our Company under the Listing Rules. See “Connected Transactions” for more details. Such transactions are entered into in the ordinary and usual course of business of our Company and our Directors confirm that the terms of such transactions are determined at arm’s length negotiations and are no less favourable to our Company than terms offered by or to independent third parties. Our Directors believe that the continuing connected transactions between our Company and our group of Controlling Shareholders and their close associates do not indicate any undue reliance by our Company on our group of Controlling Shareholders and are beneficial to our Company and our Shareholders as a whole.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Based on the above, our Directors are of the view that we are able to operate independently of our group of Controlling Shareholders and their respective close associates.

### Financial Independence

We have a financial department which is independent of our group of Controlling Shareholders and such financial department is responsible for the Group's finance, accounting, reporting, credit and internal control. We can make financial decisions independently without interference from our group of Controlling Shareholders and their associates. We maintain bank accounts with banks independently and do not share any bank accounts with our group of Controlling Shareholders and their associates. We believe that we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our group of Controlling Shareholders or their associates.

During the Track Record Period, our group of Controlling Shareholders had provided guarantees for certain of our bank borrowing. All such guarantees have been released as of the Latest Practicable Date. Save as disclosed above, there was no loan, advance or guarantee provided by our group of Controlling Shareholders or his/its close associates during the Track Record Period and as of the Latest Practicable Date.

Xiamen Suntama, an entity controlled by Mr. Huang and one of the group of our Controlling Shareholders, entered into three separate entrusted loan agreements in 2019 with us and Xiamen Bank, acting as our agent bank, for its general working capital and liquidity use. Pursuant to these agreements, we lent Xiamen Suntama a total of RMB54.0 million for terms of one to two years at an annual interest rate of 9.6%, and the agent bank was responsible for the collection of the principal and any interest without assumptions of the loan risks. All of these three entrusted loans have been fully repaid in 2020. We adopted such entrusted loan arrangements to ensure compliance with PRC laws and regulations. As advised by our PRC Legal Advisor, such entrusted loan arrangements were in compliance with applicable PRC laws and regulations including General Rule of Loan (貸款通則). Our Directors believe that each of these entrusted loan agreements was entered in the ordinary course of business on an arm's length basis, and their terms (including the interest rate) are on normal commercial terms or better to the Group. See "Financial Information" for more details.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our group of Controlling Shareholders and their respective close associates.

### NON-COMPETITION AGREEMENTS

On November 20, 2023, Mr. Huang, Mr. Zheng, Xiamen Suntama and Mr. Li (collectively, the "Covenantors") entered into letter of non-competition undertakings in favor of us (collectively, "Non-Competition Agreements"), respectively, pursuant to which, each of them has undertaken that:

- (i) as of the date of the Non-competition Agreements, each of the Covenantors or any of their respective immediate family members and their controlled or invested entities (other than members of our Group) has not engaged in or participated in, through any form, any business which, directly or indirectly, competes or is likely to compete with our principal business of developing, producing and/or selling EBN, EBN+ and/or +EBN products (except for Union Yutai) (the "Restricted Business");
- (ii) each of the Covenantors will not, at any time during the period he/it is a controlling shareholder or controlled person of our Group, engage in or participate in, by way of investment, cooperation, technology transfer or through any other form, any business which, directly or indirectly, competes or is likely to compete with the Restricted Business;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iii) if there is any entity directly or indirectly held by the Covenantors that engages in business which is deemed to be competing with the Restricted Business, such Covenantors will dispose the relevant business to Independent Third Parties or to our Group and each of the Covenantors will notify our Group of any business opportunities he/it is aware of that may competes with the Restricted Business and will provide our Group the right of first refusal to engage in such business opportunities;
- (iv) each of the Covenantors will not take advantage of its position as a Controlling Shareholder to participate in or be engaged in any activities which may be detrimental to the interests of our Group; and
- (v) the Non-competition Agreements will continue to be valid as long as our Company is listed on a stock exchange and each of the Covenantors remains as a Controlling Shareholder.

### CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our minority Shareholders, we will adopt the following corporate governance measures to manage potential conflicts of interest:

- (i) as part of our preparation for the Global Offering, we have adopted our Articles of Association in compliance with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise stipulated;
  - (a) a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting; and
  - (b) when the Shareholders' general meeting deliberates on connected transactions, connected Shareholders who hold significant interests in the relevant connected transactions or arrangements shall not participate in voting, and the number of voting shares they represent shall not be counted in the effective voting; the announcement of the Shareholders' general meeting resolution shall fully disclose the voting status of the non-connected Shareholders condition;
- (ii) we are committed to ensure that our Board shall have a sufficiently balanced composition of executive Directors, non-executive Director and independent non- executive Directors that can facilitate the exercise of independent judgment. We believe that the independent non-executive Directors have the necessary expertise to form and exercise independent judgment in the event of any conflict of interest between our Company and our group of Controlling Shareholders. Further, the independent non-executive Directors will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost;
- (iii) we have appointed Ping An of China Capital (Hong Kong) Company Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and corporate governance; and
- (iv) as required by the Listing Rules, our independent non-executive Directors shall review all connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interest of our Shareholders as a whole.

## CONNECTED TRANSACTIONS

### CONTINUING CONNECTED TRANSACTIONS OVERVIEW

The following table sets forth the continuing connected transactions with our Group following the Listing:

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2023	2024	2025
(in RMB'000)					
<i>Fully-exempt continuing connected transactions</i>					
1. Purchase of EBN Products and Services	14A.97	Fully Exempt	N/A	N/A	N/A
2. Sailboat Management and Services Framework Agreement	14A.76(1)(a)	Fully Exempt	284	312	343
<i>Partially-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)</i>					
3. Union Yutai EBN Products Purchase and Sales Framework Agreement	14A.76(2) and 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	23,412	26,923	30,962
<i>Non-exempt continuing connected transactions (subject to reporting, announcement, circular, independent shareholders' approval and annual review requirements)</i>					
4. Purchase of Advertising Services					
— Zhongshi Hongyun Advertisement Service Framework Agreement	14A.105	Requirements as to announcement, circular and independent shareholders' approval under Chapter 14A of the Listing Rules	32,604	43,879	52,655
— Guangyao Tianrun Advertisement Service Framework Agreement	14A.105	Requirements as to announcement, circular and independent shareholders' approval under Chapter 14A of the Listing Rules	3,962	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Sub-total	N/A	N/A	36,566	43,879	52,655

Note:

(1) The relevant advertising services will be terminated after the year of 2023. See “—Purchase of Advertising Services— Zhongshi Hongyun Advertisement Service Framework Agreement and Guangyao Tianrun Advertisement Service Framework Agreement” for more information.

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## CONNECTED TRANSACTIONS

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### FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rules 14A.97 and 14A.76(1) in Chapter 14A of the Listing Rules.

#### **Purchase of EBN Products and Services by our Connected Persons**

Our connected persons have purchased and may, from time to time, purchase EBN products and services from us for their respective private use or consumption. During the year ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, the total transaction amount on the purchase of EBN products and services by our connected persons was RMB0.2 million, RMB4.7 million, RMB4.3 million and RMB1.1 million, which accounted for 0.02%, 0.31%, 0.25% and 0.15% of our total revenue in the same periods, respectively. The purchase was and will continue to be for our connected persons' own private use or consumption in the same condition as when they were or will be bought, and was and will continue to be made on no more favorable terms to the connected person than those available to independent third parties. Our Directors believe that our direct sales to such connected persons who have personal demands for our ordinarily supplied products and services will provide convenience to them, and is in the best interest of our Group and the Shareholders as a whole.

On the basis of the foregoing, these transactions will, upon the Listing, be fully-exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements in accordance with Rule 14A.97 of the Listing Rules.

#### **Sailboat Management and Services Framework Agreement**

On November 20, 2023, the Company and Xiamen Leading Boating Co., Ltd. (廈門吉祥灣遊艇管理有限公司) ("Xiamen Leading Boating") entered into a sailboat management and services framework agreement (the "Sailboat Management and Services Framework Agreement"), pursuant to which, Xiamen Leading Boating agree that it and its associates will provide yacht hosting and sailboat berth management and other related services to us. The purpose of the yacht hosting and sailboat berth management is to cater to the needs of maintenance of the yacht that is owned by the Company. In our commitment to maintaining client relationships and conducting strategic marketing initiatives, the yacht serves as a venue for hosting seasonal and promotional client gatherings and functions. The term of the Sailboat Management and Services Framework Agreement will commence on the date of such agreement and end on December 31, 2025. The Sailboat Management and Services Framework Agreement shall terminate upon the end of term on December 31, 2025, which can be renewed through mutual agreement between both parties.

As of the Latest Practicable Date, Xiamen Leading Boating was controlled by LIU Zhen ("Mr. Liu"), our non-executive Director and the controller of one of our substantial Shareholders, Guangyao Tianxiang LP. Therefore, Xiamen Leading Boating will be our connected persons upon the Listing.

During the year ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, the total fee paid by us to Xiamen Leading Boating for purchase of yacht hosting and sailboat berth management services was RMB0.29 million, RMB0.18 million, RMB0.22 million and RMB0.10 million, which accounted for 0.07%, 0.03%, 0.03% and 0.04% of our total expenses (including the selling and distribution expenses, administrative expenses and research and development expenses) in the same periods, respectively. The transactions between Xiamen Leading Boating and us are in the ordinary and usual course and on normal commercial terms or better than those available from independent third parties.

Xiamen Leading Boating and its respective associates are professional service providers of yacht hosting and sailboat berth management services. Given the established cooperation with Xiamen Leading Boating, we believe that it is more efficient and convenient for our Group to engage them to continue to provide to us comprehensive and professional management services for the Company's yacht, ensuring the yacht is well-maintained and serviced.

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## CONNECTED TRANSACTIONS

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The Directors currently expect that the estimated amount of fees relating to transactions under the Sailboat Management and Services Framework Agreement for the year ending December 31, 2023, 2024 and 2025 calculated pursuant to Chapter 14A of the Listing Rules will be less than HK\$3.0 million. Accordingly, pursuant to Rule 14A.76(1), the aforesaid continuing connected transactions will, upon the Listing, be fully exempt from compliance with the requirements of reporting, annual review, announcement, circular and approval by independent shareholders under Chapter 14A of the Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review, announcement, circular and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **Partially exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)**

##### *Union Yutai EBN Products Purchase and Sales Framework Agreement*

###### *Principal Terms*

On November 20, 2023, our Company and Tianjin Union Yutai Trading Co., Ltd. (天津市合聯裕泰商貿有限公司) ("Union Yutai") entered into an EBN products purchase and sales framework agreement (the "Union Yutai EBN Products Purchase and Sales Framework Agreement"), pursuant to which, we agree to grant Union Yutai and its associates exclusive right to sell our EBN products and related services in Tianjin City, the PRC, and Union Yutai agrees to purchase and procure its associates to purchase from us and sell to third parties EBN product and related services in Tianjin City, the PRC. Each party also agrees that they may enter into separate underlying agreements pursuant to such framework agreement to set out details of specific transactions thereunder. The terms of transactions with Union Yutai are based on the standard terms and conditions of our distributors, which is in line with those we provide to a similar independent distributor, including pricing, credit terms, sales rebate and return policies. See "Business—Our Sales Network—Major Terms of Distribution Agreements" for more information on terms of distributorship. The term of the Union Yutai EBN Products Purchase and Sales Framework Agreement will commence on the date of such agreement and will terminate on December 31, 2025 or through mutual negotiation between both parties.

###### *Connected Persons and Reason for the Transactions*

As of the Latest Practicable Date, Union Yutai was held as to 38.5 % by Mr. Zheng, 50.0% by Fu Hongbo (傅洪波), 6.5% by Zheng Wei (鄭偉) and 5.0% by Ni Jun (倪駿). Mr. Zheng is our vice chairman, executive Director and Controlling Shareholder, and Zheng Wei is the niece of Mr. Zheng. Therefore, Union Yutai will be an associate of Mr. Zheng and our connected person upon the Listing. Fu Hongbo and Ni Jun are Independent Third Parties.

Given the large sales network of Union Yutai in Tianjin City, the PRC, we benefit from the business cooperation between us and Union Yutai in sales of our products and expansion and promotion of our products and brand among the retail stores in Tianjin City, the PRC, enabling us to enhance our competitiveness.

###### *Historical Amount*

During the year ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, the total sales from Union Yutai for purchases of our products was RMB15.5 million, RMB20.0 million, RMB20.4 million and RMB6.7 million, which accounted for 1.19%, 1.33%, 1.18% and 0.96% of our total revenue in the same periods, respectively.

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## CONNECTED TRANSACTIONS

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### *Annual Cap and Basis for Annual Cap*

Our Directors estimate that the total sales to be generated from Union Yutai's purchases of the Company's product will not exceed RMB23.4 million, RMB26.9 million and RMB31.0 million for the year ending December 31, 2023, 2024 and 2025, respectively.

In determining such annual caps, our Directors have considered (i) the historical transaction amount of our products; (ii) the historical growth rate of sales of our products; and (iii) the estimated demands and future growth of the EBN product sales in Tianjin City, the PRC.

### *Pricing Policies*

We determine the sales price charged by us from Union Yutai and sales rebate enjoyed by Union Yutai for purchases and sales of our product based on the same general guide on sales price and rebate policies of such goods as provided by us to all the distributors (including independent distributors). The rebates policy are determined on an arm's length basis with reference to the sales volume and historical performance in accordance with the rebate policies to all distributors (including independent distributors). Specific price and payment will be made according to the respective product purchase and sales contracts as further entered into between Union Yutai and us under the Union Yutai EBN Products Purchase and Sales Framework Agreement, which shall generally be in line with the term and conditions we provide to a similar independent distributor. See "Business—Our Sales Network—Major Terms of Distribution Agreements" for more information.

### *Listing Rule Implications*

The Union Yutai EBN Products Purchase and Sales Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms or better, and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but will all be lower than 5%. Pursuant to Rule 14A.76(2) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

### *Waiver Application*

Our Directors (including our independent non-executive Directors) are of the view that the Union Yutai EBN Products Purchase and Sales Framework Agreement benefits our business operations, given the importance of stable sales and expansion of our product sales coverage. In addition, given the transactions under the Union Yutai EBN Products Purchase and Sales Framework Agreement will be carried out from time to time after the Listing and are disclosed in this prospectus, our Directors consider that strict compliance with the announcement requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Union Yutai EBN Products Purchase and Sales Framework Agreement. The waiver will expire on December 31, 2025. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this prospectus, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

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## CONNECTED TRANSACTIONS

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### **Non-exempt continuing connected transactions (subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements)**

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review, announcement, circular and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### ***Purchase of Advertising Services — Zhongshi Hongyun Advertisement Service Framework Agreement and Guangyao Tianrun Advertisement Service Framework Agreement***

##### *Principal Terms*

On November 20, 2023, the Company and Beijing Zhongshi Hongyun Advertising Co., Ltd. (北京中視鴻韻廣告有限公司) (“Zhongshi Hongyun”) entered into an advertisement service framework agreement (the “Zhongshi Hongyun Advertisement Service Framework Agreement”), pursuant to which, Zhongshi Hongyun agree that it and its associates (collectively, “Zhongshi Hongyun Entities”) will provide advertising services to us, including placing advertisements of our products and brands on relevant television and media platform. The term of the Zhongshi Hongyun Advertisement Service Framework Agreement will commence on the date of such agreement and end on December 31, 2025. The Zhongshi Hongyun Advertisement Service Framework Agreement shall terminate upon the end of term on December 31, 2025, which can be renewed through mutual agreement between both parties.

On November 20, 2023, the Company and Beijing Guangyao Tianrun Advertising Co., Ltd. (北京光耀天潤廣告有限公司) (“Guangyao Tianrun”) entered into an advertisement service framework agreement (the “Guangyao Tianrun Advertisement Service Framework Agreement”), pursuant to which, Guangyao Tianrun agree that it and its associates (collectively, “Guangyao Tianrun Entities”) will provide advertising services to us, including placing advertisements of our products and brands on relevant television and media platform. The term of the Guangyao Tianrun Advertisement Service Framework Agreement will commence on the date of such agreement and end on December 31, 2023. The Guangyao Tianrun Advertisement Service Framework Agreement shall terminate upon the end of term on December 31, 2023, which can be renewed through mutual agreement between both parties.

During the Track Record Period, the advertising fees were prepaid by the Company and settled based on the actual placement of advertisement. The terms of advertising services (including prepayment arrangement) were based on terms and conditions with reference to the guide provided by the target channel and advertising platform to its advertising agents, which is on normal commercial terms or better than those offered by independent advertising agents that could supply similar advertising services at similar time in the same channel and platform. According to the F&S Report, it is market practice in the advertising industry that television stations usually do not directly engage with advertisers looking to place advertisements with them; such advertisers are typically required to place their advertisements through advertising agencies, which manage and coordinate the process and operations. Television stations have uneven distribution of advertising resources, resulting in significant differences in advertising prices across different channels, time slots, and durations. As advised by Frost & Sullivan, the overall unit prices of the CCTV and CNR advertising service contracts signed between the Group with Zhongshi Hongyun and Guangyao Tianrun are within a reasonable range of market rates for advertisements on CCTV and CNR. Additionally, the Company has established measures to prevent harm to the Company's interests from related-party transactions and has defined decision-making processes and procedures for such transactions. Therefore, the prices at which the Company procures advertising services from Zhongshi Hongyun and Guangyao Tianrun are fair and reasonable, with no evidence of undue benefits, compared to those provided by independent advertising agents.

##### *Connected Persons and Reason for the Transactions*

Mr. Liu is our non-executive Director and the controller of one of our substantial Shareholders. As of the Latest Practicable Date, Zhongshi Hongyun was wholly-owned by ZHANG Yongfu, and Guangyao Tianrun was owned as to 95% by ZHANG Jing and 5% by WANG Chao, each an Individual Third Party.

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## CONNECTED TRANSACTIONS

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To the best knowledge of the Company having made reasonable enquiries, such shareholders are business partners of Mr. Liu who are ultimately taking instructions from Mr. Liu and thus both of Zhongshi Hongyun and Guangyao Tianrun were controlled by Mr. Liu. Therefore, Zhongshi Hongyun and Guangyao Tianrun will be our connected persons upon the Listing.

Zhongshi Hongyun and Guangyao Tianrun are professional service providers of advertising services and are qualified suppliers of our target advertising placement platform. The Company's main business is the development, production and sale of high-quality modern EBN products. In order to further increase brand recognition and expand our customer base, we believe that advertisements would facilitate the promotion of our Company's brand in the market and increase its visibility. National televisions and media platform are generally considered as among the most important platforms for promoting consumer goods and related brands. We believe that placing advertisements of our products in authoritative media could further enhance brand visibility, establish brand image, shape brand value, and achieve greater market coverage and brand awareness. According to the F&S Report and the common practices in advertising operations, television stations typically do not directly engage with advertisers for placements, instead, advertisers generally need to engage related advertising agencies for advertising matters, which handle coordination and operations for targeted television and media platform. During the Track Record Period, Zhongshi Hongyun and Guangyao Tianrun provided advertising services for advertisements of the Company's products on various national media platforms, including but not limited to China National Radio ("CNR") (中央廣播電視總台) and China Central Television ("CCTV") (中央電視台). Our cooperation with Zhongshi Hongyun and Guangyao Tianrun has been smooth, with a reasonable business background and favorable price. Considering that (1) the Group's procurement of advertising services from Zhongshi Hongyun and Guangyao Tianrun are no less favorable than other advertising partners, (2) Zhongshi Hongyun and Guangyao Tianrun are both long-standing advertising partners of CCTV, the national flagship terrestrial television network of the PRC, (3) Zhongshi Hongyun has been granted agency rights for advertisements in several program by China Media Group Company Limited (央廣傳媒集團有限公司) and Guangyao Tianrun was once selected as an AAAA-level advertising agency by China Media Group (中央廣播電視總台), and (4) our stable business relationship with Zhongshi Hongyun and Guangyao Tianrun, we believe that it is in the best interests of our Group to continue to collaborating with Zhongshi Hongyun and Guangyao Tianrun, rather than other independent advertising agents, and that it is more efficient and effective for the Group to engage them to provide relevant services to the Group for publicizing and promoting the brand image of "Yan Palace" and the products of the Group, building up and maintaining of the overall image of "Yan Palace" as well as satisfying the needs for advertising services among the members of our Group.

### *Historical Amount*

During the year ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, the total fees paid by us to Zhongshi Hongyun for purchase of advertising services was RMB61.5 million, RMB50.2 million, RMB50.3 million and RMB12.2 million, which accounted for 14.94%, 9.54%, 7.86% and 4.76% of our total expenses (including the selling and distribution expenses, administrative expenses and research and development expenses) in the same periods, respectively.

During the year ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, the total fees paid by us to Guangyao Tianrun for purchase of advertising services was nil, RMB3.3 million, RMB10.0 million and RMB2.8 million, which accounted for nil, 0.63%, 1.56% and 1.09% of our total expenses (including the selling and distribution expenses, administrative expenses and research and development expenses) in the same periods, respectively.

### *Annual Cap and Basis for Annual Cap*

Our Directors estimate that the total fees to be paid by our Group to Zhongshi Hongyun for purchasing advertising services will not exceed RMB32.6 million, RMB43.9 million and RMB52.7 million for the year ending December 31, 2023, 2024 and 2025, respectively.

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## CONNECTED TRANSACTIONS

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Our Directors estimate that the total fees to be paid by our Group to Guangyao Tianrun for purchasing advertising services will not exceed RMB4.0 million for the year ending December 31, 2023. To simplify the process and improve efficiency, the relevant advertising services provided by Guangyao Tianrun will be terminated thereunder and will be uniformly provided by Zhongshi Hongyun.

In determining such annual caps, our Directors have considered primarily (i) the expect growth in our sales, as well as higher customer exposure and continual needs on promoting our products on the media platform; and (ii) the estimated increase in the amount of fees to conform with the overall growth of our business. The historical amount from 2020 to 2022 was decreased due to the reasons that there was a short-term increase in advertising expenditure to stimulate the market in 2020 as a result of the first year of the COVID-19 pandemic. In 2021 and 2022, the historical amount of advertising expenditure reduced as the COVID-19 pandemic situation stabilized. In order to improve business performance, the Directors expect that there will be an increased advertising expenditure, which is in line with the Company's business strategies and estimated business performance from 2023 to 2025 as well as the recovery of consumer market in China.

### *Pricing Policies*

Before entering into any advertising services agreement pursuant to the Zhongshi Hongyun Advertisement Service Framework Agreement or Guangyao Tianrun Advertisement Service Framework Agreement, we will assess our business needs and compare the advertising services fees proposed by the Zhongshi Hongyun Entities or Guangyao Tianrun Entities with fees offered by at least two other comparable independent service providers. The service fee will be agreed by the parties through arm's length negotiations based on the markets rates and quality of services. We will only enter into an advertising services agreement with the Zhongshi Hongyun Entities or Guangyao Tianrun Entities if the terms and conditions are fair and reasonable and based on normal or better terms than those offered by other independent third party service providers.

### *Listing Rule Implications*

The transactions pursuant to the Zhongshi Hongyun Advertisement Service Framework Agreement and Guangyao Tianrun Advertisement Service Framework Agreement (collectively "Advertising Service Framework Agreements") are considered connected under Rule 14A.81 of the Listing Rules and should be aggregated for the purposes of classification because (i) the services provided under the Advertising Service Framework Agreements are of similar nature and (ii) Zhongshi Hongyun Entities and Guangyao Tianrun Entities are connected with one another.

The Zhongshi Hongyun Advertisement Service Framework Agreement and Guangyao Tianrun Advertisement Service Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms or better, and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions for the year ending December 31, 2023, 2024 and 2025 will be more than 5% in aggregate. Pursuant to the Listing Rules, such transactions will, upon the Listing, be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Waiver Application*

Our Directors (including our independent non-executive Directors) are of the view that the Zhongshi Hongyun Advertisement Service Framework Agreement and Guangyao Tianrun Advertisement Service Framework Agreement benefit our business operations, given the importance of increasing brand awareness to improve sales performance. In addition, given the transactions under any of the Zhongshi Hongyun Advertisement Service Framework Agreement and Guangyao Tianrun Advertisement Service Framework Agreement will be carried out from time to time after the Listing and are disclosed in this prospectus, our Directors consider that strict compliance with the announcement, circular and independent shareholders' approval requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for,

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## CONNECTED TRANSACTIONS

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and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules in respect of transactions under the Zhongshi Hongyun Advertisement Service Framework Agreement and Guangyao Tianrun Advertisement Service Framework Agreement. The waiver will expire on December 31, 2025. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this prospectus, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

### DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that (i) fully-exempt continuing connected transactions, (ii) partially-exempt continuing connected transactions and (iii) non-exempt continuing connected transactions set out above, including but not limited to terms and annual caps thereof, have been entered into and will be entered into (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### JOINT SPONSORS' VIEWS

Based on (i) the relevant documents and information provided by the Company in relation to the foregoing non-exempt continuing connected transactions and partially exempt continuing connected transactions; (ii) their participation in due diligence and discussions with the Company; and (iii) the confirmation from the Directors disclosed above, the Joint Sponsors are of the view that the proposed annual caps of each of the above non-exempt continuing connected transactions and partially-exempt continuing connected transactions are fair and reasonable and in the interest of the Shareholders as a whole, and that such transactions have been and will be, as applicable, entered into in the ordinary and usual course of the Company's business, on normal commercial terms or better, are fair and reasonable and in the interest of the Shareholders as a whole.

### INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) our Board and various internal departments of our Company will be jointly responsible for evaluating the terms of the connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) our Board and the finance department of our Group will regularly monitor the connected transactions and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements;
- (4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and
- (5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions, and comply with the conditions prescribed under the waiver submitted to the Stock Exchange in connection with the continuing connected transactions in this regard.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### OVERVIEW

Upon the Listing, the Board of Directors will consist of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The Board is responsible, and has general authority for, the management and operation of our Company.

Our supervisory committee (the “Supervisory Committee”) consists of three Supervisors, including two shareholder Supervisors and one employee representative Supervisor. The supervisory committee is responsible for supervising the Directors and senior management in performing their corporate duties.

Our senior management consists of seven members who are responsible for the day-to-day operations of our Company. All of the Directors, Supervisors and senior management have met the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

### Directors, Supervisors and Senior Management

The following table sets forth certain information regarding the Directors.

Name	Age	Position	The earliest date of joining our Group	Date of appointment as a Director	Responsibility	Relationship with other Directors, Supervisors and senior management
<i>Directors</i>						
HUANG Jian (黃健) (“Mr. Huang”)	57	Executive Director and chairman of the Board of Directors	October 31, 2014	October 31, 2014	Formulate the Group’s overall corporate strategy and make key business and operational decisions of the Group	Mr. Huang is the brother of HUANG Danyan.
ZHENG Wenbin (鄭文濱) (“Mr. Zheng”)	53	Executive Director and vice chairman of the Board of Directors	October 31, 2014	July 5, 2016	Formulate the Group’s overall corporate strategy and make key business and operational decisions of the Group	N/A
LI Youquan (李有泉) (“Mr. Li”)	49	Executive Director and general manager	October 31, 2014	July 5, 2016	Responsible for overall daily operation and management of the Group	N/A

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	The earliest date of joining our Group	Date of appointment as a Director	Responsibility	Relationship with other Directors, Supervisors and senior management
LIU Zhen (劉震)	46	Non-executive Director	July 5, 2016	July 5, 2016	Responsible for providing advice and reviewing overall policies and operations	N/A
WANG Yalong (王亞龍)	40	Non-executive Director	January 15, 2018	January 15, 2018	Responsible for providing advice and reviewing overall policies and operations	N/A
HUANG Danyan (黃丹艷)	61	Executive Director and deputy general manager	October 31, 2014	July 5, 2016	Responsible for the Company's supply chain sector, production and procurement business	Huang Danyan is a sister of Mr. Huang.
XIAO Wei (肖偉)	58	Independent non-executive Director	December 10, 2020	December 10, 2020	Supervising and providing independent advice on the operation and management of our Group	N/A
CHEN Aihua (陳愛華)	37	Independent non-executive Director	December 10, 2020	December 10, 2020	Supervising and providing independent advice on the operation and management of our Group	N/A
LAM Yiu Por (林曉波)	46	Independent non-executive Director	November 20, 2023	November 20, 2023	Supervising and providing independent advice on the operation and management of our Group	N/A

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as a Supervisor	Responsibility	Relationship with other Directors, Supervisors and senior management
<i>Supervisors</i>						
ZHENG Feng (鄭峰)	52	Chairman of the board of Supervisors	October 31, 2014	October 31, 2014	Supervising the performance of duties by our Directors and members of the senior management of our Group	N/A
WEI Wei (魏澂)	39	Supervisor	October 31, 2014	July 5, 2016	Supervising the performance of duties by our Directors and members of the senior management of our Group	N/A
ZHANG Ning (張寧)	34	Supervisor	October 31, 2014	September 26, 2022	Supervising the performance of duties by our Directors and members of the senior management of our Group	N/A
Name	Age	Position	The earliest date of joining our Group	Date of appointment as a member of senior management	Responsibility	Relationship with other Directors, Supervisors and senior management
<i>Senior Management</i>						
LI Youquan (李有泉)	49	Executive Director and general manager	October 31, 2014	October 31, 2014	Responsible for overall general operation and management of our Group	N/A
HUANG Danyan (黃丹艷)	61	Executive Director and deputy general manager	October 31, 2014	July 5, 2016	Responsible for supply chain business	See above

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	The earliest date of joining our Group	Date of appointment as a member of senior management	Responsibility	Relationship with other Directors, Supervisors and senior management
WENG Huizhen (翁惠貞)	50	Deputy general manager	October 31, 2014	October 31, 2014	Responsible for chain business department	N/A
LI Liangjie (李良杰)	44	Deputy general manager	October 31, 2014	October 31, 2014	Responsible for online business department	N/A
FAN Qunyan (范群艷)	42	Deputy general manager	October 31, 2014	December 10, 2020	Responsible for R&D and product department business	N/A
CHEN Zhigao (陳志高)	46	Chief financial officer	March 1, 2018	December 10, 2020	Responsible for financial and accounting affairs	N/A
XIONG Ting (熊婷)	43	Board secretary and joint company secretary	July 6, 2020	December 10, 2020	Responsible for information disclosure and investor relations management	N/A

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

#### Executive Directors and Non-executive Directors

**HUANG Jian (黃健)**, aged 57, is our founder, an executive Director and chairman of the Board. He has been a Director and the chairman of the Board since October 2014 and was re-designated as an executive Director on May 25, 2023. Mr. Huang is primarily responsible for formulating the Group's overall corporate strategy and make key business and operational decisions of the Group. Prior to joining our Group, Mr. Huang has been serving as the general manager and executive director of Xiamen Suntama since November 1997.

Mr. Huang graduated from Fujian Normal University (福建師範大學) in July 1986 with a bachelor's degree in Mathematics.

**ZHENG Wenbin (鄭文濱)**, aged 53, is an executive Director and vice chairman of the Board. He has been a Director and vice chairman of the Board since July 2016, and was re-designated as an executive Director on May 25, 2023. Mr. Zheng is primarily responsible for formulating the Group's overall corporate strategy and make key business and operational decisions of the Group. Prior to joining our Group, he has been serving as a director of Harbin Dazhong Pharmaceutical Co., Ltd. (哈爾濱大中製藥有限公司) from January 2004 to July 2022. He served as an executive director and general manager of Heilongjiang Yanglifang Pharmaceutical Co., Ltd. (黑龍江省養立方藥業有限公司) (formerly known as Heilongjiang Zhongce Deguang Pharmaceutical Sales Co., Ltd. (黑龍江省中策德廣醫藥銷售有限公司) from June 2008 to January 2020.

**LI Youquan (李有泉)**, aged 49, is an executive Director and general manager of the Company. He has been a Director and general manager since July 2016, and was re-designated as an executive Director on May 25, 2023. Mr. Li is primarily responsible for the overall operation and management of the Group. Prior to joining our Group, he worked in Guangdong Runsheng Pharmaceutical Co., Ltd (廣東潤生藥業有限公司) from November 2007 to October 2014, where he was mainly responsible for supervising the overall strategy and operation management.

Mr. Li graduated from the School of Economics and Management in Shanxi University (山西大學) in 1998 with a bachelor's degree in Economics.

**LIU Zhen (劉震)**, aged 46, is a non-executive Director. He joined our Group as a Director since July 2016 and was re-designated as a non-executive Director on May 25, 2023. He is primarily responsible for providing professional opinion and judgment to the Board of Directors. He served as the president of Glory Manna Media Group (光耀天潤傳媒集團) from January 2013 to August 2014. He is the partner of Guangyao Tianxiang, since September 2015.

Mr. Liu graduated from Beijing University of Technology (北京工業大學) in June 2000 with a bachelor's degree in computer science, and from Chinese Academy of Sciences (中國科學院) (formerly known as University of Chinese Academy of Sciences (中國科學院研究生院)) in June 2008 with a master's degree in business administration.

**WANG Yalong (王亞龍)**, aged 40, is a non-executive Director. He has been appointed as a Director since January 2018, and was re-designated as a non-executive Director on May 25, 2023. Mr. Wang is primarily responsible for providing advice and reviewing overall policies and operations. He has been serving as the general manager of Beijing Yanshi Investment Management Center LP (北京焰石投資管理中心(有限合夥)) since February 2017. He served as vice president of investment and financing department of Everbright Financial Holdings (Tianjin) Industrial Investment Fund Management Co., Ltd. (光大金控(天津)產業投資基金管理有限公司) and vice president of equity investment business of investment and financing department of Everbright Financial Holdings Asset Management Co., Ltd. (光大金控資產管理有限公司) from June 2012 to February 2017.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Wang graduated from Tianjin University of Commerce (天津商業大學) in June 2004 with a bachelor's degree in marketing, and from Peking University (北京大學) in November 2011 with a master's degree in business administration.

**HUANG Danyan (黃丹艷)**, aged 61, is an executive Director and deputy general manager of the Company. She has been a director and deputy general manager of the Company since October 2014 and July 2016, and was re-designated as an executive Director on May 25, 2023. Ms. Huang is primarily responsible for the company's supply chain sector, production and procurement business. Prior to joining our Group, she served as the deputy general manager of Xiamen Suntama from November 1997 to October 2014.

### Independent Non-executive Directors

**XIAO Wei (肖偉)**, aged 58, is an independent non-executive Director. He joined our Group as an independent Director since December 2020 and was re-designated as an independent non-executive Director on May 25, 2023. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Mr. Xiao has been serving as a teacher, associate professor and professor of Xiamen University Law School (廈門大學法學院) since August 2001. He served as director, secretary of the board of directors, and general counsel of Xiamen International Trade Group Co., Ltd. (廈門國貿集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600755) from July 1991 to July 2001. He also served as an independent director of Suzhou Jinhongshun Automotive Parts Co., Ltd. (蘇州金鴻順汽車部件股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 603922) from July 2018 to May 2020, an independent director of Fujian Longma Environmental Sanitation Equipment Co., Ltd. (福建龍馬環衛裝備股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 603686) from September 2019 to September 2022, an independent director of Ruida Futures Co., Ltd. (瑞達期貨股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002961) from January 2019 to January 2022, and an independent director of Fujian Longjing Environmental Protection Co., Ltd. (福建龍淨環保股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600388) from November 2014 to November 2020, and rejoined in June 2022 as an independent director who is primarily responsible for providing independent advice to the Board. He is currently a director of Xiamen International Trade Group Co., Ltd., an independent director of Motic (Xiamen) Electric Group Co., Ltd. (麥克奧迪(廈門)電氣股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300341), an independent director of Xiamen Faratronic Co., Ltd. (廈門法拉電子股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600563), and an independent director of Dabo Medical Technology Co., Ltd. (大博醫療科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002901). Mr. Xiao is also a supervisor of Xiamen University Chen An International Law Development Foundation (廈門大學陳安國際法學發展基金會), a law professor of Xizang Minzu University (西藏民族學院), an executive council member of PRC Securities Law Research Association (中國證券法研究會), an arbitrator of Xiamen Arbitration Commission (廈門仲裁委員會), a vice president of Fujian Enterprise Legal Work Association (福建省企業法律工作協會), a lawyer of Yinghe Law Firm (福建英合律師事務所), a president of Fujian Economic Law Research Association (福建省經濟法學研究會會長), a vice president of Fujian International Economic Law Research Association (福建省國際經濟法學研究會副會長), an arbitrator of Quanzhou Arbitration Commission (泉州仲裁委員會), arbitrator of Harbin Arbitration Commission (哈爾濱仲裁委員會), a mediator of Cross-Strait Arbitration Center (海峽兩岸仲裁中心), a deputy director of the research office of Intermediate People's Court of Xiamen City, Fujian Province (福建省廈門市中級人民法院) and a director of China World Trade Organization Research Association (中國世界貿易組織研究會).

Mr. Xiao graduated from Xiamen University (廈門大學) in July 1988 with a bachelor's degree in international economic law, in July 1991 with a master's degree in civil and commercial law and in July 2000 with a doctoral degree in international law. Mr. Xiao obtained the PRC lawyer qualification (中國律師資格) in June 2020, law professor appointment certificate (法學教授聘任證書) in 2003 and qualifications for independent directors of listed companies (上市公司獨董任職資格) in August 2010.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**CHEN Aihua (陳愛華)**, aged 37, is an independent non-executive Director. He joined our Group as an independent Director since December 2020 and was re-designated as an independent non-executive Director on May 25, 2023. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Since September 2013, Mr. Chen has been a teacher and associate professor of Xiamen National Accounting Institute (廈門國家會計學院). He is currently an independent director of Fujian Zhangzhou Development Co., Ltd. (福建漳州發展股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000753). He served as an independent director of Power HF Co., Ltd. (華豐動力股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 605100) from August 2019 to October 2022, an independent director of Beijing Dataway Horizon Co., Ltd. (北京零點有數數據科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 301169), an independent director of Shantui Construction Machinery Co., Ltd. (山推工程機械股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000680) and an external supervisor of Shanghai Hengshi Financial Consulting Co., Ltd. (上海衡息財務諮詢有限公司).

Mr. Chen graduated from Central South University (中南大學) in June 2008 with a bachelor's degree in business administration, and from Xiamen University (廈門大學) in June 2013 with a combined master and doctor degree in accounting. Since December 2012, Mr. Chen is a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and obtained the PRC lawyer qualification (中國律師資格) in March 2012.

**LAM Yiu Por (林曉波)**, aged 47, is an independent non-executive Director. He joined our Group as an independent non-executive Director since November 20, 2023. He is primarily responsible for supervising and providing independent advice on the operation and management of our Group. He has been an independent non-executive director of JNBY Design Limited (江南布衣有限公司) (a company listed on the Stock Exchange, stock code: 3306) since October 2016 and a chief financial officer and company secretary of Dingdang Health Technology Group Co., Ltd (叮嚀健康科技集團有限公司) (a company listed on the Stock Exchange, stock code: 9886) since January 2021.

He served as independent non-executive director of Tian Ge Interactive Holdings Limited (天鵝互動控股有限公司) (a company listed on the Stock Exchange, stock code: 1980) from January 2021 to June 2022, the vice president and chief financial officer of Greentech Technology International Limited (綠科科技國際有限公司) (formerly known as L'sea Resources International Holdings Ltd. (利海資源國際控股有限公司) (a company listed on the Stock Exchange, stock code: 0195) from November 2013 to July 2020, an independent non-executive director of Denox Environmental & Technology Holdings Limited (迪諾斯環保科技控股有限公司) (a company listed on the Stock Exchange, stock code: 1452) from October 2015 to June 2020, an independent non-executive director of China Tontine Wine Group Co., Ltd. (中國通天酒業集團有限公司) (a company listed on the Stock Exchange, stock code: 0389) from November 2016 to November 2018, an non-executive director of Zhong Ao Home Group Limited (中奧到家集團有限公司) (a company listed on the Stock Exchange, stock code: 1538) from April 2015 to May 2017, an independent non-executive director of Yat Sing Holdings Limited (日成控股有限公司) (a company listed on the Stock Exchange, stock code: 3708) (currently known as China Supply Chain Holdings Limited (中國供應鏈產業集團有限公司) from December 2014 to March 2016, an independent non-executive director of GR Properties Limited (建懋國際有限公司) (a company listed on the Stock Exchange, stock code: 0108) (currently known as GR Properties Limited (國銳地產有限公司)) from June 2012 to February 2014, the chief financial officer and company secretary of Lijun International Pharmaceutical (Holding) Co., Ltd. (利君國際醫藥(控股)有限公司) (currently known as SSY Group Limited (石四藥集團有限公司)) (a company listed on the Stock Exchange, stock code: 2005) from December 2005 to May 2008 and the chief financial officer and qualified accountant of Zhongtian International Holdings Limited (中天國際控股有限公司) (currently known as China Clean Energy Technology Group Limited (中國清潔能源科技集團有限公司)) (a company listed on the Stock Exchange, stock code: 2379) from July 2004 to December 2005.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Lam graduated from the Hong Kong Polytechnic University (香港理工大學) with a bachelor degree of arts in accountancy in November 1997. Mr. Lam has been a member of the Hong Kong Institute of Certified Public Accountants since October 2004, an associate of The Hong Kong Chartered Governance Institute since March 2006, a chartered financial analyst of the CFA Institute since September 2006 and a fellow of the Association of Chartered Certified Accountants since November 2007.

### SUPERVISORS

**ZHENG Feng (鄭峰)**, aged 52, is a Supervisor since October 2014 and appointed as the chairman of the board of Supervisors in September 2022. He is responsible for supervising the performance of duties by our Directors and members of the senior management of our Group. He served as a general manager at Xiamen Huarui Zhongying Holding Group Co., Ltd. (廈門華瑞中盈控股集團有限公司) (formerly known as Xiamen Huarui Zhongying Investment Management Co., Ltd. (廈門市華瑞中盈投資管理有限公司)) since January 2006. He served as a general manager of Xiamen Yiding Auction House (廈門一鼎拍賣行) from April 2003 to December 2005. Mr. Zheng holds 20% of the limited partnership interests in our Shareholder, Guangyao Tianxiang LP.

Mr. Zheng graduated from Xiamen Jimei Finance College (廈門集美財政專科學校) in June 1993 majoring in investment economic management.

**WEI Wei (魏激)**, aged 39, is a Supervisor since July 2016. She is responsible for supervising the performance of duties by our Directors and members of the senior management of our Group. She has been served as the purchasing manager from December 2008 and promoted to serve as deputy director of production center at Yan Sinong. Prior to joining our Group, she served as secretary to the general manager and the administrative commissioner of the human resource department of Xiamen Suntama from October 2006 to November 2008.

Ms. Wei graduated from Guizhou University of Finance and Economics (貴州財經大學) in July 2006 with a bachelor's degree in financial management.

**ZHANG Ning (張寧)**, aged 34, is a Supervisor since September 2022. She is responsible for supervising the performance of duties by our Directors and members of the senior management of our Group. Ms. Zhang served as secretary to the Chairman of our Group, manager of the legal department from July 2015 to December 2020 and senior manager of legal department of our Group since December 2020. Prior to joining our Group, she served as a legal consultant and chairman's secretary at Xiamen Suntama from March 2013 to June 2015. She served as the campus principal and partner of the Longwen campus at Zhangzhou Longwen Hanlin Education Consulting Co., Ltd. (漳州市龍文翰林教育諮詢有限公司) from March 2012 to March 2013. She served as Campus Director at Beijing Longwen Global Education Technology Co., Ltd. Xiamen Branch (北京龍文環球教育科技有限公司廈門分公司) from December 2010 to December 2012. She served as Office Director of the Nanjing Yurun project department at China Construction Seventh Engineering Division (Shanghai) Co., Ltd. (中建七局(上海)有限公司) from August 2010 to November 2010. Ms. Zhang holds 2.13% of the limited partnership interests in our Shareholder, Jinyan Tengfei LP.

Ms. Zhang graduated from Chongqing University (重慶大學) in June 2010 with a bachelor's degree in law.

### SENIOR MANAGEMENT

**LI Youquan (李有泉)**, aged 49, is an executive Director and general manager. See “—Board of Directors—Executive Directors” for his biographical details.

**HUANG Danyan (黃丹艷)**, aged 61, is an executive Director and vice general manager of our Company. See “—Board of Directors—Executive Directors” for her biographical details.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**WENG Huizhen (翁惠貞)**, aged 50, is a deputy general manager of our Company since October 2014. She is responsible for the chain business department. Ms. Weng served as the deputy general manager of Xiamen Yan Palace Bird's Nest Technology Development Co., Ltd. (廈門燕之屋燕窩科技發展有限公司) from July 2014 to December 2017. Prior to joining our Group, Ms. Weng joined Xiamen Suntama in July 2005 and successively served as the store manager, manager of the sales department, marketing director and deputy general manager until July 2014.

**LI Liangjie (李良杰)**, aged 44, is a deputy general manager of our Company since October 2014. He is responsible for the online business department. Prior to joining our Group, he worked as the director of sales and marketing department of Guangdong Runsheng Pharmaceutical Co., Ltd. (廣東潤生藥業有限公司) from July 2009 to October 2014.

Li Liangjie graduated from the physician class of Wuhan Railway Health School (武漢鐵路衛生學校) (currently known as Wuhan Tongji Medical University (武漢同濟醫科大學) in June 1999.

**FAN Qunyan (范群艷)**, aged 42, is a deputy general manager of our Company since December 2020. He is responsible for R&D and product department business. He has been successively served as the assistant to the general manager, manager of the technical department, deputy general manager of production, and the director of bird's nest research institute of the Yan Sinong when he joined our Group in April 2014 to December 2020. Prior to joining our Group, he joined Xiamen Suntama in March 2009 and successively served as the R&D member of the technical department of Xiamen Suntama, the supervisor of its technical department, the manager of its technical department, and its assistant to the general manager from March 2009 to March 2014.

Mr. Fan graduated from Jiangsu University (江蘇大學) in July 2007 with a master's degree in food science and engineering and Anhui Polytechnic University (安徽工程大學) in July 2004 with a bachelor's degree in food science and engineering. Mr. Fan is currently studying at Fujian Agriculture and Forestry University (福建農林大學) pursuing a doctoral degree in food science and engineering.

**CHEN Zhigao (陳志高)**, aged 46, is the chief financial officer of our Company. He is responsible for financial and accounting affairs of our Group. He rejoined our Group as the chief financial officer of the Company since December 2019. He is responsible for overseeing the financial and accounting affairs of our Group.

Prior to joining our Group, Mr. Chen served as a partner of Xiamen Hongshi United Investment Management Partnership LP (廈門鴻石聯合投資管理合夥企業(有限合夥)) from May 2016 to March 2018. He then served as the financial director of Talent Clothing Co., Ltd. (才子服飾股份有限公司) from January 2019 to November 2019. From November 2008 to April 2016, he successively served as the financial manager, deputy financial director and financial director of Joeone Co., Ltd. (九牧王股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601566). He served as a senior manager of Solomon Management Consulting (Xiamen) Company (所羅門管理諮詢(廈門)公司) from February 2003 to February 2007. He also served as a project manager of Xiamen Tianjian Huatian Certified Public Accountants Co., Ltd. (廈門天健華天會計師事務所有限公司) from July 1999 to May 2002.

Mr. Chen graduated from Xiamen University (廈門大學) in July 1999 with a bachelor's degree in accounting.

**XIONG Ting (熊婷)**, aged 43, is the board secretary of our Company since December 2020 and was appointed as a joint company secretary since the Listing Date. She is responsible for information disclosure and investor relations management. She joined our Group in July 2020 and served as the head of the securities department of the Company from July 2020 to December 2020. Prior to joining our Group, she served as the deputy director of the business finance department at Joeone Co., Ltd. (九牧王股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601566). She also served as the financial manager of Xiamen Topstar Lighting Co., Ltd. (廈門通士達照明有限公司) from August 2000 to August 2011.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Xiong Ting graduated from Xiamen University (廈門大學) in July 2000 with a bachelor's degree in accounting.

Save as disclosed above and the sections headed “Substantial Shareholders” and “Appendix IV—Statutory and General Information—C. Further Information about our Directors, Supervisors and Substantial Shareholders—3. Disclosure of interests—Disclosure of interests of Directors, Supervisors and chief executive of our Company” in this prospectus, each of our Directors and Supervisors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, Supervisors, senior management, substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's and Supervisor's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

### JOINT COMPANY SECRETARIES

**XIONG Ting (熊婷)**, aged 43, is the board secretary of our Company and has been appointed as one of our joint company secretaries since the Listing Date. For biographical details of Ms. Xiong, see the sub-section headed “—Senior Management.”

**LEUNG Kwan Wai (梁君慧)**, aged 41, has been appointed as one of the joint company secretaries of our Company since the Listing Date. Ms. Leung is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Leung has over 15 years of experience in the corporate secretarial service field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange.

Ms. Leung obtained her master's degree of Corporate Governance from the Hong Kong Metropolitan University (香港都會大學) (formerly known as The Open University of Hong Kong (香港公開大學)). Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI).

### BOARD COMMITTEES

The Company has established four committees under the Board of Directors, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

#### Audit Committee

The Audit Committee consists of three Directors, namely CHEN Aihua, XIAO Wei and LAM Yiu Por with CHEN Aihua currently serving as the chairman. Each of CHEN Aihua and LAM Yiu Por has the appropriate professional qualification and experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure, risk management and internal control system of our Group and have with terms of reference in compliance with the relevant PRC laws and regulations and Rule 3.21 of the Listing Rules and paragraph D.3 of part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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### **Remuneration and Appraisal Committee**

The Remuneration and Appraisal Committee consists of three Directors, namely XIAO Wei, Mr. Li and CHEN Aihua, with XIAO Wei currently serving as the chairman. The Remuneration and Appraisal Committee is mainly responsible for evaluating the remuneration policies for Directors, Supervisors and senior management of our Group and making recommendations thereon to the Board of Directors and have with terms of reference in compliance with relevant laws and regulations of the PRC and paragraph E.1 of part 2 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules.

### **Nomination Committee**

The Nomination Committee consists of three Directors, namely Mr. Huang, XIAO Wei and CHEN Aihua, with Mr. Huang currently serving as the chairman. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board of Directors qualified candidates to serve as the Directors, Supervisors and senior management and monitoring the procedures for evaluating the performance of the Board of Directors and have with terms of reference in compliance with the relevant laws and regulations of the PRC and paragraph B.3 of part 2 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules.

### **Strategy Committee**

We have established the Strategy Committee, which consists of Mr. Huang, Mr. Zheng and LAM Yiu Por, with Mr. Huang being the chairperson of the Strategy Committee according to the relevant laws and regulations of the PRC. The main duties of the Strategy Committee are to research and recommend development strategy and capital operation of our Company.

## **DIVERSITY POLICY OF THE BOARD OF DIRECTORS**

The Board of Directors has adopted a board diversity policy (the “Board Diversity Policy”) in order to enhance the effectiveness of our Board of Directors and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board of Directors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board of Directors.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting and material science. They obtained degrees in diversified majors including mathematics, business, marketing, law and accounting. In addition, our Board of Directors has a wide range of age, ranging from 34 years old to 61 years old. One of our Directors is also a female Director. Our Board is of the view that our Board of Directors satisfies the Board Diversity Policy. Our Board will also ensure that appropriate balance of gender diversity is achieved with reference to investors’ expectation, and international and local recommended best practices.

The Nomination Committee is responsible for reviewing the diversity of our Board. After the Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

## **CORPORATE GOVERNANCE**

Our Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group is expected to comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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### **NON-COMPETITION**

Each of our Directors confirms that save as disclosed in the section headed “Relationship with Our Controlling Shareholders,” as of the Latest Practicable Date, they are not interested in any business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business and requires disclosure under Rule 8.10(2) of the Listing Rules.

### **COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The compensation and remuneration of the Directors, Supervisors and members of the senior management of our Company are determined by the Shareholders’ meetings and our Board as appropriate in the form of salaries and bonuses. Our Company also reimburses them for expenses which are necessary and reasonably incurred in providing services to our Company or discharging their duties in relation to the operations of our Company. When reviewing and determining the specific remuneration packages for our Directors, Supervisors and members of the senior management of our Company, the Shareholders’ meetings and our Board take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, our Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of our Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

Our Company offers executive Directors and senior management members, who are our employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our independent non-executive Directors receive compensation based on their responsibilities.

The aggregate amounts of remuneration paid to the Directors and Supervisors for the three years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, were RMB10.1 million, RMB10.7 million, RMB11.8 million and RMB4.9 million, respectively.

The aggregate amounts of remuneration (including fees, salaries, contribution to pension schemes, housing allowances, other allowances and benefits-in-kind and discretionary bonuses) paid to the five highest paid individuals for the three years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, were RMB11.4 million, RMB12.4 million, RMB12.3 million and RMB5.0 million, respectively.

It is estimated that remuneration equivalent to approximately RMB13.0 million in aggregate will be paid to the Directors and Supervisors by our Company for the year ending December 31, 2023, based on the arrangements in force as of the date of the prospectus.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the Track Record Period.

### **COMPLIANCE ADVISOR**

Our Company appointed Ping An of China Capital (Hong Kong) Company Limited as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise our Company in the following circumstances.

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and
- (iv) responding to inquiries made by the Exchange to the Company pursuant to Rule 13.10 of the Listing Rules.

Meanwhile, pursuant to Rule 3A.24 of the Listing Rules, the compliance advisor shall inform us on a timely basis of any amendment or supplement to the Listing Rules issued by the Stock Exchange from time to time and any new or amended laws and regulations in Hong Kong applicable to our Company. The compliance advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The terms of the appointment of the compliance advisor will commence on the Listing Date and end on the date when the Company distributes the annual report of its financial results for the first full financial year commencing after the Listing Date.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised), the following persons will have, or be deemed, or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Description of Shares	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised)		
			Number of Shares <sup>(1)</sup>	Percentage of shareholding in our total issued share capital	Number of Shares <sup>(1)</sup>	Percentage of shareholding in our Unlisted Shares/H Shares	Percentage of shareholding in our total issued share capital <sup>(7)</sup>
Mr. Huang . . . . .	Beneficial owner	Unlisted Shares	4,335,000	1.00%	—	—	—
		H Shares	—	—	4,335,000	1.32%	0.93%
	Interest held jointly with another person <sup>(2)</sup>	Unlisted Shares	75,147,185	17.33%	33,261,090	24.35%	7.15%
		H Shares	—	—	41,886,095	12.73%	9.00%
	Interest in a controlled corporation <sup>(3)</sup>	Unlisted Shares	91,785,560	21.17%	45,892,780	33.60%	9.86%
		H Shares	—	—	45,892,780	13.95%	9.86%
Interest in a controlled corporation <sup>(4)</sup>	Unlisted Shares	8,208,320	1.89%	—	—	—	
	H Shares	—	—	8,208,320	2.50%	1.76%	
Xiamen Suntama . . . . .	Beneficial interest	Unlisted Shares	91,785,560	21.17%	45,892,780	33.60%	9.86%
		H Shares	—	—	45,892,780	13.95%	9.86%
	Interest held jointly with another person <sup>(2)</sup>	Unlisted Shares	87,690,505	20.23%	33,261,090	24.35%	7.15%
		H Shares	—	—	54,429,415	16.55%	11.69%
Mr. Zheng . . . . .	Beneficial owner	Unlisted Shares	33,273,040	7.68%	16,636,520	12.18%	3.57%
		H Shares	—	—	16,636,520	5.06%	3.57%
	Interest held jointly with another person <sup>(2)</sup>	Unlisted Shares	137,578,025	31.74%	62,517,350	45.77%	13.43%
		H Shares	—	—	75,060,675	22.82%	16.12%
	Interest of spouse <sup>(6)</sup>	Unlisted Shares	8,625,000	1.99%	—	—	—
H Shares		—	—	8,625,000	2.62%	1.85%	

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Description of Shares	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised)		
			Number of Shares <sup>(1)</sup>	Percentage of shareholding in our total issued share capital	Number of Shares <sup>(1)</sup>	Percentage of shareholding in our Unlisted Shares/H Shares	Percentage of shareholding in our total issued share capital <sup>(7)</sup>
Mr. Li . . . . .	Beneficial owner	Unlisted Shares	33,249,145	7.67%	16,624,570	12.17%	3.57%
		H Shares	—	—	16,624,575	5.05%	3.57%
	Interest held jointly with another person <sup>(2)</sup>	Unlisted Shares	146,226,920	33.73%	62,529,300	45.78%	13.43%
XUE Fengying . . .	Beneficial owner	H Shares	—	—	83,697,620	25.45%	17.98%
		Unlisted Shares	8,625,000	1.99%	—	—	—
	Interest of spouse <sup>(6)</sup>	H Shares	—	—	8,625,000	2.62%	1.85%
LIU Zhen (劉震) . . . . .	Beneficial owner	Unlisted Shares	170,851,065	39.41%	79,153,870	57.95%	17.00%
		H Shares	—	—	91,697,195	27.88%	19.70%
	Interest in a controlled corporation <sup>(5)</sup>	Unlisted Shares	12,020,475	2.77%	—	—	—
Guangyao Tianxiang LP . . .	Beneficial interest	H Shares	—	—	12,020,475	3.65%	2.58%
		Unlisted Shares	60,000,000	13.84%	30,000,000	21.97%	6.44%
	H Shares	—	—	30,000,000	9.12%	6.44%	
Xiamen Guangyao Tianxiang Investment Co., Ltd. (廈門光耀天祥投資有限公司) . . . . .	Interest in a controlled corporation <sup>(5)</sup>	Unlisted Shares	60,000,000	13.84%	30,000,000	21.97%	6.44%
		H Shares	—	—	30,000,000	9.12%	6.44%
	H Shares	—	—	30,000,000	9.12%	6.44%	
Xiamen Jinyanlai LP . . . . .	Beneficial interest	Unlisted Shares	41,666,670	9.61%	—	—	—
		H Shares	—	—	41,666,670	12.67%	8.95%
WANG Junjie (王俊杰) . . . . .	Interest in a controlled corporation <sup>(8)</sup>	Unlisted Shares	41,666,670	9.61%	—	—	—
		H Shares	—	—	41,666,670	12.67%	8.95%
Hongyan Investment LP . . .	Beneficial interest	Unlisted Shares	38,857,460	8.96%	—	—	—
		H Shares	—	—	38,857,460	11.81%	8.35%

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Description of Shares	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised)		
			Number of Shares <sup>(1)</sup>	Percentage of shareholding in our total issued share capital	Number of Shares <sup>(1)</sup>	Percentage of shareholding in our Unlisted Shares/H Shares	Percentage of shareholding in our total issued share capital <sup>(7)</sup>
Beijing Yanshi Investment Management Center LLP (北京焰石投資管理中心(有限合夥))	Interest in a controlled corporation <sup>(9)</sup>	Unlisted Shares	38,857,460	8.96%	—	—	—
		H Shares	—	—	38,857,460	11.81%	8.35%
YANG Lei (楊磊)	Interest in a controlled corporation <sup>(9)</sup>	Unlisted Shares	38,857,460	8.96%	—	—	—
		H Shares	—	—	38,857,460	11.81%	8.35%
Shannan Yanshi Venture Investment Co., Ltd. (山南焰石創業投資有限公司)	Interest in a controlled corporation <sup>(9)</sup>	Unlisted Shares	38,857,460	8.96%	—	—	—
		H Shares	—	—	38,857,460	11.81%	8.35%
WANG Jinghui (王景會)	Interest in a controlled corporation <sup>(9)</sup>	Unlisted Shares	38,857,460	8.96%	—	—	—
		H Shares	—	—	38,857,460	11.81%	8.35%
WANG Yalong (王亞龍)	Interest in a controlled corporation <sup>(9)</sup>	Unlisted Shares	38,857,460	8.96%	—	—	—
		H Shares	—	—	38,857,460	11.81%	8.35%
HU Qiaohong (胡巧紅)	Beneficial owner	Unlisted Shares	32,978,655	7.61%	16,489,330	12.07%	3.54%
		H Shares	—	—	16,489,325	5.01%	3.54%
Yangming Kangyi LP and Jinjun Hongyan LP <sup>(10)</sup>	Beneficial owner	Unlisted Shares	19,444,445	4.49%	8,333,330	6.10%	1.79%
		H Shares	—	—	11,111,115	3.38%	2.39%
Yangming Venture <sup>(10)</sup>	Interest in a controlled corporation	Unlisted Shares	19,444,445	4.49%	8,333,330	6.10%	1.79%
		H Shares	—	—	11,111,115	3.38%	2.39%

**Notes:**

- (1) All interests stated are long positions. The number of Shares as of the Latest Practicable Date is the number assuming the Share Subdivision is completed. See “History, Development and Corporate Structure” for details of the Share Subdivision.
- (2) (i) Mr. Huang, our founder, chairman and executive Director; (ii) Xiamen Suntama, an entity controlled by Mr. Huang; (iii) Mr. Zheng, our vice chairman and executive Director; and (iv) Mr. Li, our general manager and executive Director, are acting in concert (Mr. Huang, Mr. Zheng, Mr. Li and Xiamen Suntama, together the “Concert Parties”). See “History, Development and Corporate Structure—Concert Party Arrangement” for more information. The equity interest held by Jinyan Tengfei LP (the employee incentive share platform controlled by Mr. Huang, who is the general partner of such limited partnership) and by Ms. Xue (the spouse of Mr. Zheng), are also deemed to be controlled by the Concert Parties pursuant to the Listing Rules.
- (3) Xiamen Suntama is controlled by Mr. Huang as of the Latest Practicable Date. Mr. Huang is therefore deemed to be interested in the Shares held by Xiamen Suntama under the SFO.

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## SUBSTANTIAL SHAREHOLDERS

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- (4) As of the Latest Practicable Date, Mr. Huang was the sole general partner of Jinyan Tengfei LP. Mr. Huang is deemed to be interested in the Shares in which Jinyan Tengfei LP is interested in.
- (5) Xiamen Guangyao Tianxiang Investment Co., Ltd. is the sole general partner of Guangyao Tianxiang LP and is therefore deemed to be interest in the Shares held by Guangyao Tianxiang under the SFO. LIU Zhen held 80% of the limited partnership interests of Guangyao Tianxiang LP and controls Xiamen Guangyao Tianxiang Investment. Co., Ltd. as of the Latest Practicable Date. LIU Zhen is therefore deemed to be interested in the Shares held by Guangyao Tianxiang LP under the SFO.
- (6) Ms. Xue is the spouse of Mr. Zheng. Accordingly, they are deemed to be interested in the same number of Shares of each other for the purpose of the SFO.
- (7) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.
- (8) The general partner of Xiamen Jinyanlai LP is Wang Junjie, who is therefore deemed to be interest in the Shares held by Xiamen Jinyanlai under the SFO.
- (9) Beijing Yanshi Investment Management Center LLP is the sole general partner of Hongyan Investment. The general partner of Beijing Yanshi Investment Management Center LLP is YANG Lei and the limited partner of Beijing Yanshi Investment Management Center LLP holds more than one-third of its limited partnership interest is Shannan Yanshi Venture Investment Co., Ltd. (a company owned as to 51% by WANG Jinghui and 45% by WANG Yalong). As such, each of Beijing Yanshi Investment Management Center LLP, YANG Lei, Shannan Yanshi Venture Investment Co., Ltd., WANG Jinghui and WANG Yalong is deemed to be interested in the Shares held by Hongyan Investment under the SFO.
- (10) Fujian Yangming Venture Capital Co., Ltd. (福建陽明創業投資有限公司) (“Yangming Venture”) is the general partner of both of Yangming Kangyi LP and Jinjun Hongyan LP, and therefore Yangming Venture is deemed to be interested in the interests held by Yangming Kangyi LP and Jinjun Hongyan LP.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

Our Company has entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, for such number of Offer Shares with an aggregate amount of US\$16.0 million (approximately HK\$124.7 million) (exclusive of brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) at the Offer Price as set out in the tables below (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$8.80 per H Share, being the low-end of the Offer Price range, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 14,176,000 H Shares, representing (i) approximately 44.3% of the Offer Shares and approximately 3.0% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); or (ii) approximately 38.5% of the Offer Shares and approximately 3.0% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Based on the Offer Price of HK\$9.90 per H Share, being the mid-point of the Offer Price range, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 12,599,200 H Shares, representing (i) approximately 39.4% of the Offer Shares and approximately 2.7% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); or (ii) approximately 34.2% of the Offer Shares and approximately 2.7% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Based on the Offer Price of HK\$11.00 per H Share, being the high-end of the Offer Price range, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 11,340,800 H Shares, representing (i) approximately 35.4% of the Offer Shares and approximately 2.4% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); or (ii) approximately 30.8% of the Offer Shares and approximately 2.4% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience and market position, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our Company’s business and prospect. Our Company became acquainted with (i) Value Partners Hong Kong Limited, Value Partners Limited and WU Chen through introduction by the relevant Underwriters, and (ii) PT. Anugerah Citra Walet Indonesia, PT Niaga Cakrawala Sukses, PT Esta Indonesia and WONG Sing Kwong Cyrus in the ordinary course of operation through the business network or introduction by business contact of our Group.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid H Shares in issue following the completion of the Global Offering and will be listed on the Stock Exchange and counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules.

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## CORNERSTONE INVESTORS

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Immediately following the completion of the Global Offering, each of the Cornerstone Investors will not become a substantial Shareholder or connected person (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. To the best knowledge of our Company, each of the Cornerstone Investors (i) is an Independent Third Party and is not our connected person (as defined under the Listing Rules), (ii) is independent of other Cornerstone Investors, (iii) is not directly or indirectly financed by our Company, our subsidiaries, our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective close associates, and (iv) is not accustomed to taking instructions from our Company, our subsidiaries, our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. There are no side agreements or arrangements between us and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each of the Cornerstone Investors, its subscription under the Cornerstone Placing would be financed by its own internal financial resources or the financial resources of its parent company or the funds under its management. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing. Except for Value Partners Hong Kong Limited and Value Partners Limited, none of the Cornerstone Investors or their holding companies is listed on any stock exchange, and each of the Cornerstone Investors has confirmed that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

If there is over-allocation in the International Offering, there may be delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. All of the Cornerstone Investors have agreed that the Overall Coordinators may, in their sole discretion, defer the delivery of all or part of the Offer Shares that such Cornerstone Investors have subscribed for to a date later than the Listing Date. All of the Cornerstone Investors, including the aforesaid Cornerstone Investors who have agreed to a potential delayed delivery arrangement, have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Offer Shares commence on the Stock Exchange.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation." Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around Monday, December 11, 2023.

## CORNERSTONE INVESTORS

The table below sets forth the details of the Cornerstone Placing:

Cornerstone Investor (each as defined below)	Investment amount (in US\$ million) <sup>(1)</sup>	Hong Kong dollar equivalent <sup>(1)</sup> (in million)	Number of the Offer Shares <sup>(2)</sup>	Assuming the Over-Allotment Option is not exercised			Assuming the Over-Allotment Option is fully exercised		
				Approximate % of the total Offer Shares	Approximate % of the International Offer Shares	Approximate % of the total issued share capital <sup>(3)</sup>	Approximate % of the total Offer Shares	Approximate % of the International Offer Shares	Approximate % of the total issued share capital <sup>(3)</sup>
<b><i>Based on an Offer Price of HK\$8.80 (being the low-end of the indicative Offer Price range)</i></b>									
PT. Anugerah Citra									
Walet Indonesia . . .	5.0	39.0	4,430,000	13.8	15.4	1.0	12.0	13.2	0.9
PT Niaga Cakrawala									
Sukses . . . . .	3.0	23.4	2,658,000	8.3	9.2	0.6	7.2	7.9	0.6
PT Esta Indonesia . . .	3.0	23.4	2,658,000	8.3	9.2	0.6	7.2	7.9	0.6
Value Partners Hong Kong Limited and Value Partners Limited . . . . .	2.0	15.6	1,772,000	5.5	6.2	0.4	4.8	5.3	0.4
WU Chen. . . . .	2.0	15.6	1,772,000	5.5	6.2	0.4	4.8	5.3	0.4
WONG Sing Kwong									
Cyrus. . . . .	1.0	7.8	886,000	2.8	3.1	0.2	2.4	2.6	0.2
<b><i>Based on an Offer Price of HK\$9.90 (being the mid-point of the indicative Offer Price range)</i></b>									
PT. Anugerah Citra									
Walet Indonesia . . .	5.0	39.0	3,937,600	12.3	13.7	0.8	10.7	11.7	0.8
PT Niaga Cakrawala									
Sukses . . . . .	3.0	23.4	2,362,400	7.4	8.2	0.5	6.4	7.0	0.5
PT Esta Indonesia . . .	3.0	23.4	2,362,400	7.4	8.2	0.5	6.4	7.0	0.5
Value Partners Hong Kong Limited and Value Partners Limited . . . . .	2.0	15.6	1,574,800	4.9	5.5	0.3	4.3	4.7	0.3
WU Chen. . . . .	2.0	15.6	1,574,800	4.9	5.5	0.3	4.3	4.7	0.3
WONG Sing Kwong									
Cyrus. . . . .	1.0	7.8	787,200	2.5	2.7	0.2	2.1	2.3	0.2
<b><i>Based on an Offer Price of HK\$11.00 (being the high-end of the indicative Offer Price range)</i></b>									
PT. Anugerah Citra									
Walet Indonesia . . .	5.0	39.0	3,544,000	11.1	12.3	0.8	9.6	10.5	0.8
PT Niaga Cakrawala									
Sukses . . . . .	3.0	23.4	2,126,400	6.6	7.4	0.5	5.8	6.3	0.5
PT Esta Indonesia . . .	3.0	23.4	2,126,400	6.6	7.4	0.5	5.8	6.3	0.5
Value Partners Hong Kong Limited and Value Partners Limited . . . . .	2.0	15.6	1,417,600	4.4	4.9	0.3	3.9	4.2	0.3
WU Chen. . . . .	2.0	15.6	1,417,600	4.4	4.9	0.3	3.9	4.2	0.3
WONG Sing Kwong									
Cyrus. . . . .	1.0	7.8	708,800	2.2	2.5	0.2	1.9	2.1	0.2

**Notes:**

- (1) The total investment amount excludes brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee and is calculated based on the exchange rates as described in the section headed “Information about this Prospectus and the Global Offering—Exchange Rate Conversion”. The actual investment amount of the Cornerstone Investors in Hong Kong dollars may vary due to the actual exchange rate prescribed in the Cornerstone Investment Agreements.
- (2) Subject to rounding down to the nearest whole board lot of 400 H Shares. Calculated based on the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering—Exchange Rate Conversion.”
- (3) Immediately following the completion of the Global Offering.
- (4) Any discrepancies in the table above between the total shown and the sum of the amounts listed are due to rounding.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

#### **PT. Anugerah Citra Walet Indonesia**

PT. Anugerah Citra Walet Indonesia (“ACWI”) is a company incorporated in Republik Indonesia in 2016 and is mainly engaged in bird’s nest processing and exporting business. ACWI is controlled as to 99% by Rudy Foniaty, an Independent Third Party, and as to 1% by Chia Enyanto, an Independent Third Party. ACWI is one of our major suppliers during the Track Record Period and an Independent Third Party.

#### **PT Niaga Cakrawala Sukses**

PT Niaga Cakrawala Sukses (“PNCS”) is a company incorporated in the Republik Indonesia in 2021, and is an investment holding company established for holding investment in bird’s nest industry and related business and companies. PNCS is 99% controlled by Hendromartono Hartanto, an Independent Third Party and 1% controlled by Nelly Hartanto, an Independent Third Party. An affiliate of PNCS is one of our major suppliers during the Track Record Period and an Independent Third Party. Mr. Hendromartono Hartanto is the founder and was the chairman of such major supplier of the Company, and has extensive experience in bird’s nest related sales and trading business and insights in bird’s nest industry.

#### **PT Esta Indonesia**

PT Esta Indonesia (“PEI”) is a company incorporated in Republik Indonesia in 2000 and is mainly engaged in EBN trading and industrial business. PEI is controlled as to 99.9% by Hoo Anton Siswanto, an Independent Third Party, and as to 0.1% by Djoko Hartanto, an Independent Third Party. PEI has a long-term relationship with the Company and is one of our major suppliers during the Track Record Period and an Independent Third Party. PEI is also known to be one of the top upstream EBN players in Indonesia.

#### **Value Partners Hong Kong Limited and Value Partners Limited**

Each of Value Partners Hong Kong Limited (incorporated in Hong Kong in 1999) and Value Partners Limited (incorporated in the British Virgin Islands in 1991) has agreed to procure certain investment funds that it has actual discretionary investment management power over, to subscribe for, and failing which it will itself subscribe for, such number of Offer Shares which may be purchased with an aggregate amount of approximately US\$1.44 million (exclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee, the AFRC transaction levy and other related expenses) and approximately US\$0.56 million (exclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee, the AFRC transaction levy and other related expenses), respectively, at the Offer Price.

Each of Value Partners Hong Kong Limited and Value Partners Limited (together with other subsidiaries under Value Partners Group Limited (“Value Partners”)), acts as investment manager or investment advisor to certain investment funds. Both Value Partners Hong Kong Limited and Value Partners Limited are wholly-owned subsidiaries of Value Partners Group Limited, a company listed on the Stock Exchange (stock code: 806). Value Partners is one of Asia’s largest independent asset management firms. It is headquartered in Hong Kong and operates in Shanghai, Shenzhen, Singapore, Malaysia and London. Value Partners’ investment strategies cover equities, fixed income, multi-asset, quantitative investment solutions and alternatives for institutional and individual clients in the Asia Pacific, Europe and the United States. As of October 31, 2023, it had asset under management of approximately US\$5.5 billion.

#### **WU Chen (吳琛)**

WU Chen (吳琛) (“Ms. Wu”), an Independent Third Party, is an experienced individual investor with nearly twenty years of investment experience. Ms. Wu currently focuses mainly on secondary market equity and fund investments. Ms. Wu has invested in a number of secondary market equity funds as well as publicly listed companies such as Anhui Gourgen Traffic Construction Co., Ltd. (stock code: 603815.SH) and Daan Gene Co., Ltd. (stock code: 002030.SZ).

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## CORNERSTONE INVESTORS

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### WONG Sing Kwong Cyrus (黃成光)

WONG Sing Kwong Cyrus (黃成光) (“Mr. Wong”), an Independent Third Party, is the chief executive officer of Skypro Medical Supplies Company (“Skypro Medical”), which is principally engaged in supplying medical consumables. Skypro Medical has factories that are set up in Hong Kong and Xiamen. It has distribution network and marketing team in the PRC and in overseas markets, with active presence in many countries and regions around the world. Since joining Skypro Medical in 2003, Mr. Wong is primarily responsible for its overall operation and management as well as managing the overall operations and resources of the company. Mr. Wong is also an individual investor focusing on investment in Singapore and Hong Kong listed companies.

### CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such underwriting agreements, and neither of such underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon according to the Underwriting Agreements and the Price Determination Agreement to be signed among our Company and the Overall Coordinators (for themselves and on behalf of the underwriters of the Global Offering);
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the Offer Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the representations, warranties, undertakings, acknowledgements and confirmations of such Cornerstone Investor under the respective Cornerstone Investment Agreement are and will be accurate, true and complete in all respects and not misleading or deceptive, and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

### RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of one year following the Listing Date, dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor; except for Value Partners Hong Kong Limited, Value Partners Limited and WU Chen, which/whom will be subject to the same lock-up restrictions for a period of six months following the Listing Date.

## SHARE CAPITAL

Our registered share capital as of the Latest Practicable Date was RMB86,700,000, divided into 86,700,000 Unlisted Shares of par value RMB1.00 each. Upon Listing, the ordinary shares of the Company will be split on a one for five basis, and the aforementioned registered share capital of the Company of RMB86,700,000 will be divided into 433,500,000 Shares of par value RMB0.20 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering and Conversion of Unlisted Shares into H Shares will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares (RMB)
Unlisted Shares . . . . .	136,580,700	27,316,140
H Shares to be converted from Unlisted Shares . . . . .	296,919,300	59,383,860
H Shares to be issued pursuant to the Global Offering . . . . .	32,000,000	6,400,000
<b>Total</b> . . . . .	<b>465,500,000</b>	<b>93,100,000</b>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the Global Offering and Conversion of Unlisted Shares into H Shares will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares (RMB)
Unlisted Shares . . . . .	136,580,700	27,316,140
H Shares to be converted from Unlisted Shares . . . . .	296,919,300	59,383,860
H Shares to be issued pursuant to the Global Offering . . . . .	36,800,000	7,360,000
<b>Total</b> . . . . .	<b>470,300,000</b>	<b>94,060,000</b>

*Note:* See “Our Corporate Structure Immediately Following the Global Offering” in the section headed “History, Development and Corporate Structure” for details of the identities of our Shareholders whose Shares will remain as Unlisted Shares and whose Shares will be converted into H Shares upon Listing.

The above table assumes that the Global Offering has become unconditional and the H Shares are issued pursuant to the Global Offering.

### OUR SHARES

Upon the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, the Shares will consist of Unlisted Shares and H Shares. The H Shares in issue following the completion of the Global Offering and the Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC. On the other hand, Unlisted Shares may only be subscribed for by, and traded between, legal persons of the PRC, certain qualified foreign institution investors and qualified foreign strategic investors. H Shares may only be subscribed for and traded in Hong Kong dollars. Unlisted Shares, on the other hand, may only be subscribed for and transferred in Renminbi.

### RANKING

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus.

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## SHARE CAPITAL

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All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED**

For details of circumstances under which the Shareholders' general meeting are required, please refer to "Shareholders and Shareholders' General Meetings—Voting and Resolutions of Shareholders' General Meetings" under "Appendix III—Summary of Articles of Association of the Company" to this prospectus.

### **CONVERSION OF OUR UNLISTED SHARES INTO H SHARES**

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and the Articles of Association, the Unlisted Shares may be converted into overseas-listed Shares. Such converted Shares could be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval process has been duly completed, all the filing procedures with relevant PRC regulatory authorities, including the CSRC are followed. In addition, such conversion and trading shall comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing and trading will need to be filed with relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

#### **Filing with the CSRC for Full Circulation**

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) announced by the CSRC, for an H-share listed company, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf.

In accordance with the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請“全流通”業務指引) announced by the CSRC, an unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas initial public offering.

We have filed with the CSRC for the conversion of 296,919,300 Unlisted Shares into H Shares on a one-for-one basis ("Conversion of Unlisted Shares into H Shares") upon the completion of the Listing (assuming the Share Subdivision is completed and the nominal value is RMB0.2 each Share) ("Full Circulation Application of the Company"), which has been completed on September 25, 2023.

#### **Listing Approval by the Stock Exchange**

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from 296,919,300 Unlisted Shares (assuming the Share Subdivision is completed and the nominal value is RMB0.2 each Share) on the Stock Exchange.

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## SHARE CAPITAL

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We will perform the following procedures for the conversion of Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS. Until the converted Shares are re-registered on our H Share register, such Shares will not be listed as H Shares. The participating shareholders may only deal in the Shares upon completion of domestic procedures.

Unlisted Shareholders can work with the Company according to the Articles of Association and follow the procedures set out in this prospectus to convert the Unlisted Shares into H Shares after the Listing if they want, provided that such conversion of Unlisted Shares into and listing and trading of H Shares will be subject to the filing procedures of the relevant PRC regulatory authorities, including the CSRC, the approval of the Stock Exchange and the satisfaction of the public float requirement under the Listing Rules by the Company.

### REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請“全流通”業務指引) announced by the CSRC, the domestic shareholders of unlisted shares shall handle share transfer registration business in accordance with the relevant business rules of CSDC. And H-share companies should submit relevant status reports to the CSRC within 15 days after the shares involved in the application completing the transfer registration in CSDC.

### SHAREHOLDERS’ APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the Shares is required for the Company to issue H Shares and seek the listing of H Shares on the Stock Exchange. The Company has obtained such approval at the Shareholders’ general meeting held on May 25, 2023.

### RESTRICTIONS ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

According to the Company Law, the Shares issued by the Company prior to the Global Offering are restricted from trading within one year from the Listing Date.

Our Directors, Supervisors and members of the senior management (as defined in our Articles of Association) of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, Supervisors, members of senior management of our Company and other Shareholders. For further details, see “Summary of Articles of Association” in Appendix III to this prospectus.

The Company will work with the domestic securities company to be engaged by the Company to restrict the trading of the H Shares converted from Unlisted Shares technically within one year after the Listing.

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*You should read the following discussion and analysis in conjunction with our consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2022 and 2023, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. You should read the entire Accountants' Report in Appendix I to this prospectus and not rely merely on the information contained in this section. The consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2022 and 2023 have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in "Risk Factors" and "Forward-looking Statements" in this prospectus.*

*For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We are a leading brand in China's EBN product market, dedicated to the development, production and marketing of high-quality modern EBN products. We are the largest EBN product company in the traceable EBN market in China with a market share of 14.0% in terms of retail value in 2022, according to the F&S Report. We also ranked No.1 by the number of EBN specialty storefronts and the volume of CAIQ-certified imports in the EBN product market in China in 2022, according to the same source. We have developed an advanced and sophisticated product research and development capability, a diversified product portfolio, a robust quality assurance scheme, and an established sales network, which has allowed us to prevail in the market competition.

Consumer experience is our top priority. We leverage modern technology to continually drive product innovation that elevates consumer experience. Our product portfolio primarily consists of three product categories, i.e., pure EBN products, EBN+ products and +EBN products, to meet the differentiated consumer needs for experience in different life scenarios. In 2022, we had 250 SKUs, among which 194 were pure EBN SKUs under four major product series, including *One Nest* (碗燕), Freshly Stewed Bird's Nest (鲜燉燕窩), Crystal Sugar Bird's Nest (冰糖官燕), and dried EBN (乾燕窩). In addition, leveraging our extensive research of active ingredients extraction from EBN, we have expanded the value chain of the EBN industry by developing other EBN products, including EBN+ products (which are ready-to-serve EBN products enhanced with other ingredients and/or nutrients), such as *One Nest — Vitality* (碗燕—元氣款) and Crystal Sugar Bird's Nest with Ginseng (人參冰糖官燕), and +EBN products (which are products that feature EBN as an enhancement for elevated nutrition or other benefits), such as EBN porridge and EBN skincare products which use bird's nest peptides as an enhancement.

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We achieved robust growth and profitability during the Track Record Period. Our revenue increased from RMB1,301.2 million in 2020 to RMB1,729.9 million in 2022, at a CAGR of 15.3%, and increased by 12.3% from RMB696.9 million in the five months ended May 31, 2022 to RMB782.6 million in the five months ended May 31, 2023. Our net profit increased from RMB123.4 million in 2020 to RMB205.9 million in 2022, at a CAGR of 29.2%, and increased by 20.0% from RMB83.8 million in the five months ended May 31, 2022 to RMB100.5 million in the five months ended May 31, 2023. Our net profit margin was 9.5%, 11.4%, 11.9%, 12.0% and 12.8% for 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. Our adjusted net profit (non-IFRS measure) increased from RMB123.9 million in 2020 to RMB211.1 million in 2022, at a CAGR of 30.5%, and increased by 32.4% from RMB85.9 million in the five months ended May 31, 2022 to RMB113.7 million in the five months ended May 31, 2023. According to the F&S Report, our profitability during the Track Record Period was higher than the industry average, which was estimated to be 5.0% to 9.0% during the same periods.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and results of operations have been, and are expected to continue to be, affected by a number of factors, primarily including the following:

#### Consumer Demand for EBN Products

Our success hinges on consumer's demand for quality EBN products. Underpinned by the broad and venerable cultural foundations and history of consumptions of EBN in China, the consumer demand for quality EBN products has shown a significant growth trajectory in China. In particular, the size of the EBN product market in China, in terms of retail value, has grown rapidly from RMB12.9 billion in 2017 to RMB43.0 billion in 2022, at a CAGR of 27.2%, and is expected to reach RMB92.1 billion in 2027, at a CAGR of 16.5% from 2022 to 2027, according to the F&S Report. Capitalizing on our industry position, we believe we will continue to benefit from the rising consumer demand for quality EBN products in China.

The potential growth of the EBN market may be affected by a number of factors, such as general economic health, change in lifestyle, consumer awareness of beauty and wellness, and consumer attitudes toward EBN products. As a leading brand in the EBN product market with strong brand reputation, high quality products and proven track record of business success, we believe we are well positioned to capture the growth opportunities in the EBN product market.

#### Product Offering and Mix

Our results of operations depend on our ability to address evolving consumer preferences in the EBN product market with a diverse product portfolio. In 2022, we had 250 SKUs, among which 194 were pure EBN SKUs under four major product series, including *One Nest*, Freshly Stewed Bird's Nest, Crystal Sugar Bird's Nest, and dried EBN, to meet the differentiated consumer needs for experience in different life scenarios. We are closely attuned to changes in consumer behavior and lifestyle trends as we continue to expand our product offering through innovation. For instance, our signature product series, *One Nest*, was launched in 2012 in response to the market demand for ready-to-serve EBN products in China. In recent years, we have also expanded the value chain of the EBN industry by developing other innovative EBN products, such as EBN+ products and +EBN products. Our ability to align our product offerings with customer needs has been a cornerstone of our growth.

During the Track Record Period, among our diversified product portfolio, *One Nest* (pure EBN) represented the largest revenue contribution, accounting for 43.0%, 44.0%, 38.9%, 41.3% and 36.2% of our total revenue in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. Freshly Stewed Bird's Nest experienced the highest growth rate during the Track Record Period, from

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RMB321.1 million in 2020 to RMB485.4 million in 2022, at a CAGR of 22.9%, and from RMB188.7 million in the five months ended May 31, 2022 to RMB215.2 million in the five months ended May 31, 2023 at a growth rate of 14.0%. *One Nest* and Crystal Sugar Bird's Nest, however, tend to have higher gross profit margins than Freshly Stewed Bird's Nest and dried EBN. *One Nest* and Crystal Sugar Bird's Nest have such higher gross profit margins because (1) we position *One Nest* as our premium product series, and primarily sell *One Nest* products through offline sales channels, which require limited online promotional activities and logistics costs, and (2) Crystal Sugar Bird's Nest as our traditional product series has built its stable customer base, resulting in a pricing strategy that entails less promotional activities, and its less demanding transportation condition to certain extent reduced relevant logistics costs. Any significant change in our product offering and mix will likely have an impact on our revenue growth and profitability.

### Distribution Channels

Our diverse and expansive distribution network plays a crucial role in our market reach and revenue growth. We have established an expansive national sales network covering online and offline channels, enabling us to effectively reach a broad customer base and reinforce our premium brand image. We have rapidly expanded our offline sales network through a combination of self-operated stores and distributor-operated stores. As of May 31, 2023, we had a nationwide offline sales network, consisting of 91 self-operated stores and 214 offline distributors covering 614 distributor-operated stores in China. According to the F&S Report, we ranked No.1 as measured by the number of EBN specialty storefronts as of December 31, 2022 and surpassed the runner-up by over 100%. Revenues from offline channels increased from RMB578.5 million in 2020 to RMB738.7 million in 2021 and further to RMB792.0 million in 2022, and increased from RMB333.9 million in the five months ended May 31, 2022 to RMB353.2 million in the five months ended May 31, 2023, accounting for 44.5%, 49.0%, 45.8%, 47.9% and 45.2% of our total revenues in the same periods, respectively. In particular, our direct sales to offline customers have demonstrated strong momentum, growing from RMB168.7 million in 2020 to RMB314.5 million in 2022, at a CAGR of 36.5%, and from RMB135.2 million in the five months ended May 31, 2022 to RMB144.6 million in the five months ended May 31, 2023 at a growth rate of 7.0%. The table below sets forth the number of our offline stores by type as of the dates indicated.

	As of December 31,			As of May 31
	2020	2021	2022	2023
<b>Offline stores</b>				
Self-operated stores . . . . .	40	89	89	91
Distributor-operated stores . . . . .	483	544	615	614
<b>Total . . . . .</b>	<b>523</b>	<b>633</b>	<b>704</b>	<b>705</b>

In addition to the traditional offline channels, we have expanded our online presence by establishing online stores on all major e-commerce platforms. Our direct sales to online customers through self-operated online stores accounted for 44.1%, 37.4%, 40.2%, 38.0% and 41.8% of our total revenues in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. In recent years, we have also engaged e-commerce platforms to distribute our products through platform-operated online stores to further expand our online presence. Our direct sales to e-commerce platforms increased from RMB137.5 million in 2020 to RMB227.1 million in 2022, at a CAGR of 28.5%, and increased by 1.6% from RMB92.2 million in the five months ended May 31, 2022 to RMB93.7 million in the five months ended May 31, 2023. We adopt a differentiated product and service offering strategy for different channels to maximize sales potential across all channels. For instance, Freshly Stewed Bird's Nest was launched specifically for online channels with a subscription model, catering to demands from younger generations.

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### Ability to Control Cost of Raw Materials

Our results of operations have been, and will continue to be, affected by our ability to control cost of sales. Cost of raw materials was the most significant component of our cost of sales during the Track Record Period, accounting for 76.7%, 79.3%, 77.3%, 77.8% and 77.7% of our total cost of sales in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. The principal raw materials we use are raw nests. During the Track Record Period, substantially all of raw nests used in our production process were sourced from suppliers in Indonesia, the largest raw nest production country in the world. In 2020 and 2021, we also sourced a total of RMB1.9 million of raw nests from suppliers in China, which, to the best knowledge of our Directors, imported these raw nests from Malaysia and Thailand. The price of raw nests may be affected by a number of factors, such as market demand, quality of raw nests, climate conditions, natural habitat preservation, logistics costs, and international trade policies. We have built strong and stable relationships with various suppliers for raw nests in Indonesia. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our purchase for raw nests was RMB770.1 million, RMB603.5 million, RMB617.0 million, RMB195.0 million and RMB284.3 million, respectively. We believe our long-lasting relationship with local suppliers in Indonesia has positioned us advantageously within the EBN market to ensure a reliable and consistent supply of high-quality raw nests and, at the same time, negotiate favorable pricing terms to lower our costs.

### Marketing Effectiveness

We have invested, and is expected to continue to invest, in our sales and marketing activities, which we believe is critical to raising our brand awareness among consumers and maintaining our premium brand positioning, which will contribute to our long-term revenue growth and profitability. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our selling and distribution expenses were RMB317.8 million, RMB399.0 million, RMB503.9 million, RMB205.8 million and RMB208.5 million, respectively, accounting for 24.4%, 26.5%, 29.1%, 29.5% and 26.6% of our total revenues for the same periods, respectively. Advertising and promotion fees constituted the largest component of our selling and distribution expenses during the Track Record Period, accounting for 74.3%, 67.4%, 64.8%, 66.7% and 60.0% of the total selling and distribution expenses in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively.

We adopt a multi-channel marketing approach that allows us to reach and influence a broad target customer base. Our focus is on maintaining and enhancing brand awareness through professional marketing and branding strategies. We conduct advertising campaigns via traditional channels such as television, radio and billboards. Additionally, we leverage e-commerce and social media platforms to promote our brand and products, collaborating with influencers and implementing targeted marketing campaigns on emerging e-commerce platforms, such as Douyin and Xiaohongshu. Our marketing efforts also include sponsorship and celebrity endorsements. For instance, we partnered with the China national fencing team as their official EBN product supplier and enlisted Ms. Liying Zhao (趙麗穎), a highly influential celebrity in China, as our brand ambassador. We actively organize and sponsor various interactive events, such as immersive Xiamen factory tours, golf tournaments, the Zhigang Think Tank Forum (智網智庫論壇) led by Mr. Zhigang Wang (王志綱), a strategic consulting expert, and sharing sessions with renowned host Ms. Lan Yang (楊瀾). These initiatives help consolidate our distribution system, attract more consumers, and promote the beauty and wellness lifestyle. We strive to enhance our marketing efficiency to maximize brand visibility and expand our consumer reach in a cost-effective manner.

### Seasonality

Our financial condition and results of operations are subject to seasonal fluctuations. We typically carry out more sales and marketing activities before and during holiday seasons and other festivities, such as the mid-autumn festival and the dragon boat festival. We also actively participate in shopping events and promotional activities organized by third-party e-commerce platforms, such as Singles' Day Shopping Carnival (雙十一購物狂歡節), to capture more sales opportunities. We typically have increased sales before and during the holiday seasons, festivals and events, most of which happen during the second half of the year. As a result, we generally record higher revenue in the second half of the year.

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### **BASIS OF PREPARATION**

Our historical financial information has been prepared in accordance with the IFRSs issued by the International Accounting Standard Board. The historical financial information has been prepared on a historical cost basis, except for certain financial asset measured at fair value. Details for the financial asset measured at fair value are as stated in Note 2(g) to the Accountants' Report in Appendix I to this prospectus.

The preparation of historical financial information in conformity with IFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Such estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Judgements made by our management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are stated in Note 3 to the Accountants' Report in Appendix I to this prospectus.

All effective standards, amendments to standards and interpretation, which are mandatory for the financial year beginning on January 1, 2023, are consistently applied to us for the Track Record Period.

### **MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

We have identified certain accounting policies that we believe are the most significant to the preparation of our consolidated financial statements. Our material accounting policy information and critical estimates and judgements, which are important for understanding our results of operations and financial condition, are set forth in Notes 2 and 3 to the Accountants' Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires our management's judgement based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (1) our selection of material accounting policies, (2) the judgement and other uncertainties affecting the application of such policies, and (3) the sensitivity of reported results to changes in conditions and assumptions.

#### **Revenue and Other Income**

We classify income as revenue when it arises from the sales of EBN products in the ordinary course of our business. We are the principal for our revenue transactions and recognizes revenue on a gross basis. In determining whether we act as a principal or as an agent, we consider whether we obtain control of the products before they are transferred to our customers. Control refers to our ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of our revenue and other income recognition policies are set forth below.

#### ***Revenue from contracts with customers***

We recognize revenue when control over a product is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

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## FINANCIAL INFORMATION

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### *Direct sales to customers*

We recognize direct sales of our EBN products through self-operated online and offline stores to customers as follows:

- For retail customers that purchase from our offline stores, sales revenue is recognised when customers take possession of the products and make payment.
- For retail customers that purchase from our online stores, payment is collected when customers place purchase orders and sales revenue is recognised when customers accept the products upon delivery.

We typically offer retail customers a right of return for a period of seven days upon customer acceptance. We estimate the constrained transaction price with all reasonably available information and updates the variable consideration at each reporting date.

We operate membership programs for retail customers and members can earn loyalty points on their purchases from stores operated by our Group as well as our distributors. Points are redeemable against any future purchases of our products or other offerings provided by us. We allocate a portion of the consideration received from direct sales and sales to distributors as appropriate to loyalty points based on the relative stand-alone selling prices. The amount allocated to the membership programs is deferred and recognised as revenue when loyalty points are redeemed or expire. Unused loyalty points generally expire in 12 to 15 months after they are granted.

### *Sales to distributors*

We sell EBN products to distributors through offline and online channels.

Offline channel distributors make payments for their purchase orders before product shipment. Sales revenue is recognized when the products are delivered to and accepted by distributors at the locations specified in the purchase orders.

We generally do not accept return of products from offline channel distributors, except for quality defects or transportation damages in rare cases.

We provide sales rebates to distributors who satisfy relevant requirements specified in the distribution agreements and our distributor incentivising policies.

The above sales rebates and the rights of return (where applicable) to distributors give rise to variable consideration. We use the most likely amount approach to estimate variable consideration based on our current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products to distributors, we recognize revenue after taking into account adjustment to transaction price arising from sales rebates and returns which are estimated and updated at each reporting date.

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## FINANCIAL INFORMATION

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### *Sales to e-commerce platform*

We sell EBN products to e-commerce platforms. Sales of products sold to e-commerce platforms are recognized when the products are accepted by the platforms upon delivery to their designated premises.

Certain e-commerce platforms can return unsold products to us<sup>(1)</sup>. We also provide a profit protection<sup>(2)</sup> to an e-commerce platform such that the monthly overall gross margin generated by this e-commerce platform from selling the products is not less than a floor.

The above rights of return and profit protection give rise to variable consideration. We use the most likely amount approach to estimate variable consideration based on our current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products to e-commerce platforms, we recognize revenue after taking into account adjustment to transaction price arising from returns and profit protection which are estimated and updated at each reporting date.

### *Revenue from other sources and other income*

#### *Interest income*

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost, i.e., gross carrying amount net of loss allowance, of the asset. See Note 2(k)(i) to the Accountants' Report in Appendix I to this prospectus for details.

#### *Government grants*

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are initially recognized as deferred income and subsequently recognized in profit or loss on a systematic basis over the useful life of the asset.

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(1) All e-commerce platform customers that enjoy the right to return unsold products are established and publicly listed companies operating mainstream e-commerce platforms. In 2020, 2021, 2022 and the five months ended May 31, 2023, the total value of returned products from these e-commerce platform customers (including those returned by their end customers) was RMB3.1 million, RMB4.5 million, RMB6.4 million and RMB3.3 million, respectively. The increase in the total value of returned products from these e-commerce platform customers during the Track Record Period was generally in line with our increased transaction amounts with such customers.

(2) Pursuant to an e-commerce platform customer's standard form contract with us, in the event that its monthly overall gross margin for products purchased from us, as calculated by the method stipulated in the contract, failed to reach the minimum level, we shall deduct a certain amount of payment due from it as appropriate so that its gross margin could at least satisfy such minimum requirement. Such profit protection amounts were recognized as a reduction of the sales revenue from the e-commerce platform. According to the F&S Report, e-commerce platforms in China that include such boilerplate profit protection clauses in their standard form contracts generally do not concede to removing such clauses.

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## FINANCIAL INFORMATION

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### **Inventories and Other Contract Costs**

#### ***Inventories***

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Costs is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognized for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in Note 2(u)(i) to the Accountants' Report in Appendix I to this prospectus.

#### ***Other contract costs***

Other contract costs are the costs to fulfil a contract with a customer which are not capitalized as inventory. See Note 2(1)(ii) to the Accountants' Report in Appendix I to this prospectus for details.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because we entered into the contract. Other costs of fulfilling a contract, which are not capitalized as inventory, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (1) remaining amount of consideration that we expect to receive in exchange for the goods or services to which the asset relates, less (2) any costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the asset relates is recognized. The accounting policy for revenue recognition is set out in Note 2(u)(i) to the Accountants' Report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. See Note 2(k)(ii) to the Accountants' Report in Appendix I to this prospectus for details.

- Interests in leasehold land and buildings where we are the registered owner of the property interest. See Note 2(j) to the Accountants' Report in Appendix I to this prospectus for details;
- Right-of-use assets arising from leases over leasehold properties where we are not the registered owner of the property interest; and
- Items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment. See Note 2(j) to the Accountants' Report in Appendix I to this prospectus for details.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs. See Note 2(v) to the Accountants' Report in Appendix I to this prospectus for details.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by our management. The proceeds from selling any such items and the related costs are recognized in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows.

Our interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

Motor vehicles	four to five years
Machinery	five to 10 years
Office and other equipment	three to five years
Leasehold improvements	Shorter of the lease terms or the estimated useful life of the assets

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### Employee Benefits

#### *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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### *Share-based payments*

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

### RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
	(Unaudited)				
	(RMB in thousands)				
<b>Revenue</b> . . . . .	<b>1,301,157</b>	<b>1,506,997</b>	<b>1,729,945</b>	<b>696,876</b>	<b>782,576</b>
Cost of sales . . . . .	(745,448)	(780,214)	(851,693)	(337,313)	(376,565)
<b>Gross profit</b> . . . . .	<b>555,709</b>	<b>726,783</b>	<b>878,252</b>	<b>359,563</b>	<b>406,011</b>
Other net income . . . . .	20,714	32,680	27,692	5,123	3,293
Selling and distribution expenses . . . . .	(317,762)	(398,951)	(503,879)	(205,800)	(208,533)
Administrative expenses . . . . .	(76,060)	(108,020)	(111,543)	(41,462)	(60,807)
Research and development expenses . . . . .	(17,679)	(18,982)	(24,320)	(8,809)	(9,579)
<b>Profit from operations</b> . . . . .	<b>164,922</b>	<b>233,510</b>	<b>266,202</b>	<b>108,615</b>	<b>130,385</b>
Finance costs . . . . .	(4,882)	(3,337)	(1,636)	(764)	(857)
Share of loss of an associate . . . . .	(214)	—	—	—	—
<b>Profit before taxation</b> . . . . .	<b>159,826</b>	<b>230,173</b>	<b>264,566</b>	<b>107,851</b>	<b>129,528</b>
Income tax . . . . .	(36,401)	(57,814)	(58,688)	(24,096)	(29,031)
<b>Profit and total comprehensive income for the year/period</b> . . . . .	<b>123,425</b>	<b>172,359</b>	<b>205,878</b>	<b>83,755</b>	<b>100,497</b>
<b>Attributable to:</b>					
Equity shareholders of the Company . . . . .	122,017	167,353	191,840	78,772	95,058
Non-controlling interests . . . . .	1,408	5,006	14,038	4,983	5,439
<b>Profit and total comprehensive income for the year/period</b> . . . . .	<b>123,425</b>	<b>172,359</b>	<b>205,878</b>	<b>83,755</b>	<b>100,497</b>

### NON-IFRS MEASURE

In order to supplement our consolidated financial statements presented in accordance with the IFRSs, we use adjusted net profit (non-IFRS measure) as an additional financial measure, which is not required by, or not presented in accordance with IFRSs. Our adjusted net profit (non-IFRS measure) represents our profit and total comprehensive income for the year/period, adjusted to add back equity-settled share-based payment expenses and listing expenses that we recognized in our consolidated statements of profit or loss and other comprehensive income during the Track Record Period less related income tax. Equity-settled share-based payment expenses are adjusted for as they are non-cash in nature and were not expected to result in future cash payments. We believe that the non-IFRS measure facilitates comparisons of operating

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performance from period to period and company to company by eliminating potential impacts of certain items. However, adjusted net profit (non-IFRS measure) presented by us may not be comparable to the similar financial measure presented by other companies. There are limitations to the non-IFRS measure used as an analytical tool, and you should not consider it in isolation or regard it as a substitute for our results of operation or financial position analysis that is in accordance with IFRSs.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
	(RMB in thousands)			(Unaudited)	
<b>Profit and total comprehensive income for the year/period . . . . .</b>	<b>123,425</b>	<b>172,359</b>	<b>205,878</b>	<b>83,755</b>	<b>100,497</b>
Add:					
Equity-settled share-based payment expenses . . . . .	438	21,813	5,253	2,189	2,189
Listing expenses . . . . .	—	—	—	—	14,650
Less:					
Income tax in relation to listing expenses . . . . .	—	—	—	—	3,663
<b>Adjusted net profit (non-IFRS measure). . . . .</b>	<b><u>123,863</u></b>	<b><u>194,172</u></b>	<b><u>211,131</u></b>	<b><u>85,944</u></b>	<b><u>113,673</u></b>

### KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, we generated revenue primarily from sales and distribution of EBN products. Our total revenue increased from RMB1,301.2 million in 2020 to RMB1,729.9 million in 2022, and from RMB696.9 million in the five months ended May 31, 2022 to RMB782.6 million in the five months ended May 31, 2023.

#### Revenue by Product

We currently have primarily three major product categories, i.e., pure EBN products, EBN+ products and +EBN products. During the Track Record Period, our pure EBN products primarily consisted of (1) *One Nest* (碗燕), (2) Freshly Stewed Bird's Nest (鲜炖燕窝), (3) Crystal Sugar Bird's Nest (冰糖官燕), and (4) dried EBN. In addition to pure EBN products, we have also developed EBN+ products and +EBN products.

During the Track Record Period, we generated a substantial majority of revenue from sales of pure EBN products, accounting for 96.4%, 95.8%, 94.7%, 95.4% and 94.3% of our total revenue in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. To a lesser extent, we also generated revenue from EBN+ and +EBN products. The following table sets forth a breakdown of our revenue by product category for the periods indicated.

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	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue
	(Unaudited)									
	(RMB in thousands except for percentages)									
Pure EBN products . . . . .	1,253,900	96.4	1,442,951	95.8	1,638,127	94.7	665,161	95.4	738,613	94.3
— One Nest . . . . .	559,288	43.0	661,412	44.0	672,640	38.9	287,958	41.3	283,406	36.2
— Freshly Stewed Bird's Nest . . . . .										
Nest . . . . .	321,144	24.7	423,264	28.1	485,372	28.1	188,664	27.1	215,168	27.5
— Other bottle-canned bird's nest <sup>(1)</sup> . . . . .	201,298	15.5	193,318	12.8	305,105	17.6	122,816	17.6	169,259	21.6
— Dried EBN . . . . .	172,170	13.2	164,957	10.9	175,010	10.1	65,723	9.4	70,780	9.0
EBN+ and +EBN products . . . . .	43,051	3.3	56,115	3.7	73,103	4.2	28,619	4.1	37,237	4.8
Others <sup>(2)</sup> . . . . .	4,206	0.3	7,931	0.5	18,715	1.1	3,096	0.5	6,726	0.9
<b>Total revenue . . . . .</b>	<b>1,301,157</b>	<b>100.0</b>	<b>1,506,997</b>	<b>100.0</b>	<b>1,729,945</b>	<b>100.0</b>	<b>696,876</b>	<b>100.0</b>	<b>782,576</b>	<b>100.0</b>

*Notes:*

- (1) Include primarily Crystal Sugar Bird's Nest.
- (2) Include non-EBN products, promotional gifts to customers, and products for internal sales.

The following table sets forth a breakdown of our sales volume and average selling price per minimum unit or gram by product series for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>	Sales volume	Average selling price <sup>(1)</sup>
One Nest (pure EBN) . . . . .	3,430,930	RMB163	3,855,506	RMB172	3,868,281	RMB174	1,648,520	RMB175	1,596,938	RMB177
bowls		per bowl		bowls		per bowl		bowls		per bowl
Freshly Stewed Bird's Nest . . . . .	5,943,315	RMB54	8,116,586	RMB52	8,941,642	RMB54	3,564,531	RMB53	4,066,314	RMB53
bottles		per bottle		bottles		per bottle		bottles		per bottle
Other bottle-canned bird's nest (pure EBN) <sup>(2)</sup> . . . . .	5,162,726	RMB39	4,366,735	RMB44	7,162,425	RMB43	2,719,766	RMB45	4,056,142	RMB42
bottles		per bottle		bottles		per bottle		bottles		per bottle
Dried EBN . . . . .	6,064	RMB28	5,949	RMB28	6,497	RMB27	2,319	RMB28	2,658	RMB27
kilograms		per gram		kilograms		per gram		kilograms		per gram

*Notes:*

- (1) Calculated by dividing the total revenue from a given product series in the indicated period with the total sales volume of such product series sold in same period.
- (2) Include primarily Crystal Sugar Bird's Nest.

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### Revenue by Sales Channel

We have built a broad sales network for our products, covering both online and offline channels. We not only engage distributors to distribute our products through their online and offline stores but also sell directly to customers through self-operated online and offline stores. In addition, we have engaged e-commerce platform customers to further expand our online channels. The following table sets forth a breakdown of our revenue by sales channel for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue
	(Unaudited)									
	(RMB in thousands except for percentages)									
Offline channels . . . . .	578,506	44.5	738,711	49.0	791,991	45.8	333,941	47.9	353,209	45.2
— Sales to offline distributors . . . . .	409,777	31.5	509,917	33.8	477,525	27.6	198,716	28.5	208,563	26.7
— Direct sales to offline customers . . . . .	168,729	13.0	228,794	15.2	314,466	18.2	135,225	19.4	144,646	18.5
Online channels . . . . .	722,651	55.5	768,286	51.0	937,954	54.2	362,935	52.1	429,367	54.8
— Direct sales to online customers . . . . .	575,220	44.1	564,587	37.4	695,265	40.2	264,361	38.0	327,802	41.8
— Direct sales to e-commerce platforms <sup>(1)</sup> . . . . .	137,545	10.6	189,196	12.6	227,071	13.1	92,228	13.2	93,700	12.0
— Sales to online distributors . . . . .	9,886	0.8	14,503	1.0	15,618	0.9	6,346	0.9	7,865	1.0
<b>Total . . . . .</b>	<b>1,301,157</b>	<b>100.0</b>	<b>1,506,997</b>	<b>100.0</b>	<b>1,729,945</b>	<b>100.0</b>	<b>696,876</b>	<b>100.0</b>	<b>782,576</b>	<b>100.0</b>

*Note:*

(1) Include sales to platform-operated online stores by JD.com, Vipshop and Tmall Supermarket, among others.

### Revenue by City Tier

We have established a nationwide offline sales network covering substantially all provincial administrative divisions across China. As of May 31, 2023, our stores had a nationwide presence covering over 200 cities in China, with a strong foothold in all tier-1 cities and the majority of new tier-1 cities. In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, the revenue generated from our offline channels was RMB578.5 million, RMB738.7 million, RMB792.0 million, RMB333.9 million and RMB353.2 million, respectively, accounting for 44.5%, 49.0%, 45.8%, 47.9% and 45.2% of our total revenue in the same periods, respectively. The following table sets forth a breakdown of our revenue from offline channels by city tier for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentage)									
<b>Offline channels</b>										
Tier 1 cities . . . . .	107,371	18.6	145,612	19.7	163,562	20.7	71,144	21.3	81,661	23.1
New tier 1 cities . . . . .	131,157	22.7	174,133	23.6	173,581	21.9	73,941	22.1	78,881	22.4
Tier 2 cities . . . . .	164,145	28.4	207,503	28.1	237,544	30.0	101,036	30.3	103,626	29.3
Other cities . . . . .	175,833	30.3	211,463	28.6	217,304	27.4	87,820	26.3	89,041	25.2
<b>Total revenue from offline channels . . . . .</b>	<b>578,506</b>	<b>100.0</b>	<b>738,711</b>	<b>100.0</b>	<b>791,991</b>	<b>100.0</b>	<b>333,941</b>	<b>100.0</b>	<b>353,209</b>	<b>100.0</b>

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### Cost of Sales

During the Track Record Period, our cost of sales consisted primarily of cost of raw materials, employee benefits expenses and courier fees. The principal raw materials we use in the production of our products are raw nests. During the Track Record Period, substantially all of raw nests used in our production process were sourced from suppliers in Indonesia, the largest raw nest production country in the world. During the same period, our packaging materials consisted primarily of polypropylene bowls (an FDA-approved food contact plastic), glass bottles, cardboard, and metal packaging materials to produce our products.

Our employee benefits expenses primarily included salaries that we pay to our employees. Production costs represent expenses in connection with the production of our EBN products, primarily including purchase of consumable manufacturing supplies and general overhead. Courier fees are fees paid to express companies responsible for delivering our EBN products to our customers.

In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our cost of sales was RMB745.4 million, RMB780.2 million, RMB851.7 million, RMB337.3 million and RMB376.6 million, respectively, accounting for 57.3%, 51.8%, 49.2%, 48.4% and 48.1% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentages)									
Cost of raw materials . . .	571,875	76.7	618,780	79.3	658,101	77.3	262,274	77.8	292,648	77.7
Employee benefits expenses . . . . .	72,654	9.7	69,400	8.9	86,373	10.1	33,701	10.0	36,752	9.8
Production costs . . . . .	23,284	3.1	20,674	2.6	23,318	2.7	9,012	2.7	11,977	3.2
Courier fees . . . . .	38,834	5.2	36,970	4.7	40,035	4.7	16,142	4.8	16,983	4.5
Others <sup>(1)</sup> . . . . .	38,801	5.3	34,390	4.5	43,866	5.2	16,184	4.7	18,205	4.8
<b>Total . . . . .</b>	<b>745,448</b>	<b>100.0</b>	<b>780,214</b>	<b>100.0</b>	<b>851,693</b>	<b>100.0</b>	<b>337,313</b>	<b>100.0</b>	<b>376,565</b>	<b>100.0</b>

*Note:*

(1) Include primarily e-commerce platform commissions, cost of consumables, taxes and surcharges, and asset impairment loss.

The following table sets forth a breakdown of our cost of sales by product category for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentages)									
Pure EBN products . . . . .	709,009	95.1	736,576	94.4	792,700	93.1	317,214	93.9	349,472	92.7
— One Nest . . . . .	248,388	33.3	276,006	35.4	258,445	30.3	110,044	32.6	106,695	28.3
— Freshly Stewed Bird's Nest . . . . .	237,546	31.9	267,055	34.2	282,555	33.2	112,059	33.2	116,807	31.0
— Other bottle-canned bird's nest <sup>(1)</sup> . . . . .	114,634	15.4	94,585	12.1	146,275	17.2	57,174	16.9	84,407	22.4
— Dried EBN . . . . .	108,441	14.5	98,930	12.7	105,425	12.4	37,937	11.2	41,563	11.0
EBN+ and +EBN products . . . . .	28,531	3.8	30,760	3.9	36,934	4.3	14,288	4.2	18,419	4.9
Others <sup>(2)</sup> . . . . .	7,908	1.1	12,878	1.7	22,059	2.6	5,811	1.9	8,674	2.4
<b>Total . . . . .</b>	<b>745,448</b>	<b>100.0</b>	<b>780,214</b>	<b>100.0</b>	<b>851,693</b>	<b>100.0</b>	<b>337,313</b>	<b>100.0</b>	<b>376,565</b>	<b>100.0</b>

## FINANCIAL INFORMATION

*Notes:*

- (1) Include primarily Crystal Sugar Bird's Nest.  
(2) Include non-EBN products, promotional gifts to customers, and products for internal sales.

The following table sets forth a breakdown of our cost of sales by sales channel for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage of total cost of sales	RMB	Percentage of total cost of sales	RMB	Percentage of total cost of sales	RMB	Percentage of total cost of sales	RMB	Percentage of total cost of sales
	(Unaudited)									
	(RMB in thousands except for percentages)									
Offline channels . . . . .	286,160	38.4	340,740	43.6	342,823	40.2	142,915	42.4	149,542	39.7
— Sales to offline distributors . . . . .	218,382	29.3	263,150	33.7	240,550	28.2	98,872	29.3	104,049	27.6
— Direct sales to offline customers . . . . .	67,778	9.1	77,590	9.9	102,273	12.0	44,043	13.1	45,493	12.1
Online channels . . . . .	459,288	61.6	439,474	56.4	508,870	59.8	194,398	57.6	227,023	60.3
— Direct sales to online customers . . . . .	383,500	51.4	341,349	43.8	389,770	45.8	149,146	44.2	174,186	46.3
— Direct sales to e-commerce platforms <sup>(1)</sup> . . . . .	70,188	9.4	89,418	11.5	110,151	12.9	41,582	12.3	48,415	12.9
— Sales to online distributors . . . . .	5,600	0.8	8,707	1.1	8,949	1.1	3,670	1.1	4,422	1.1
<b>Total . . . . .</b>	<b>745,448</b>	<b>100.0</b>	<b>780,214</b>	<b>100.0</b>	<b>851,693</b>	<b>100.0</b>	<b>337,313</b>	<b>100.0</b>	<b>376,565</b>	<b>100.0</b>

*Note:*

- (1) Include sales to platform-operated online stores by JD.com, Vipshop and Tmall Supermarket, among others.

### Gross Profit and Gross Profit Margin

In 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, our gross profit was RMB555.7 million, RMB726.8 million, RMB878.3 million, RMB359.6 million and RMB406.0 million, respectively. In the same periods, our gross profit margin was 42.7%, 48.2%, 50.8%, 51.6% and 51.9%, respectively. Gross margins of all major product series improved during the Track Record Period, except for other products, which consisted primarily of non-EBN products, promotional gifts to customers, and products for internal sales. The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(Unaudited)									
	(RMB in thousands except for percentages)									
Pure EBN products . . . . .	544,891	43.5%	706,375	49.0%	845,427	51.6%	347,947	52.3%	389,141	52.7%
— One Nest . . . . .	310,900	55.6%	385,406	58.3%	414,195	61.6%	177,914	61.8%	176,711	62.4%
— Freshly Stewed Bird's Nest . . . . .	83,598	26.0%	156,209	36.9%	202,817	41.8%	76,605	40.6%	98,361	45.7%
— Other bottle-canned bird's nest <sup>(1)</sup> . . . . .	86,664	43.1%	98,733	51.1%	158,830	52.1%	65,642	53.4%	84,852	50.1%
— Dried EBN . . . . .	63,729	37.0%	66,027	40.0%	69,585	39.8%	27,786	42.3%	29,217	41.3%
EBN+ and +EBN products . . . . .	14,520	33.7%	25,355	45.2%	36,169	49.5%	14,331	50.1%	18,818	50.5%
Others <sup>(2)</sup> . . . . .	(3,702)	(88.0)%	(4,947)	(62.4)%	(3,344)	(17.9)%	(2,715)	(87.7)%	(1,948)	(29.0)%
<b>Total . . . . .</b>	<b>555,709</b>	<b>42.7%</b>	<b>726,783</b>	<b>48.2%</b>	<b>878,252</b>	<b>50.8%</b>	<b>359,563</b>	<b>51.6%</b>	<b>406,011</b>	<b>51.9%</b>

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*Notes:*

- (1) Include primarily Crystal Sugar Bird's Nest.
- (2) Include non-EBN products, promotional gifts to customers, and products for internal sales.

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channel for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Gross profit margin	RMB	Gross profit margin	RMB	Gross profit margin	RMB	Gross profit margin	RMB	Gross profit margin
	(Unaudited)									
	(RMB in thousands except for percentages)									
Offline channels . . . . .	292,346	50.5%	397,971	53.9%	449,168	56.7%	191,026	57.2%	203,667	57.7%
— Sales to offline distributors . . . . .	191,395	46.7%	246,767	48.4%	236,975	49.6%	99,844	50.2%	104,514	50.1%
— Direct sales to offline customers . . . . .	100,951	59.8%	151,204	66.1%	212,193	67.5%	91,182	67.4%	99,153	68.5%
Online channels . . . . .	263,363	36.4%	328,812	42.8%	429,084	45.7%	168,537	46.4%	202,344	47.1%
— Direct sales to online customers . . . . .	191,720	33.3%	223,238	39.5%	305,495	43.9%	115,215	43.6%	153,616	46.9%
— Direct sales to e-commerce platforms <sup>(1)</sup> . . . . .	67,357	49.0%	99,778	52.7%	116,920	51.5%	50,646	54.9%	45,285	48.3%
— Sales to online distributors . . . . .	4,286	43.4%	5,796	40.0%	6,669	42.7%	2,676	42.2%	3,443	43.8%
<b>Total . . . . .</b>	<b><u>555,709</u></b>	<b><u>42.7%</u></b>	<b><u>726,783</u></b>	<b><u>48.2%</u></b>	<b><u>878,252</u></b>	<b><u>50.8%</u></b>	<b><u>359,563</u></b>	<b><u>51.6%</u></b>	<b><u>406,011</u></b>	<b><u>51.9%</u></b>

*Note:*

- (1) Include sales to platform-operated online stores by JD.com, Vipshop and Tmall Supermarket, among others.

### Selling and Distribution Expenses

Our selling and distribution expenses consisted primarily of advertising and promotion fees as well as employee benefits expenses. Advertising and promotion fees constitute the most significant component of our selling and distribution expenses, as we adopted a multi-channel marketing approach that allows us to reach and influence a broad target customer base. For instance, we partnered with the China national fencing team as their official EBN product supplier and enlisted Ms. Liying Zhao (趙麗穎), a highly influential celebrity in China, as our brand ambassador. Employee benefits expenses are primarily salaries paid to sales and marketing staff. Technical service fees are primarily annual fees, promotional activity fees and data analysis service fees charged by e-commerce platforms.

We incurred selling and distribution expenses of RMB317.8 million, RMB399.0 million, RMB503.9 million, RMB205.8 million and RMB208.5 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively, accounting for 24.4%, 26.5%, 29.1%, 29.5% and 26.6% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated.

## FINANCIAL INFORMATION

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentages)									
Advertising and promotion fees . . .	235,952	74.3	269,011	67.4	326,325	64.8	137,325	66.7	125,050	60.0
Employee benefits expenses . . .	47,386	14.9	71,728	18.0	106,601	21.2	41,020	19.9	46,133	22.1
Sample and gift costs . . . . .	7,459	2.3	12,928	3.2	14,941	3.0	3,514	1.7	4,500	2.2
Technical service fees . . . . .	6,490	2.0	5,292	1.3	3,109	0.6	3,820	1.9	5,291	2.5
Rent . . . . .	5,107	1.6	10,364	2.6	16,937	3.3	7,545	3.7	8,642	4.1
Depreciation and amortization . . .	5,432	1.7	12,031	3.1	13,376	2.7	5,698	2.8	5,595	2.7
Others <sup>(1)</sup> . . . . .	9,936	3.2	17,597	4.4	22,590	4.4	6,878	3.3	13,322	6.4
<b>Total . . . . .</b>	<b>317,762</b>	<b>100.0</b>	<b>398,951</b>	<b>100.0</b>	<b>503,879</b>	<b>100.0</b>	<b>205,800</b>	<b>100.0</b>	<b>208,533</b>	<b>100.0</b>

Note:

(1) Include primarily design fees, conference fees, property utilities, office expenses, business hospitality, travel expenses and decoration and maintenance costs.

The following table sets forth a breakdown of our advertising and promotion fees by marketing channel for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentage)									
Offline Channels . . . . .	117,269	49.7	120,124	44.7	145,237	44.5	55,015	40.1	55,128	44.1
Online Channels . . . . .	118,683	50.3	148,888	55.3	181,088	55.5	82,310	59.9	69,922	55.9
<b>Total . . . . .</b>	<b>235,952</b>	<b>100.0</b>	<b>269,011</b>	<b>100.0</b>	<b>326,325</b>	<b>100.0</b>	<b>137,325</b>	<b>100.0</b>	<b>125,050</b>	<b>100.0</b>

The following table sets forth a breakdown of our advertising and promotion fees by major service provider for the periods indicated.

Suppliers	Advertising and promotion fee	Percentage of total advertising and promotion fee	Background
	(RMB in thousands)	(Percentage)	
<i>For the five months ended May 31, 2023</i>			
Service Provider A . . . . .	15,890	12.7	Independent third-party e-commerce platform group
Zhongshi Hongyun and its related parties . . . . .	14,915	11.9	Related party that is controlled by Mr. LIU Zhen
Service Provider B . . . . .	8,804	7.0	Independent third-party advertisement company
Service Provider C . . . . .	8,091	6.5	Independent third-party social media platform group
Service Provider D . . . . .	6,905	5.5	Independent third-party advertisement company
Other service providers . . . . .	70,445	56.4	
<b>Total . . . . .</b>	<b>125,050</b>	<b>100.0</b>	

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Suppliers	Advertising and promotion fee	Percentage of total advertising and promotion fee	Background
	(RMB in thousands)	(Percentage)	
<i>For the year ended December 31, 2022</i>			
Zhongshi Hongyun and its related parties . . . . .	60,298	18.5	Related party that is controlled by Mr. LIU Zhen
Service Provider A . . . . .	47,448	14.5	Independent third-party e-commerce platform group
Service Provider D . . . . .	20,666	6.3	Independent third-party advertisement company
Service Provider B . . . . .	19,207	5.9	Independent third-party advertisement company
Service Provider C . . . . .	14,664	4.5	Independent third-party social media platform group
Other service providers . . . . .	164,042	50.3	
<b>Total . . . . .</b>	<b>326,325</b>	<b>100.0</b>	
<i>For the year ended December 31, 2021</i>			
Zhongshi Hongyun and its related parties . . . . .	53,514	19.9	Related party that is controlled by Mr. LIU Zhen
Service Provider A . . . . .	47,877	17.8	Independent third-party e-commerce platform group
Service Provider E . . . . .	12,686	4.7	Independent third-party advertisement company
Service Provider B . . . . .	11,086	4.1	Independent third-party advertisement company
Service Provider F . . . . .	10,225	3.8	Independent third-party marketing company
Other service providers . . . . .	133,623	49.7	
<b>Total . . . . .</b>	<b>269,011</b>	<b>100.0</b>	
<i>For the year ended December 31, 2020</i>			
Zhongshi Hongyun and its related parties . . . . .	61,475	26.1	Related party that is controlled by Mr. LIU Zhen
Service Provider A . . . . .	39,017	16.5	Independent third-party e-commerce platform group
Service Provider F . . . . .	11,594	4.9	Independent third-party marketing company
Service Provider G . . . . .	7,400	3.1	Independent third-party advertisement company
Service Provider H . . . . .	7,083	3.0	Independent third-party advertisement company
Other service providers . . . . .	109,383	46.4	
<b>Total . . . . .</b>	<b>235,952</b>	<b>100.0</b>	

## FINANCIAL INFORMATION

### Administrative Expenses

Our administrative expenses consisted primarily of employee benefits expenses, consulting service fee, office expenses, and depreciation and amortization. Employee benefits expenses are primarily salaries and share-based compensations that we paid to administrative staff. The consulting service fee consisted primarily of expenses in connection with strategic and management consulting services as well as the listing expenses for our previous A-share listing application and the Listing application. Office expenses are expenditures related to the daily operation of our business.

We incurred administrative expenses of RMB76.1 million, RMB108.0 million, RMB111.5 million, RMB41.5 million and RMB60.8 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively, accounting for 5.8%, 7.2%, 6.4%, 5.9% and 7.8% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentages)									
Employee benefits expenses . . . . .	44,323	58.3	72,318	66.9	65,444	58.7	25,505	61.5	29,566	48.6
Consulting service fee <sup>(1)</sup> . . . . .	13,601	17.9	8,792	8.1	14,862	13.3	2,360	5.7	18,748	30.8
Office expenses . . . . .	4,828	6.3	9,426	8.7	9,015	8.1	4,179	10.1	3,133	5.2
Travel and business reception expenses . . .	3,927	5.1	5,718	5.3	5,158	4.7	2,059	4.9	2,809	4.6
Depreciation and amortization . . . . .	4,556	6.0	5,397	5.0	9,142	8.2	3,632	8.8	3,818	6.3
Property utilities . . . . .	904	1.2	2,741	2.5	3,967	3.6	1,089	2.6	911	1.5
Credit impairment loss <sup>(2)</sup> . . . . .	977	1.3	1,859	1.7	2,205	2.0	2,144	5.2	64	0.1
Others <sup>(3)</sup> . . . . .	2,944	3.9	1,769	1.8	1,750	1.4	494	1.2	1,758	2.9
<b>Total . . . . .</b>	<b>76,060</b>	<b>100.0</b>	<b>108,020</b>	<b>100.0</b>	<b>111,543</b>	<b>100.0</b>	<b>41,462</b>	<b>100.0</b>	<b>60,807</b>	<b>100.0</b>

*Notes:*

- (1) Include primarily expenses in connection with strategic and management consulting services as well as the listing expenses for our previous A-share listing application and the Listing application.
- (2) Represent the provision for impairment of certain receivables.
- (3) Include primarily cost of low-value consumables and notary fees.

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The following table sets forth a breakdown of our consulting service fee for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentage)									
Strategic and management consulting services . . . . .	11,353	83.5	4,842	55.1	4,367	29.4	1,717	72.8	3,214	17.1
Listing expenses for previous A-share listing application . . . . .	2,248	16.5	3,950	44.9	10,494	70.6	643	27.2	884	4.7
Listing expenses for the Listing application . . . . .	-	-	-	-	-	-	-	-	14,650	78.2
<b>Total consulting service fee . . . . .</b>	<b>13,601</b>	<b>100.0</b>	<b>8,792</b>	<b>100.0</b>	<b>14,862</b>	<b>100.0</b>	<b>2,360</b>	<b>100.0</b>	<b>18,748</b>	<b>100.0</b>

We typically procure services for strategic consulting, public relations, brand marketing, and IT development on an on-going basis. During the Track Record Period, the service providers for the strategic and management consulting services were primarily third-party consulting firms, public relation firms, brand marketing firms and IT service companies, among others. In 2020, we recorded higher strategic and management consulting service fees as compared to other periods during the Track Record Period, primarily due to (1) a strategic positioning consulting fee of RMB5.2 million, (2) an uniform design fee of RMB0.9 million, (3) a business model consulting fee of RMB0.9 million and (4) a market research fee of RMB0.5 million.

### Research and Development Expenses

Our research and development expenses consisted primarily of employee benefits expenses as well as research and development materials and process development costs. Employee benefits expenses are primarily salaries paid to research and development staff. We also incurred costs for purchase of raw materials to be used in research and development activities and process development during the course of our continuous product research and development.

We incurred research and development expenses of RMB17.7 million, RMB19.0 million, RMB24.3 million, RMB8.8 million and RMB9.6 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively, accounting for 1.4%, 1.3%, 1.4%, 1.3% and 1.2% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our research and development expenses for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentages)									
Employee benefits expenses . . . . .	7,186	40.6	7,818	41.2	10,386	42.7	3,950	44.8	4,501	47.0
Research and development materials and process development costs . . . . .	5,948	33.6	5,584	29.4	7,624	31.3	2,666	30.3	2,559	26.7
Depreciation and amortization . . . . .	3,740	21.2	3,986	21.0	4,198	17.3	1,706	19.4	1,731	18.1
Others <sup>(1)</sup> . . . . .	805	4.6	1,594	8.4	2,112	8.7	487	5.5	788	8.2
<b>Total . . . . .</b>	<b>17,679</b>	<b>100.0</b>	<b>18,982</b>	<b>100.0</b>	<b>24,320</b>	<b>100.0</b>	<b>8,809</b>	<b>100.0</b>	<b>9,579</b>	<b>100.0</b>

*Note:*

(1) Include primarily expenses in connection with our research and development cooperation with third parties and travel expenses for research and development staff.

## FINANCIAL INFORMATION

### Other Net Income

Our other net income consisted primarily of government grants, interest income and net fair value changes on financial assets measured at fair value through profit or loss. We recorded other net income of RMB20.7 million, RMB32.7 million, RMB27.7 million, RMB5.1 million and RMB3.3 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. The following table sets forth a breakdown of our other income for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2020		2021		2022		2022		2023	
	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(Unaudited)									
	(RMB in thousands except for percentages)									
Government grants . . . . .	17,156	82.8	36,507	111.7	24,553	88.7	4,378	85.5	1,085	32.9
Interest income . . . . .	4,276	20.6	1,884	5.8	1,950	7.0	567	11.1	1,048	31.8
Net fair value changes on financial assets measured at fair value through profit or loss . . . . .	1,128	5.4	2,329	7.1	1,455	5.3	480	9.4	1,169	35.5
Gain on disposal of investments in a subsidiary . . . . .	—	—	—	—	380	1.4	—	—	—	—
Gain on disposal of interest in an associate . . . . .	—	—	33	0.1	—	—	—	—	—	—
Net (loss)/gain on disposal of property, plant and equipment . . . . .	(29)	(0.1)	159	0.5	(60)	(0.2)	52	1.0	52	1.6
Other expenses . . . . .	(1,817)	(8.7)	(8,232)	(25.2)	(586)	(2.2)	(354)	(7.0)	(61)	(1.8)
<b>Total . . . . .</b>	<b>20,714</b>	<b>100.0</b>	<b>32,680</b>	<b>100.0</b>	<b>27,692</b>	<b>100.0</b>	<b>5,123</b>	<b>100.0</b>	<b>3,293</b>	<b>100.0</b>

During the Track Record Period, the net fair value changes on financial assets measured at fair value through profit or loss was primarily related to our investments in short-term wealth management products issued by reputable commercial banks in China.

During the Track Record Period, government grants were primarily awarded by local government authorities as a recognition of our contribution towards the local economic development. During the same period, we only had one type of government grants, i.e., grants that compensate us for expenses incurred. Such grants were recognized as income in profit or loss on a systematic basis in the same periods in which the expenses were incurred. The criteria and/or conditions for substantially all government grants we received during the Track Record Period were related to our financial conditions, including revenue, taxation and research and development expenditures. Our management is of the view that there are no significant unfulfilled conditions or other contingencies attached to these subsidies. During the Track Record Period, the amount of government grants experienced fluctuations, primarily because certain government grants were one-off in nature.

Other expenses during the Track Record Period represented primarily donations and late fee for overdue taxation. The spike in 2021 was primarily attributed to multiple one-time donations of RMB3.0 million as well as a late fee for tax overdue of RMB5.5 million. The late fee was resulted from an overdue taxation of RMB18.0 million by Yan Sinong, one of our subsidiaries, in 2018 and 2019. In 2021, all of such overdue taxation and late fee had been fully settled by Yan Sinong. As advised by our PRC Legal Advisor, late fees due to failure to pay taxes within the prescribed time limit constitute tax collection by

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relevant tax authorities rather than administrative penalties. Therefore, the late fee of RMB5.5 million was not penalty in nature. To prevent similar events in the future, we regularly conduct internal and external trainings for our finance personnel to keep them abreast of the latest developments in the relevant accounting and tax regulations. Yan Sinong has also obtained tax compliance certificates from the local tax authority, confirming that it did not violate PRC laws and regulations in relation to tax in material aspects during the Track Record Period. As further advised by our PRC Legal Advisor, such local tax authority is competent government authority to issue such confirmation.

### Finance Costs

Finance costs consisted primarily of our lease liabilities and interest expenses on bank loans. We incurred finance costs of RMB4.9 million, RMB3.3 million, RMB1.6 million, RMB0.8 million and RMB0.9 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively.

### Income Tax

We incurred income tax of RMB36.4 million, RMB57.8 million, RMB58.7 million, RMB24.1 million and RMB29.0 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. The effective tax rate for the same periods was 22.8%, 25.1%, 22.2%, 22.3% and 22.4%, respectively, calculated by dividing the income tax in a given period by the profit before taxation in that period.

Pursuant to the EIT Law and related regulations, enterprises which operate in China are subject to enterprise income tax at a rate of 25% on the taxable profit. During the Track Record Period, one of our subsidiaries, Guanghe Yan Palace, is qualified to enjoy the preferential income tax rate of 15% and is expected to enjoy such preferential income tax treatment until December 31, 2030. During the same period, our Company and other subsidiaries were all subject to enterprise income tax at a rate of 25%.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there are no matters in dispute or unresolved with the relevant tax authorities.

### Profit for the Period

Our profit for the period increased from RMB123.4 million in 2020 to RMB205.9 million in 2022, and increased from RMB83.8 million in the five months ended May 31, 2022 to RMB100.5 million in the five months ended May 31, 2023.

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

### Five Months Ended May 31, 2023 Compared to Five Months Ended May 31, 2022

#### Revenue

Our revenue increased by 12.3% from RMB696.9 million in the five months ended May 31, 2022 to RMB782.6 million in the five months ended May 31, 2023, primarily as a result of our continued efforts to grow our business, optimize sales channels, and launch products that cater to the evolving consumer demand. More specifically:

- *One Nest (pure EBN)*. Our revenue generated from *One Nest* (pure EBN) decreased by 1.6% from RMB288.0 million in the five months ended May 31, 2022 to RMB283.4 million in the five months ended May 31, 2023, primarily due to (1) our strategic shift to focus on the offline

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sales of *One Nest* in the second half of 2022, which led to a decrease in online sales revenue from *One Nest* in the five months ended May 31, 2023, and (2) seasonal fluctuation due to the stocking up of inventory by offline distributors in December 2022 ahead of the Spring Festival in January 2023, which resulted in a squeeze on the sales in January 2023, despite the rebound in sales from the impact of pandemic.

- *Freshly Stewed Bird's Nest*. Our revenue generated from *Freshly Stewed Bird's Nest* increased by 14.0% from RMB188.7 million in the five months ended May 31, 2022 to RMB215.2 million in the five months ended May 31, 2023, primarily due to continued popularity of our Freshly Stewed Bird's Nest products among online consumers.
- *Other bottle-canned bird's nest (pure EBN)*. Our revenue generated from other bottle-canned bird's nest (pure EBN) increased by 37.8% from RMB122.8 million in the five months ended May 31, 2022 to RMB169.3 million in the five months ended May 31, 2023, primarily due to our enhanced sales efforts both online and offline.
- *Dried EBN*. Our revenue generated from Dried EBN increased by 7.7% from RMB65.7 million in the five months ended May 31, 2022 to RMB70.8 million in the five months ended May 31, 2023, primarily due to the recovery of offline sales from the impact of the pandemic, partially offset by the seasonal fluctuation caused by the stocking up of inventory by offline distributors in December 2022 ahead of the Spring Festival in January 2023.
- *EBN+ and +EBN products*. Our revenue generated from EBN+ and +EBN products increased by 38.6% from RMB31.7 million in the five months ended May 31, 2022 to RMB44.0 million in the five months ended May 31, 2023, primarily because we launched *Little Blue Bottle* (晚安小藍瓶) in April 2022, which quickly became popular among consumers, and other EBN+ and +EBN products such as *One Nest—Vitality* continued to gain traction.

### **Cost of Sales**

Our cost of sales increased by 11.6% from RMB337.3 million in the five months ended May 31, 2022 to RMB376.6 million in the five months ended May 31, 2023, generally consistent with our business growth.

### **Gross Profit and Gross Profit Margin**

As a result of the foregoing, our gross profit increased by 12.9% from RMB359.6 million in the five months ended May 31, 2022 to RMB406.0 million in the five months ended May 31, 2023, and our gross profit margin increased from 51.6% in the five months ended May 31, 2022 to 51.9% in the five months ended May 31, 2023. More specifically:

- *One Nest (pure EBN)*. The gross profit margin of *One Nest* (pure EBN) remained stable at 61.8% in the five months ended May 31, 2022 and 62.4% in the five months ended May 31, 2023.
- *Freshly Stewed Bird's Nest*. The gross profit margin of *Freshly Stewed Bird's Nest* increased from 40.6% in the five months ended May 31, 2022 to 45.7% in the five months ended May 31, 2023, primarily due to reduced discounts for Freshly Stewed Bird's Nest products in the five months ended May 31, 2023 as a result of our products' established market position.
- *Other bottle-canned bird's nest (pure EBN)*. The gross profit margin of other bottle-canned bird's nest (pure EBN) decreased from 53.4% in the five months ended May 31, 2022 to 50.1% in the five months ended May 31, 2022 and 2023, primarily due to increased magnitude of discounts for other bottle-canned bird's nest (pure EBN) products through online channels in the five months ended May 31, 2023 to enhance online sales.

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- *Dried EBN.* The gross profit margin of Dried EBN remained stable at 42.3% in the five months ended May 31, 2022 and 41.3% in the five months ended May 31, 2023.
- *EBN+ and +EBN products.* The gross profit margin of EBN+ and +EBN products remained stable at 36.6% in the five months ended May 31, 2022 and 38.4% in the five months ended May 31, 2023.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses remained relatively stable at RMB205.8 million and RMB208.5 million in the five months ended May 31, 2022 and 2023, respectively.

### ***Administrative Expenses***

Our administrative expenses increased by 46.7% from RMB41.5 million in the five months ended May 31, 2022 to RMB60.8 million in the five months ended May 31, 2023, primarily due to (1) an increase in employee benefits expenses as a result of headcount increase in administrative personnel, and (2) an increase in consulting service fee in the five months ended May 31, 2023 in connection with the Listing application.

### ***Research and Development Expenses***

Our research and development expenses increased by 8.7% from RMB8.8 million in the five months ended May 31, 2022 to RMB9.6 million in the five months ended May 31, 2023, primarily due to (1) an increase in employee benefits expenses as a result of headcount increase in research and development personnel, and (2) increases in traveling expenses and consulting service fees in connection with our new research and development projects.

### ***Other Net Income***

Our other net income decreased by 35.7% from RMB5.1 million in the five months ended May 31, 2022 to RMB3.3 million in the five months ended May 31, 2023, primarily due to a decrease in government grants as certain government grants in the five months ended May 31, 2022 were one-off in nature.

### ***Finance Costs***

Our finance costs increased by 12.2% from RMB0.8 million in the five months ended May 31, 2022 to RMB0.9 million in the five months ended May 31, 2023, primarily due to an increase in interest on lease liabilities in connection with the additional leased properties in the five months ended May 31, 2023 as a result of our business expansion.

### ***Income Tax***

Our income tax increased by 20.5% from RMB24.1 million in the five months ended May 31, 2022 to RMB29.0 million in the five months ended May 31, 2023, largely in line with our profit growth.

### ***Profit for the Period***

As a result of the above factors, we recorded net profit of RMB83.8 million and RMB100.5 million in the five months ended May 31, 2022 and 2023, respectively. Our net profit margin was 12.0% and 12.8% in the five months ended May 31, 2022 and 2023, respectively.

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### Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

#### Revenue

Our revenue increased by 14.8% from RMB1,507.0 million in 2021 to RMB1,729.9 million in 2022, primarily as a result of our continued efforts to grow our business, optimize sales channels, and launch products that cater to the evolving consumer demand. More specifically:

- *One Nest (pure EBN)*. Our revenue generated from *One Nest* (pure EBN) increased by 1.7% from RMB661.4 million in 2021 to RMB672.6 million in 2022, primarily due to the expansion of our offline stores from 633 as of December 31, 2021 to 704 as of December 31, 2022, partially offset by the negative impact caused by the resurgence of COVID-19 in 2022. In particular, our *One Nest* products are distributed generally through our offline stores, most of which experienced temporary store closures, reduced operating hours, and reduced offline customer traffic in 2022, which resulted in a slower growth rate.
- *Freshly Stewed Bird's Nest*. Our revenue generated from Freshly Stewed Bird's Nest increased by 14.7% from RMB423.3 million in 2021 to RMB485.4 million in 2022, primarily due to rising demand of our Freshly Stewed Bird's Nest products among online consumers seeking products with higher standards for freshness and quality.
- *Other bottle-canned bird's nest (pure EBN)*. Our revenue generated from other bottle-canned bird's nest (pure EBN) increased by 57.8% from RMB193.3 million in 2021 to RMB305.1 million in 2022, primarily due to our (1) efforts to diversify the Crystal Sugar Bird's Nest product portfolio with new flavors and packaging options that appealed to more customer segments, and (2) enhanced marketing and promotional activities for Crystal Sugar Bird's Nest in 2022.
- *Dried EBN*. Our revenue generated from Dried EBN increased by 6.1% from RMB165.0 million in 2021 to RMB175.0 million in 2022, which is largely in line with our business growth.
- *EBN+ and +EBN products*. Our revenue generated from EBN+ and +EBN products increased by 43.4% from RMB64.0 million in 2021 to RMB91.8 million in 2022, primarily because we launched innovative products in 2022 which quickly gained popularity, such as bird nest with quinoa and gas bladder (藜麥花膠燕窩) and drinkable EBN essence imbued with ginseng (紅參精華飲).

#### Cost of Sales

Our cost of sales increased by 9.2% from RMB780.2 million in 2021 to RMB851.7 million in 2022, generally consistent with our business growth but outpaced by the revenue growth as our margin profile improved. In particular, we managed to reduce the average raw material costs which led to a general decrease in production costs for our products in 2022.

#### Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 20.8% from RMB726.8 million in 2021 to RMB878.3 million in 2022, and our gross profit margin increased from 48.2% in 2021 to 50.8% in 2022. More specifically:

- *One Nest (pure EBN)*. The gross profit margin of *One Nest* (pure EBN) increased from 58.3% in 2021 to 61.6% in 2022, primarily because (1) we acquired four companies primarily engaged in offline sales of EBN products, our sales through which became direct sales to customers, effectively driving up the gross profit margin of *One Nest*, and (2) a decrease in production costs for *One Nest* in 2022 primarily as a result of decreased raw material price.

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- *Freshly Stewed Bird's Nest.* The gross profit margin of Freshly Stewed Bird's Nest increased from 36.9% in 2021 to 41.8% in 2022, primarily due to (1) an increase in the average selling prices of our Freshly Stewed Bird's Nest products from RMB52 per bottle to RMB54 per bottle, (2) a decline in production costs for Freshly Stewed Bird's Nest in 2022 primarily as a result of decreased raw material price, and (3) a decline in courier fee because we launched non-refrigerated Freshly Stewed Bird's Nest, which required less demanding transportation condition, and we established our production base in Shanghai in 2021 to shorten the delivery distance in light of the short shelf life of our Freshly Stewed Bird's Nest. See "Business—Production—Production Bases."
- *Other bottle-canned bird's nest (pure EBN).* The gross profit margin of other bottle-canned bird's nest (pure EBN) slightly increased from 51.1% in 2021 to 52.1% in 2022, primarily due to the decrease in raw material price in 2022.
- *Dried EBN.* The gross profit margin of Dried EBN remained stable at 40.0% in 2021 and 39.8% in 2022.
- *EBN+ and +EBN products.* The gross profit margin of EBN+ and +EBN products increased from 31.9% in 2021 to 35.8% in 2022, primarily due to the launch of several innovative products with a higher margin in 2022, such as *Little Blue Bottle* (晚安小藍瓶) as well as the continued popularity of *One Nest—Vitality*.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 26.3% from RMB399.0 million in 2021 to RMB503.9 million in 2022, primarily due to our increased investment in marketing efforts to promote our EBN products, which was primarily reflected by (1) an increase in our employee benefits expenses as a result of our sales force expansion partially attributable to the addition of sales personnel from the four companies we acquired in 2021 that were primarily engaged in offline sales of EBN products, and (2) an increase in our advertising and promotion fees.

### ***Administrative Expenses***

Our administrative expenses increased by 3.3% from RMB108.0 million in 2021 to RMB111.5 million in 2022, primarily due to an increase in our consulting service fee in 2022 in connection with our previous A-share listing application.

### ***Research and Development Expenses***

Our research and development expenses increased by 28.1% from RMB19.0 million in 2021 to RMB24.3 million in 2022, primarily due to (1) an increase in employee benefits expenses as the number of our research and development staff increased from 47 as of December 31, 2021 to 51 as of December 31, 2022, and (2) an increase in our investment in research and development projects with certain universities and research institutions.

### ***Other Net Income***

Our other net income decreased by 15.3% from RMB32.7 million in 2021 to RMB27.7 million in 2022, primarily due to the decrease in government grants for our contribution towards the local economic development from RMB36.5 million in 2021 to RMB24.6 million in 2022.

### ***Finance Costs***

Our finance costs decreased by 51.0% from RMB3.3 million in 2021 to RMB1.6 million in 2022, primarily due to a decrease in interest expenses on bank loans.

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### ***Income Tax***

Our income tax remained stable at RMB57.8 million and RMB58.7 million in 2021 and 2022, respectively.

### ***Profit for the Period***

As a result of the above factors, we recorded net profit of RMB172.4 million and RMB205.9 million in 2021 and 2022, respectively. Our net profit margin was 11.4% and 11.9% in 2021 and 2022, respectively.

### **Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

### ***Revenue***

Our revenue increased by 15.8% from RMB1,301.2 million in 2020 to RMB1,507.0 million in 2021, primarily as a result of our continued efforts to grow our business, optimize sales channels and launch products that cater to the evolving consumer demand. More specifically:

- *One Nest (pure EBN)*. Our revenue generated from *One Nest* (pure EBN) increased by 18.3% from RMB559.3 million in 2020 to RMB661.4 million in 2021, primarily due to the rapid expansion of our offline stores from 523 as of December 31, 2020 to 633 as of December 31, 2021, spurring the sales of our *One Nest* products in 2021.
- *Freshly Stewed Bird's Nest*. Our revenue generated from Freshly Stewed Bird's Nest increased by 31.8% from RMB321.1 million in 2020 to RMB423.3 million in 2021, primarily due to our optimization of online sales channels, which spurred stronger demand for our Freshly Stewed Bird's Nest, which is available primarily for online channels.
- *Other bottle-canned bird's nest (pure EBN)*. Our revenue generated from other bottle-canned bird's nest (pure EBN) decreased by 4.0% from RMB201.3 million in 2020 to RMB193.3 million in 2021, primarily due to our strategic decision to rebalance our marketing and promotion focus, which resulted in reduced sales and marketing resources for Crystal Sugar Bird's Nest.
- *Dried EBN*. Our revenue generated from Dried EBN decreased by 4.2% from RMB172.2 million in 2020 to RMB165.0 million in 2021, primarily from a slight decrease in the online sales volume of our dried EBN products.
- *EBN+ and +EBN products*. Our revenue generated from EBN+ and +EBN products increased by 35.5% from RMB47.3 million in 2020 to RMB64.0 million in 2021, primarily because we launched *One Nest — Vitality* in 2020, which quickly gained popularity and contributed to revenue growth in 2021.

### ***Cost of Sales***

Our cost of sales increased by 4.7% from RMB745.4 million in 2020 to RMB780.2 million in 2021, generally consistent with our business growth but outpaced by the revenue growth as our margin profile improved.

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### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit increased by 30.8% from RMB555.7 million in 2020 to RMB726.8 million in 2021. Our gross profit margin increased from 42.7% in 2020 to 48.2% in 2021. More specifically:

- *One Nest (pure EBN)*. The gross profit margin of *One Nest* (pure EBN) increased from 55.6% in 2020 to 58.3% in 2021, primarily because (1) we adjusted our sales strategies for *One Nest* by reducing discounts for *One Nest* products, which increased the average selling prices of *One Nest* products from RMB163 per bowl in 2020 to RMB172 per bowl in 2021, and (2) the purchasing prices of raw materials experienced decreases in 2021.
- *Freshly Stewed Bird's Nest*. The gross profit margin of Freshly Stewed Bird's Nest increased from 26.0% in 2020 to 36.9% in 2021, primarily due to (1) reduced discounts for Freshly Stewed Bird's Nest as our products had gained a foothold in the market, and (2) decreases in the purchasing prices of raw materials and courier fees for Freshly Stewed Bird's Nest.
- *Other bottle-canned bird's nest (pure EBN)*. The gross profit margin of other bottle-canned bird's nest (pure EBN) increased from 43.1% in 2020 to 51.1% in 2021, primarily because (1) we reduced discounts for Crystal Sugar Bird's Nest based on market competition condition, which increased the average selling prices of Crystal Sugar Bird's Nest products from RMB39 per bottle in 2020 to RMB44 per bottle in 2021, and (2) the purchasing prices of raw materials experienced decreases in 2021. Additionally, we undertook two large customized product orders with a total contract value of RMB24.7 million from a corporate client in 2020. Compared to retail products, such orders had a relatively lower margin, which had a negative impact on the overall gross profit margin for the year.
- *Dried EBN*. The gross profit margin of Dried EBN increased from 37.0% in 2020 to 40.0% in 2021, primarily due to the decrease in the purchasing prices for raw nests in 2021.
- *EBN+ and +EBN products*. The gross profit margin of EBN+ and +EBN products increased from 22.9% in 2020 to 31.9% in 2021 primarily due to the launch of *One Nest—Vitality* in 2020, which had a higher margin profile.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 25.6% from RMB317.8 million in 2020 to RMB399.0 million in 2021, primarily due to our increased investment in marketing efforts to promote our EBN products, which was primarily reflected by (1) an increase in our employee benefits expenses as we expanded our sales force as a result of the increase of the number of self-operated stores from 40 as of December 31, 2020 to 89 as of December 31, 2021, and (2) an increase in our advertising and promotion fees.

### ***Administrative Expenses***

Our administrative expenses increased by 42.0% from RMB76.1 million in 2020 to RMB108.0 million in 2021, primarily due to an increase in employee benefits expenses as the number of our administrative staff increased from 156 as of December 31, 2020 to 208 as of December 31, 2021.

### ***Research and Development Expenses***

Our research and development expenses increased by 7.4% from RMB17.7 million in 2020 to RMB19.0 million in 2021, primarily due to (1) an increase in employee benefits expenses as the number of our research and development staff increased from 40 as of December 31, 2020 to 47 as of December 31, 2021 as we established more research and development cooperations with third parties, (2) an increase in travel expenses for research and development personnel, and (3) increased research and development activities in collaboration with third parties in 2021.

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### *Other Net Income*

Our other net income increased by 57.8% from RMB20.7 million in 2020 to RMB32.7 million in 2021, primarily due to the increase in government grants recognizing our contribution towards the local economic development from RMB17.2 million in 2020 to RMB36.5 million in 2021.

### *Finance Costs*

Our finance costs decreased by 31.6% from RMB4.9 million in 2020 to RMB3.3 million in 2021, primarily due to a significant decrease in the interest expenses on bank loans as the amount of our bank loans decreased in 2021.

### *Share of Loss of An Associate*

We recorded RMB0.2 million in 2020. The share of loss of an associate in 2020 was primarily attributable to the loss of a then joint venture in Shanghai.

### *Income Tax*

Our income tax increased by 58.8% from RMB36.4 million in 2020 to RMB57.8 million in 2021, primarily due to the growth of our profit before taxation from RMB159.8 million in 2020 to RMB230.2 million in 2021.

### *Profit for the Period*

As a result of the above factors, we recorded net profit of RMB123.4 million and RMB172.4 million in 2020 and 2021, respectively. Our net profit margin was 9.5% and 11.4% in 2020 and 2021, respectively.

## DISCUSSION OF SELECTED BALANCE SHEET ITEMS

The following table sets forth details of our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	62,462	91,934	87,782	94,187
Intangible assets . . . . .	704	873	1,275	1,018
Goodwill . . . . .	—	75,165	75,165	75,165
Interest in an associate . . . . .	2,067	—	—	—
Deferred tax assets . . . . .	4,342	16,313	36,130	29,914
Other non-current assets . . . . .	1,264	6,862	4,679	2,870
<b>Total non-current assets . . . . .</b>	<b>70,839</b>	<b>191,147</b>	<b>205,031</b>	<b>203,154</b>
<b>Current assets</b>				
Financial assets measured at fair value through profit or loss . . . . .	46,225	—	4,996	—
Inventories and other contract costs . . . . .	277,045	279,742	271,795	260,354
Trade and other receivables . . . . .	70,537	87,583	89,459	95,270
Prepayments . . . . .	33,353	66,759	54,655	48,460
Restricted bank deposits . . . . .	1,202	2,000	1,600	8,000
Cash and cash equivalents . . . . .	150,573	169,495	350,818	187,403
<b>Total current assets . . . . .</b>	<b>578,935</b>	<b>605,579</b>	<b>773,323</b>	<b>599,487</b>

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	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
<b>Current liabilities</b>				
Trade and other payables . . . . .	213,699	204,794	239,673	166,805
Contract liabilities . . . . .	102,084	138,789	176,450	157,079
Bank loans . . . . .	66,097	—	—	—
Lease liabilities . . . . .	7,697	15,644	15,657	15,250
Other current liabilities . . . . .	12,849	17,897	23,274	19,566
Current taxation . . . . .	16,391	47,133	38,091	7,224
<b>Total current liabilities . . . . .</b>	<b>418,817</b>	<b>424,257</b>	<b>493,145</b>	<b>365,924</b>
<b>Net current assets . . . . .</b>	<b>160,118</b>	<b>181,322</b>	<b>280,178</b>	<b>233,563</b>
<b>Total assets less current liabilities . .</b>	<b>230,957</b>	<b>372,469</b>	<b>485,209</b>	<b>436,717</b>
<b>Non-current liabilities</b>				
Bank loans . . . . .	8,597	—	—	—
Lease liabilities . . . . .	7,793	17,047	11,264	20,918
Deferred tax liabilities . . . . .	2,802	2,285	1,935	1,103
<b>Total non-current liabilities . . . . .</b>	<b>19,192</b>	<b>19,332</b>	<b>13,199</b>	<b>22,021</b>
<b>Net assets . . . . .</b>	<b>211,765</b>	<b>353,137</b>	<b>472,010</b>	<b>414,696</b>
<b>Capital and reserves</b>				
Share capital . . . . .	83,333	86,700	86,700	86,700
Reserves . . . . .	124,054	250,253	367,696	304,943
<b>Total equity attributable to equity shareholders of the Company . . .</b>	<b>207,387</b>	<b>336,953</b>	<b>454,396</b>	<b>391,643</b>
<b>Non-controlling interests . . . . .</b>	<b>4,378</b>	<b>16,184</b>	<b>17,614</b>	<b>23,053</b>
<b>Total equity . . . . .</b>	<b>211,765</b>	<b>353,137</b>	<b>472,010</b>	<b>414,696</b>

### Property, Plant and Equipment

Our property, plant and equipment consisted primarily of other properties leased for own use, machinery, leasehold improvements and ownership interests in leasehold building held for own use.

We had property, plant and equipment of RMB62.5 million, RMB91.9 million, RMB87.8 million and RMB94.2 million as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. The increase in our property, plant and equipment as of December 31, 2021 as compared to that as of December 31, 2020 was primarily due to the addition of a production base that primarily manufactures Freshly Stewed Bird's Nest in Songjiang District, Shanghai. See "Business—Production—Production Bases." The slight decrease in our property, plant and equipment as of December 31, 2022 as compared to that as of December 31, 2021 was primarily due to the depreciation of equipment for our manufacturing activities during normal business operations. The increase in our property, plant and equipment as of May 31, 2023 as compared to that as of December 31, 2022 was primarily due to the increases in other properties leased for own use.

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our property, plant and equipment of RMB14.7 million, nil, nil and nil were pledged as collateral for our short-term bank loans. For details, see Note 25 to the Accountants' Report in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### Intangible Assets

Our intangible assets consisted primarily of computer software. We had intangible assets of RMB0.7 million, RMB0.9 million, RMB1.3 million and RMB1.0 million as of December 31, 2020, 2021 and 2022 and May 31, 2023. The increase in our intangible assets in 2022 was primarily due to the purchase of software for our daily operations. The decrease in our intangible assets in the five months ended May 31, 2023 was primarily due to amortization.

### Goodwill

As of December 31, 2020, 2021 and 2022 and May 31, 2023, we recorded goodwill of nil, RMB75.2 million, RMB75.2 million and RMB75.2 million, respectively. Such goodwill arose from our strategic acquisitions of Beijing Tianfeiyang, Harbin Jinyanhui, Changchun Jinyanhui, and Taiyuan Jixiangyan, all of which engage in offline sales of EBN products. Goodwill is mainly attributable to the sales talent of these entities' work force and the synergies expected to be achieved from integrating such entities into our existing sales channels. See "History, Development and Corporate Structure—Major Acquisitions, Disposals and Mergers."

None of the goodwill recognized is expected to be deductible for tax purposes. Non-controlling interests recognized at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

No impairment loss of goodwill was recognized during the Track Record Period. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

### *Impairment tests for cash-generating units containing goodwill*

Goodwill is allocated to our cash-generating units ("CGU") identified according to city of operation and operating segment as follows:

	As of December 31,			As of
	2020	2021	2022	May 31, 2023
	(RMB in thousands)			
Beijing Tianfeiyang Trading Co., Ltd. ("Beijing Tianfeiyang") — offline retail . . . . .	—	31,609	31,609	31,609
Harbin Jinyanhui Trading Co., Ltd. ("Harbin Jinyanhui") — offline retail . . . . .	—	17,301	17,301	17,301
Changchun Jinyanhui Trading Co., Ltd. ("Changchun Jinyanhui") — offline retail . . . . .	—	15,245	15,245	15,245
Taiyuan Jixiangyan Trading Co., Ltd. ("Taiyuan Jixiangyan") — offline retail . . . . .	—	11,010	11,010	11,010
	—	75,165	75,165	75,165

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The recoverable amount of the CGU — Beijing Tianfeiyuan is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by our management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	As of December 31,		As of
	2021	2022	May 31, 2023
Annual growth rate of revenue during five-year forecast period. . . . .	2%	3%	3%
Estimated weighted average growth rate beyond the five-year period. . . . .	2%	2%	2%
Pre-tax discount rate. . . . .	16.20%	14.58%	14.43%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU — Beijing Tianfeiyuan as of December 31, 2021 and 2022 and May 31, 2023 was RMB2.6 million, RMB3.7 million and RMB11.4 million, respectively.

Our management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as of December 31, 2021 and 2022 and May 31, 2023:

	As of December 31,		As of
	2021	2022	May 31, 2023
Decrease in annual growth rate of revenue during five-year forecast period . . . . .	0.7 percentage points	0.9 percentage points	3.3 percentage points
Decrease in estimated weighted average growth rate beyond the five-year period. . . . .	0.9 percentage points	1.1 percentage points	3.7 percentage points
Increase in pre-tax discount rate . . . . .	0.6 percentage points	0.7 percentage points	2.4 percentage points

The recoverable amount of the CGU — Harbin Jinyanhui is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by our management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	As of December 31,		As of
	2021	2022	May 31, 2023
Annual growth rate of revenue during five-year forecast period. . . . .	2%-3%	4%-5%	4%-5%
Estimated weighted average growth rate beyond the five-year period. . . . .	2%	2%	2%
Pre-tax discount rate. . . . .	16.20%	14.58%	14.43%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU — Harbin Jinyanhui as of December 31, 2021 and 2022 and May 31, 2023 was RMB1.9 million, RMB4.3 million and RMB8.3 million, respectively.

## FINANCIAL INFORMATION

Our management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as of December 31, 2021 and 2022 and May 31, 2023:

	As of December 31,		As of
	2021	2022	May 31, 2023
Decrease in annual growth rate of revenue during five-year forecast period . . . . .	1.2 percentage points	2.4 percentage points	5.6 percentage points
Decrease in estimated weighted average growth rate beyond the five-year period. . . . .	1.3 percentage points	2.3 percentage points	4.9 percentage points
Increase in pre-tax discount rate . . . . .	0.8 percentage points	1.5 percentage points	3.0 percentage points

The recoverable amount of the CGU — Changchun Jinyanhui is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	As of December 31,		As of
	2021	2022	May 31, 2023
Annual growth rate of revenue during five-year forecast period. . . . .	2%-3%	3%-4%	3%-4%
Estimated weighted average growth rate beyond the five-year period. . . . .	2%	2%	2%
Pre-tax discount rate. . . . .	16.20%	14.58%	14.43%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU – Changchun Jinyanhui as of December 31, 2021 and 2022 and May 31, 2023 was RMB1.1 million, RMB3.9 million and RMB4.8 million, respectively.

Our management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as of December 31, 2021 and 2022 and May 31, 2023:

	As of December 31,		As of
	2021	2022	May 31, 2023
Decrease in annual growth rate of revenue during five-year forecast period . . . . .	0.7 percentage points	2.5 percentage points	3.4 percentage points
Decrease in estimated weighted average growth rate beyond the five-year period. . . . .	0.8 percentage points	2.5 percentage points	3.1 percentage points
Increase in pre-tax discount rate . . . . .	0.5 percentage points	1.6 percentage points	1.9 percentage points

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The recoverable amount of the CGU — Taiyuan Jixiangyan is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	As of December 31,		As of
	2021	2022	May 31, 2023
Annual growth rate of revenue during five-year forecast period . . . . .	2%	2%	2%
Estimated weighted average growth rate beyond the five-year period . . . . .	2%	2%	2%
Pre-tax discount rate . . . . .	16.20%	14.58%	14.43%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU — Taiyuan Jixiangyan as of December 31, 2021 and 2022 and May 31, 2023 was RMB2.9 million, RMB7.5 million and RMB14.5 million, respectively.

Our management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as of December 31, 2021 and 2022 and May 31, 2023:

	As of December 31,		As of
	2021	2022	May 31, 2023
Decrease in annual growth rate of revenue during five-year forecast period . . . . .	2.0 percentage points	3.7 percentage points	8.1 percentage points
Decrease in estimated weighted average growth rate beyond the five-year period . . . . .	3.3 percentage points	7.3 percentage points	16.5 percentage points
Increase in pre-tax discount rate . . . . .	1.9 percentage points	4.1 percentage points	8.2 percentage points

Our management adopted Weighted Average Cost of Capital (“WACC”) model to calculate the discount rate of the CGUs. Since all CGUs are engaged in sales of the same products in the PRC, parameters adopted in WACC model, such as beta extracted from comparable companies, risk free rate, cost of debt and tax rate, are the same for all CGUs. Further, given that all CGUs are substantially similar in business model in the PRC, operation scale, stage of development, core competitiveness and financing costs during the Track Record Period, our management apply consistent CGU-specific risk premium of all CGUs, which results in the same pre-tax discount rate for all CGUs during the Track Record Period.

No impairment loss of goodwill was recognized in 2021, 2022 and the five months ended May 31, 2023. Except for the pre-tax discount rates, a reasonably possible adverse change in the assumptions used in the calculation of recoverable amount would not result in impairment losses.

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### Interest in An Associate

We had interest in an associate of RMB2.1 million, nil, nil and nil as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. Our interest in an associate in 2020 was not material and such then associate was disposed of in 2021.

### Financial Assets Measured at Fair Value through Profit or Loss

We had financial assets measured at fair value through profit or loss of RMB46.2 million, nil, RMB5.0 million and nil as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. Our financial assets measured at fair value through profit or loss represented our investments in short-term wealth management products issued by reputable commercial banks in China. See “—Liquidity and Capital Resources—Investment Management Policy.”

### Inventories

Our inventories primarily included raw materials, work in progress and finished goods, with raw materials being the major component. As of December 31, 2020, 2021 and 2022 and May 31, 2023, we had inventories of RMB277.0 million, RMB279.7 million, RMB271.8 million and RMB260.4 million, respectively. As of the same dates, the percentage of raw materials to inventories was 62.8%, 58.6%, 46.3% and 72.1%, respectively. The following table sets forth a breakdown of our inventory balances as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Raw materials . . . . .	174,103	163,851	125,926	187,748
— Raw nests . . . . .	173,917	163,386	124,722	186,776
— Other raw materials . . . . .	186	465	1,204	972
Work in progress . . . . .	41,092	33,360	36,467	17,608
Finished goods . . . . .	42,071	65,189	81,504	34,881
Goods in transit . . . . .	6,739	4,743	13,295	9,183
Packaging . . . . .	12,981	12,498	14,370	10,832
Right to recover returned goods. . . . .	59	101	233	102
<b>Total . . . . .</b>	<b>277,045</b>	<b>279,742</b>	<b>271,795</b>	<b>260,354</b>

In 2020, we stocked up raw nests to prevent raw material shortage amid the pandemic, which resulted in a raw material inventory balance of RMB174.1 million as of December 31, 2020. While the pandemic generally came under control in China in 2021, we adjusted our inventory management strategy to maintain raw materials at a level that was in line with our production pace. As such, our raw materials decreased from RMB163.9 million as of December 31, 2021 to RMB125.9 million as of December 31, 2022. Our raw materials increased from RMB125.9 million as of December 31, 2022 to RMB187.7 million as of May 31, 2023, primarily because we purchased a certain amount of raw nests for production in anticipation of the “618” shopping festival.

Our inventories of raw materials primarily included raw nests, which generally have a shelf life of three years. Our inventories of work in progress primarily included raw nests that have gone through feather picking process. Our inventories of finished goods primarily included our EBN products that can immediately be sold to our distributors and/or direct sale customers.

## FINANCIAL INFORMATION

The following tables set forth an aging analysis of our inventories as of the dates indicated.

	Within one year	One to two years	Two to three years	Over three years	Total
(RMB in thousands)					
<b>As of December 31, 2020</b>					
Raw materials . . . . .	173,787	279	37	—	174,103
Work in progress . . . . .	41,083	9	—	—	41,092
Finished goods . . . . .	40,683	1,332	1	55	42,071
Goods in transit . . . . .	6,739	—	—	—	6,739
Packaging . . . . .	11,710	643	409	219	12,981
Right to recover returned goods . . . . .	59	—	—	—	59
<b>Total . . . . .</b>	<b>274,061</b>	<b>2,263</b>	<b>447</b>	<b>274</b>	<b>277,045</b>

	Within one year	One to two years	Two to three years	Over three years	Total
(RMB in thousands)					
<b>As of December 31, 2021</b>					
Raw materials . . . . .	160,258	3,585	1	7	163,851
Work in progress . . . . .	33,357	3	—	—	33,360
Finished goods . . . . .	64,463	347	328	51	65,189
Goods in transit . . . . .	4,743	—	—	—	4,743
Packaging . . . . .	11,545	501	160	292	12,498
Right to recover returned goods . . . . .	101	—	—	—	101
<b>Total . . . . .</b>	<b>274,467</b>	<b>4,436</b>	<b>489</b>	<b>350</b>	<b>279,742</b>

	Within one year	One to two years	Two to three years	Over three years	Total
(RMB in thousands)					
<b>As of December 31, 2022</b>					
Raw materials . . . . .	124,797	895	234	—	125,926
Work in progress . . . . .	36,446	21	—	—	36,467
Finished goods . . . . .	81,317	153	32	2	81,504
Goods in transit . . . . .	13,295	—	—	—	13,295
Packaging . . . . .	13,536	593	127	114	14,370
Right to recover returned goods . . . . .	233	—	—	—	233
<b>Total . . . . .</b>	<b>269,624</b>	<b>1,662</b>	<b>393</b>	<b>116</b>	<b>271,795</b>

	Within one year	One to two years	Two to three years	Over three years	Total
(RMB in thousands)					
<b>As of May 31, 2023</b>					
Raw materials . . . . .	185,672	1,516	560	—	187,748
Work in progress . . . . .	17,603	5	—	—	17,608
Finished goods . . . . .	34,523	350	7	1	34,881
Goods in transit . . . . .	9,183	—	—	—	9,183
Packaging . . . . .	9,634	937	173	88	10,832
Right to recover returned goods . . . . .	102	—	—	—	102
<b>Total . . . . .</b>	<b>256,717</b>	<b>2,808</b>	<b>740</b>	<b>89</b>	<b>260,354</b>

## FINANCIAL INFORMATION

The following table sets forth our inventory turnover days for the periods indicated.

	Year ended December 31,			Five months ended May 31, 2023
	2020	2021	2022	
Inventory turnover days <sup>(1)</sup> . . . . .	91.2	130.2	118.2	106.7

*Note:*

(1) Calculated based on the average of the beginning and ending balances of inventory for that period divided by cost of sales for that period and multiplied by the number of days in that period.

Our inventory turnover days increased from 91.2 days in 2020 to 130.2 days in 2021, primarily because we stocked up raw nests to prevent raw material shortage amid the pandemic in 2020, which resulted in a slower turnover in 2021.

The following table sets forth our turnover days for work-in-progress and finished goods by shelf life for the periods indicated.

Turnover days	Shelf life	Year ended December 31,			Five months ended May 31, 2023
		2020	2021	2022	
Work in progress and finished goods . . . . .	15 to 100 days	4.9	6.0	7.4	8.3
	Six to 18 months	45.9	67.1	84.3	57.4
	24 months	45.6	67.1	56.6	34.4
	36 months	34.7	60.5	59.0	52.7

Our turnover days for work in progress and finished goods with a shelf life from six to 18 months increased from 67.1 days in 2021 to 84.3 days in 2022, primarily because we produced more *One Nest* products for offline channels in anticipation of 2023 spring festival which was earlier than usual. Our turnover days for work in progress and finished goods with a shelf life of 24 months decreased from 56.6 days in 2022 to 34.4 days in the five months ended May 31, 2023, primarily due to the growing demand for our Crystal Sugar Bird's Nest products in the five months ended May 31, 2023.

As of September 30, 2023, approximately RMB233.4 million, or 89.7%, of our total inventories as of May 31, 2023 were utilized or sold.

### Trade and Other Receivables

During the Track Record Period, our trade receivables were primarily related to the sales of EBN products. For offline distributors, we typically require them to make payment before the delivery of our products. However, under rare circumstances, we may provide short-term payment period, typically less than two months, for certain offline distributors with excellent qualifications and stable business relationships with us. For online distributors, we generally deliver our products after receiving the orders from e-commerce consumers who have made the payments online and settle full payments with online distributors on a monthly basis for such orders. For e-commerce platform customers, we settle payment with them according to respective cooperation agreements with such customers and typically have an agreed payment cycle of 60 days. Deposits represent rental deposits for our office and production bases.

## FINANCIAL INFORMATION

The following table sets forth the details of our trade and other receivables as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Trade receivables, net of loss allowance . . . . .				
— Third parties . . . . .	23,340	38,442	62,834	58,223
— Related parties . . . . .	135	—	—	—
Deposits . . . . .	6,157	9,416	9,282	10,683
Amounts due from related parties <sup>(1)</sup> . . . . .	1,827	1,015	1,900	1,900
VAT recoverable . . . . .	27,905	14,769	13,956	16,723
Government grants receivables . . . . .	10,067	22,242	—	—
Other receivables . . . . .	1,106	1,699	1,487	1,738
Current tax recoverable . . . . .	—	—	—	6,003
<b>Total</b> . . . . .	<b>70,537</b>	<b>87,583</b>	<b>89,459</b>	<b>95,270</b>

*Note:*

(1) See Note 33 to the Accountants' Report in Appendix I to this prospectus.

Our trade and other receivables increased from RMB70.5 million as of December 31, 2020 to RMB87.6 million as of December 31, 2021 and further to RMB89.5 million as of December 31, 2022, primarily due to the increases in trade receivables from third parties, which was generally in line with our business expansion. Our trade and other receivables remained stable at RMB95.3 million as of May 31, 2023.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Current (not past due) . . . . .	21,275	38,038	62,643	58,220
Less than three months past due . . . . .	2,200	404	191	3
<b>Total</b> . . . . .	<b>23,475</b>	<b>38,442</b>	<b>62,834</b>	<b>58,223</b>

The following table sets forth the number of our trade receivable turnover days for the periods indicated.

	Year ended December 31,			Five months ended May 31,
	2020	2021	2022	2023
Trade receivable turnover days <sup>(1)</sup> . . . . .	6.1	7.5	10.7	11.7

*Note:*

(1) Calculated based on the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by the number of days in that period.

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Our trade receivable turnover days increased from 6.1 days in 2020 to 7.5 days in 2021 and further to 10.7 days in 2022, primarily due to an increase in revenue generated from direct sales to e-commerce platform customers which generally have a longer credit period.

As of September 30, 2023, approximately RMB57.3 million, or 98.5%, of our trade receivables as of May 31, 2023 had been settled.

### Prepayments

Our prepayments primarily included prepayments for purchase of raw materials and prepayments for selling and distribution expenses. Prepayments for purchase of raw materials are primarily for purchasing raw nests. Prepayments for selling and distribution expenses are primarily for advertising activities to promote our EBN products.

As of December 31, 2020, 2021 and 2022 and May 31, 2023, our prepayments were RMB33.4 million, RMB66.8 million, RMB54.7 million and RMB48.5 million, respectively. The following table sets forth the details of our prepayments as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Prepayments for selling and distribution expenses <sup>(1)</sup> . . . . .	15,249	49,935	42,279	33,568
Prepayments for purchase of packaging materials . . . . .	3,899	2,840	3,909	3,694
Prepayments for purchase of raw nests . . . . .	9,402	–	–	–
Others <sup>(2)</sup> . . . . .	4,803	13,984	8,467	11,198
<b>Total prepayments . . . . .</b>	<b>33,353</b>	<b>66,759</b>	<b>54,655</b>	<b>48,460</b>

*Notes:*

- (1) Include primarily prepayments for advertising services.
- (2) Include primarily prepayments for (i) fees for our previous A-share listing application, (ii) rents and property maintenance fees, (iii) design fees and (iv) fees for outsourced research and development projects.

Our prepayments increased from RMB33.4 million as of December 31, 2020 to RMB66.8 million as of December 31, 2021, primarily due to the increases in our prepayments for advertising service fees and consulting service fees for our previous A-share listing application. In particular, we recorded RMB15.2 million of prepayments for selling and distribution expenses as of December 31, 2020, which was lower than the same as of the other indicated dates, primarily because we took a conservative approach in our advertising and marketing activities amid the COVID-19 pandemic in 2020. Our prepayments for selling and distribution expenses then increased to RMB49.9 million as of December 31, 2021, as we resumed regular pace of our advertising and marketing activities due to the alleviation of COVID-19 in 2021.

As of September 30, 2023, approximately RMB34.9 million, or 72.0%, of our prepayments, as of May 31, 2023 had been utilized. In particular, as of the same date, (1) approximately RMB25.1 million, or 74.8%, of our prepayments for selling and distribution expenses as of May 31, 2023 had been utilized; (2) approximately RMB2.9 million, or 78.7%, of our prepayments for purchase of packaging materials as of May 31, 2023 had been utilized; and (3) approximately RMB6.9 million, or 61.3%, of our prepayments for others as of May 31, 2023 had been utilized.

## FINANCIAL INFORMATION

### Trade and Other Payables

Our trade and other payables consisted primarily trade payables, salary and welfare payables as well as other tax payables. Trade payables primarily represented payables for raw materials and packaging materials. Salary and welfare payables primarily include salaries payable to our employees. The following table sets forth the details of our trade and other payables as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Trade payables . . . . .	44,240	62,467	64,087	46,223
Receipts in advance . . . . .	51,989	24,929	22,035	12,562
Salary and welfare payables . . . . .	39,872	43,900	53,210	34,816
Amount due to non-controlling interests . . . . .	—	—	7,200	—
Other payables and accruals . . . . .	17,984	23,050	25,442	39,723
Financial liabilities measured at amortized cost . . . . .	154,085	154,346	171,974	133,324
Other tax payables . . . . .	22,174	11,766	18,222	11,694
Refund liabilities <sup>(1)</sup> . . . . .				
— arising from right of return . . . . .	113	192	478	217
— arising from sales rebates <sup>(2)</sup> . . . . .	37,327	38,490	48,999	21,570
<b>Total</b> . . . . .	<b>213,699</b>	<b>204,794</b>	<b>239,673</b>	<b>166,805</b>

*Notes:*

- (1) We recognize refund liabilities for the consideration received or receivable of which we do not expect to be entitled. We also recognize other assets in relation to refunds, measured with reference to the former carrying amount of the products. See Note 19 to the Accountants' Report in Appendix I to this prospectus. The costs to recover the products are not material because the product returned are usually in a saleable condition.
- (2) We offer performance-based sales rebates to our distributors which give rise to variable consideration in the measurement of revenue. See Note 2(u) to the Accountants' Report in Appendix I to this prospectus. The refund liabilities arising from sales rebates are accrued when the corresponding sales revenue is recognized. Depending on the specific arrangement with a particular distributor, we typically reconcile and finalize such distributor's entitlements to sales rebates for past sales transactions on a quarterly or annual basis. In practice, our distributors generally select to utilize their entitlements as part of their upfront payments for subsequent purchases, and will usually utilize their rebate entitlements within the next two months.

Our trade and other payables increased from RMB213.7 million as of December 31, 2020 to RMB204.8 million as of December 31, 2021 and further to RMB239.7 million as of December 31, 2022, primarily due to an increase in trade payables, driven by our business expansion. Our trade and other payables decreased from RMB239.7 million as of December 31, 2022 to RMB166.8 million as of May 31, 2023, primarily due to (1) decrease in salary and welfare payables due to settlement of year-end bonuses, (2) decrease in trade payables due to decreased purchase of raw nests with Indonesian suppliers during their Ramadan, and (3) decrease in refund liabilities primarily due to the annual settlement of sales rebates with certain distributors.

Our receipts in advance represent advance payments from our distributors for our EBN products. As of December 31, 2020, we recorded receipts in advance of RMB52.0 million, most of which were attributable to four then distributors who were acquired by us in 2021 and have become our subsidiaries since then. See "History, Development and Corporate Structure—Major Acquisitions, Disposals and Mergers." We recorded receipts in advance of RMB24.9 million and RMB22.0 million as of December 31, 2021 and 2022, respectively, higher than that as of May 31, 2023, primarily because our distributors generally make more advance payments in the end of the year in anticipation of the upcoming Spring Festival.

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The following table sets forth an aging analysis of our trade payables as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Within three months . . . . .	42,968	59,969	63,301	45,323
Over three months but within six months . . . . .	26	132	204	675
Over six months but within nine months . . . . .	—	9	13	139
Over nine months but within one year . . . . .	785	—	—	44
Over one year but within two years . . . . .	461	2,357	569	42
<b>Total . . . . .</b>	<b>44,240</b>	<b>62,467</b>	<b>64,087</b>	<b>46,223</b>

The following table sets forth the number of our trade payable turnover days for the periods indicated.

	Year ended December 31,			Five months ended
	2020	2021	2022	May 31, 2023
Trade payable turnover days <sup>(1)</sup> . . . . .	19.0	25.0	27.1	22.1

*Note:*

(1) Calculated based on the average of opening and closing balance of trade payables for the relevant period, divided by the cost of sales for the same period, and multiplied by the number of days in that period.

Our trade payable turnover days increased from 19.0 days in 2020 to 25.0 days in 2021 and further to 27.1 days in 2022, primarily because our suppliers granted longer credit periods to us during the Track Record Period. Our trade payable turnover days decreased from 27.1 days in 2022 to 22.1 days in the five months ended May 31, 2023, primarily due to decrease in the balance of trade payables as a result of decreased purchase from Indonesian suppliers during their Ramadan.

As of September 30, 2023, approximately RMB45.6 million, or 98.7%, of our trade payables as of May 31, 2023 had been settled.

### Contract Liabilities

Our contract liabilities primarily represented advance payments received from our customers. As of December 31, 2020, 2021 and 2022 and May 31, 2023, our contract liabilities was RMB102.1 million, RMB138.8 million, RMB176.5 million and RMB157.1 million, respectively. Our contract liabilities increased from RMB102.1 million as of December 31, 2020 to RMB138.8 million as of December 31, 2021 and further to RMB176.5 million as of December 31, 2022, primarily due to our increased direct sales to online customers, which led to an increase in advance payments from such customers. Our contract liabilities decreased from RMB176.5 million as of December 31, 2022 to RMB157.1 million as of May 31, 2023, primarily due to decrease in advance payments over time, which tend to increase significantly during major shopping events such as Singles' Day Shopping Carnival.

As of September 30, 2023, approximately RMB114.7 million, or 73.0%, of our contract liabilities as of May 31, 2023 were recognized as revenue.

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### Bank Loans

Our bank loans consisted primarily of bank loans that are either secured or unsecured. As of December 31, 2020, 2021 and 2022 and May 31, 2023, our bank loans were RMB74.7 million, nil, nil and nil, respectively. As of December 31, 2020, all of our bank loans were guaranteed by certain shareholders of our Group. As of the same date, our bank loans of RMB30.0 million were secured by our property, plant and equipment with an aggregate value of RMB14.7 million.

### Lease Liabilities

During the Track Record Period, we leased various properties mainly used as our stores, offices, production bases for our business operations. Such lease contracts were generally entered into for fixed terms of one to five years. We negotiate lease terms, which include different payment terms and conditions, on an individual basis. The following table sets forth our lease liabilities as of the dates indicated.

	As of December 31,			As of May 31, 2023
	2020	2021	2022	
	(RMB in thousands)			
Within one year . . . . .	7,697	15,644	15,657	15,250
After one year but within two years. .	3,006	10,106	7,970	9,203
After two years but within five years . . . . .	3,328	6,428	3,294	10,091
After five years . . . . .	1,459	513	—	1,624
	7,793	17,047	11,264	20,918
<b>Total . . . . .</b>	<b>15,490</b>	<b>32,691</b>	<b>26,921</b>	<b>36,168</b>

Our lease liabilities increased from RMB15.5 million as of December 31, 2020 to RMB32.7 million as of December 31, 2021, as we continued to grow our business and leased more properties for our stores as well as other business operations. Our lease liabilities then decreased to RMB26.9 million as of December 31, 2022, primarily due to the expiration of such leases. Our lease liabilities increased from RMB26.9 million as of December 31, 2022 to RMB36.2 million as of May 31, 2023, primarily because the lease renewal of the office space for our headquarter in Xiamen.

## LIQUIDITY AND CAPITAL RESOURCES

### SOURCES OF LIQUIDITY AND WORKING CAPITAL

Our primary uses of cash are to fund our working capital requirements, production of EBN products and other recurring expenses. During the Track Record Period, we financed our capital expenditures and working capital requirements principally with cash generated from our operating activities. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. As of December 31, 2020, 2021 and 2022 and May 31, 2023, we had cash and cash equivalents of RMB150.6 million, RMB169.5 million, RMB350.8 million and RMB187.4 million, respectively.

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### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2020	2021	2022	2022	2023
	(RMB in thousands)			(Unaudited)	
Operating cash flows before movements in working capital <sup>(1)</sup> . . . . .	179,339	281,488	308,089	127,320	147,743
Adjusted for:					
Changes in working capital <sup>(2)</sup> . . . . .	(110,295)	(28,074)	(85,862)	22,508	(76,161)
Income tax paid . . . . .	(20,031)	(39,642)	(88,072)	(64,484)	(60,972)
Net cash generated from operating activities . . . . .	49,013	213,772	305,879	85,344	10,610
Net cash generated from/(used in) investing activities . . . . .	60,085	(46,450)	(21,024)	(53,768)	1,470
Net cash used in financing activities . . . . .	(54,166)	(148,400)	(103,532)	(92,472)	(175,495)
Net change in cash and cash equivalents . . . . .	54,932	18,922	181,323	(60,896)	(163,415)
Cash and cash equivalents at beginning of the year . . . .	95,641	150,573	169,495	350,818	108,599
Cash and cash equivalents at end of the year . . . . .	150,573	169,495	350,818	108,599	187,403

*Notes:*

- (1) Our operating cash flows before movements in working capital are the total sum of our Group's profit before taxation, with adjustments made, including depreciation, amortization of intangible assets, finance costs, interest income, share of profits less losses of an associate, loss/(gain) on disposal of property, plant and equipment, gain on financial assets measured at fair value through profit or loss, gain on disposal of investment in a subsidiary, gain on disposal of interests in an associate, equity-settled share-based payment expenses, impairment loss on trade and other receivables, and COVID-19-related rent concessions received.
- (2) Our changes in working capital are the total sum of the movements in our Group's inventories, trade receivables, other receivables and prepayments, restricted bank deposits, trade and other payables, contract liabilities, and other current liabilities.

### Operating Activities

Net cash generated from operating activities was RMB10.6 million in the five months ended May 31 2023, which primarily reflected our profit before taxation of RMB129.5 million and income tax paid of RMB61.0 million, as adjusted by certain non-cash and non-operating items, primarily including (1) depreciation of RMB8.2 million primarily in connection with our right of use assets, (2) depreciation of RMB7.9 million in connection with our property, plant and equipment, and (3) negative changes in working capital. Adjustments for changes in working capital primarily included (i) a decrease in trade and other payables of RMB72.9 million and (ii) a decrease in contract liabilities of RMB19.4 million.

Net cash generated from operating activities was RMB305.9 million in 2022, which primarily reflected our profit before taxation of RMB264.6 million and income tax paid of RMB88.1 million, as adjusted by certain non-cash and non-operating items, primarily including (1) depreciation of RMB36.3

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## FINANCIAL INFORMATION

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million primarily in connection with our right of use assets, (2) equity-settled share-based payment expenses of RMB5.3 million, and (3) positive changes in working capital. Adjustments for changes in working capital primarily included (i) an increase in contract liabilities of RMB36.3 million and (ii) an increase in trade and other payables of RMB32.2 million.

Net cash generated from operating activities was RMB213.8 million in 2021, which primarily reflected our profit before taxation of RMB230.2 million and income tax paid of RMB39.6 million, as adjusted by certain non-cash and non-operating items, primarily including (1) depreciation of RMB28.1 million primarily in connection with our right of use assets, (2) equity-settled share-based payment expenses of RMB21.8 million, and (3) negative changes in working capital. Adjustments for changes in working capital primarily included (i) an increase in trade receivables, other receivables and prepayments of RMB37.7 million primarily as a result of increased trade receivables from e-commerce platform customers, which typically have a longer credit period, and (ii) an decrease in trade and other payables of RMB28.2 million.

Net cash generated from operating activities was RMB49.0 million in 2020, which primarily reflected our profit before taxation of RMB159.8 million and income tax paid of RMB20.0 million, as adjusted by certain non-cash and non-operating items, primarily including (1) depreciation of RMB18.3 million primarily in connection with our right of use assets, (2) finance costs of RMB4.9 million, and (3) negative changes in working capital. Adjustments for changes in working capital primarily included (i) an increase in inventories of RMB181.7 million and (ii) an increase in trade receivables, other receivables and prepayments of RMB26.7 million.

### *Investing Activities*

Net cash generated from investing activities was RMB1.5 million in the five months ended May 31, 2023, primarily attributable to proceeds from disposal of financial assets measured at fair value through profit or loss of RMB414.2 million, partially offset by payment for acquisition of financial assets measured at fair value through profit or loss of RMB408.0 million.

Net cash used in investing activities was RMB21.0 million in 2022, primarily attributable to (1) payment for acquisition of financial assets measured at fair value through profit or loss of RMB555.0 million and (2) payment for purchase of property, plant and equipment and intangible assets of RMB22.5 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit or loss of RMB551.5 million.

Net cash used in investing activities was RMB46.5 million in 2021, primarily attributable to (1) payment for acquisition of financial assets measured at fair value through profit or loss of RMB527.3 million, (2) acquisition of subsidiaries, net of cash acquired of RMB73.8 million, and (3) payment for purchase of property, plant and equipment and intangible assets of RMB24.8 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit or loss of RMB575.9 million.

Net cash generated from investing activities was RMB60.1 million in 2020, primarily attributable to (1) proceeds from disposal of financial assets measured at fair value through profit or loss of RMB508.0 million and (2) cash received from entrusted loans of RMB54.0 million, partially offset by payment for acquisition of financial assets measured at fair value through profit or loss of RMB496.1 million. Xiamen Suntama, an entity controlled by Mr. Huang, entered into three separate entrusted loan agreements with us and Xiamen Bank which acted as our agent bank, for an aggregate amount of RMB54.0 million. Pursuant to these agreements, we lent Xiamen Suntama RMB54.0 million at an annual interest rate of 9.6% for liquidity purposes such as repayments of historical loans and interests accrued, and the agent bank was responsible for the collection of the principal and any interest without assumptions of the loan risks. We

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adopted such entrusted loan arrangements to ensure compliance with PRC laws and regulations. As advised by our PRC Legal Advisor, according to the General Rule of Loan (貸款通則), no financing activities involving lending or borrowing may be conducted between enterprises in violation of state regulations. Our Directors believe that each of these entrusted loan agreements was entered in the ordinary course of business on an arm's length basis.

### *Financing Activities*

Net cash used in financing activities was RMB175.5 million in the five months ended May 31, 2023, primarily attributable to (1) dividends paid to the shareholders of RMB160.0 million, (2) dividends to non-controlling interests of subsidiaries of RMB7.2 million and (3) capital element of lease rentals paid of RMB6.5 million.

Net cash used in financing activities was RMB103.5 million in 2022, primarily attributable to (1) dividends paid to the shareholders of RMB80.0 million, (2) capital element of lease rentals paid of RMB16.8 million and (3) repayment of bank loans of RMB12.2 million, partially offset by proceeds from new bank loans of RMB12.2 million. The majority of such new bank loans were short-term borrowings from a reputable commercial bank in China for raw nest procurement.

Net cash used in financing activities was RMB148.4 million in 2021, primarily attributable to (1) repayment of bank loans of RMB129.6 million, (2) dividends paid to the shareholders of RMB100.0 million and (3) capital element of lease rentals paid of RMB13.8 million, partially offset by (i) proceeds from new bank loans of RMB55.4 million and (ii) issuance of new shares of RMB40.4 million.

Net cash used in financing activities was RMB54.2 million in 2020, primarily attributable to (1) dividends paid to the shareholders of RMB120.0 million and (2) repayment of bank loans of RMB87.1 million, partially offset by proceeds from new bank loans of RMB161.3 million.

### **Current Assets and Current Liabilities**

The following table sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2020	2021	2022	May 31, 2023	September 30, 2023
					(Unaudited)
	(RMB in thousands)				
<b>Current assets</b>					
Financial assets measured at fair value through profit or loss . . . . .	46,225	—	4,996	—	—
Inventories and other contract costs . . . . .	277,045	279,742	271,795	260,354	311,073
Trade and other receivables . . .	70,537	87,583	89,459	95,270	140,089
Prepayments . . . . .	33,353	66,759	54,655	48,460	65,342
Restricted bank deposits . . . . .	1,202	2,000	1,600	8,000	8,000
Cash and cash equivalents . . . .	150,573	169,495	350,818	187,403	333,148
<b>Total current assets . . . . .</b>	<b>578,935</b>	<b>605,579</b>	<b>773,323</b>	<b>599,487</b>	<b>857,652</b>

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	As of December 31,			As of	As of
	2020	2021	2022	May 31, 2023	September 30, 2023
					(Unaudited)
	(RMB in thousands)				
<b>Current liabilities</b>					
Trade and other payables . . . . .	213,699	204,794	239,673	166,805	217,307
Contract liabilities . . . . .	102,084	138,789	176,450	157,079	247,364
Bank loans . . . . .	66,097	—	—	—	—
Lease liabilities . . . . .	7,697	15,644	15,657	15,250	14,985
Other current liabilities . . . . .	12,849	17,897	23,274	19,566	29,480
Current taxation . . . . .	16,391	47,133	38,091	7,224	22,189
<b>Total current liabilities . . . . .</b>	<b>418,817</b>	<b>424,257</b>	<b>493,145</b>	<b>365,924</b>	<b>531,325</b>
<b>Net current assets . . . . .</b>	<b>160,118</b>	<b>181,322</b>	<b>280,178</b>	<b>233,563</b>	<b>326,327</b>

Our net current asset decreased from RMB280.2 million as of December 31, 2022 to RMB233.6 million as of May 31, 2023, primarily due to a decrease of RMB163.4 million in cash and cash equivalents, partially offset by (1) a decrease of RMB72.9 million in trade and other payables, and (2) a decrease of RMB30.9 million in current taxation.

Our net current asset increased from RMB181.3 million as of December 31, 2021 to RMB280.2 million as of December 31, 2022, primarily due to (1) an increase of RMB181.3 million in cash and cash equivalents, and (2) a decrease of RMB9.0 million in current taxation, partially offset by (i) an increase of RMB34.9 million in trade and other payables, and (ii) an increase of RMB37.7 million in contract liabilities.

Our net current asset increased from RMB160.1 million as of December 31, 2020 to RMB181.3 million as of December 31, 2021, primarily due to (1) an increase of RMB33.4 million in prepayments, (2) an increase of RMB18.9 million in cash and cash equivalents, (3) an increase of RMB17.0 million in trade and other receivables, and (4) a decrease of RMB8.9 million in trade and other payables, partially offset by (i) an increase of RMB36.7 million in contract liabilities, and (ii) an increase of RMB30.7 million in current taxation.

We intend to continue to finance our working capital with cash generated from our operations, bank loans, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into consideration of financial resources presently available to us, our Directors are of the view that the working capital available to our Group, including our available cash and cash equivalents, anticipated cash flow from operations, bank loans and net proceeds from the Global Offering, will be sufficient to meet our present and anticipated cash requirements and for at least the next 12 months from the date of this prospectus.

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### Investment Management Policy

We have adopted an internal investment management policy and established a set of internal control measures to allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. Such investment management policy regulates our internal investment decision making procedures and record keeping practices. Under our investment management policy, we only conduct short-to-medium term financial product investment or fixed-income securities investment transactions, and the investment period shall not exceed one year. Our finance department is responsible for the overall management of our investment activities, subject to the supervision of our Directors, Supervisors and audit department. Depending on, among others, the investment amount and the risk associated with a particular investment product, our shareholders, the board of directors and/or our senior management serve as decision-making bodies for our investment activities.

We believe that our internal policies regarding investment and the related risk management mechanism are adequate. During the Track Record Period, we purchased short-term or mid-term wealth management products issued by reputable financial institutions in China with annualized interest rates ranging from approximately 1.5% to 4.0%. We may continue to invest in similar wealth management products or assets using our surplus cash where we believe it is prudent to do so after the completion of the Global Offering, subject to the compliance requirement under Chapter 14 of the Listing Rules. We expect to comply with such applicable requirements, including the relevant size test requirements.

### CAPITAL EXPENDITURES AND COMMITMENTS

#### Capital Expenditures

Our capital expenditures during the Track Record Period consisted primarily of payments for purchase of property, plant and equipment and purchase of intangible assets, and amounted to RMB11.7 million, RMB24.8 million, RMB22.5 million, RMB9.2 million and RMB4.7 million in 2020, 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from our operating activities. We plan to fund our planned capital expenditure by using the cash flow generated from our operations, bank loans and the net proceeds received from the Global Offering.

#### Commitments

Our commitments primarily related to leases which had been contracted but not yet paid for. The following table sets forth our commitments as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	May 31, 2023
	(RMB in thousands)			
Contracted for new short-term leases . . . . .	1,749	3,809	3,327	4,332

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### INDEBTEDNESS

Our indebtedness during the Track Record Period consisted primarily of bank loans and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of	As of
	2020	2021	2022	May 31,	September 30,
				2023	2023
					(Unaudited)
(RMB in thousands)					
<b>Current indebtedness</b>					
Bank loans . . . . .	66,097	—	—	—	—
Lease liabilities . . . . .	7,697	15,644	15,657	15,250	14,985
<b>Subtotal . . . . .</b>	<b>73,794</b>	<b>15,644</b>	<b>15,657</b>	<b>15,250</b>	<b>14,985</b>
<b>Non-current indebtedness</b>					
Bank loans . . . . .	8,597	—	—	—	—
Lease liabilities . . . . .	7,793	17,047	11,264	20,918	19,640
<b>Subtotal . . . . .</b>	<b>16,390</b>	<b>17,047</b>	<b>11,264</b>	<b>20,918</b>	<b>19,640</b>
<b>Total . . . . .</b>	<b>90,184</b>	<b>32,691</b>	<b>26,921</b>	<b>36,168</b>	<b>34,625</b>

As of September 30, 2023, being the latest practicable date for determining our indebtedness, we had RMB144.8 million of unutilized and unrestricted bank loans.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, we had no bank loans or other borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since September 30, 2023.

### CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

### LISTING EXPENSES

We expect to incur a total of RMB49.8 million of listing expenses (assuming an Offer Price of HK\$9.90 per Offer Share, being the mid-point of the indicative Offer Price range between HK\$8.80 and HK\$11.00, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering. We recognized listing expenses of RMB14.7 million in our consolidated statement of profit or loss and other comprehensive income for the five months ended May 31, 2023. We estimate that RMB20.5 million of listing expenses will be charged to our consolidated statement of comprehensive income after the Track Record Period. The remaining RMB14.6 million is directly attributable to the issue of our Shares to the public and is expected to be deducted from equity.

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Listing expenses include RMB22.4 million of fees for legal advisors and the Reporting Accountant, RMB16.2 million of other fees unrelated to the underwriting, and RMB11.2 million of underwriting commissions payable to the Underwriters and transaction fees (including SFC transaction levy, AFRC transaction levy, and Stock Exchange trading fee) in connection with the offering of Offer Shares under the Global Offering. The listing expenses above represent approximately 17.1% of our gross proceeds from the Global Offering and were our best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

### KEY FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/for the five months ended May 31,	
	2020	2021	2022	2022	2023
				(Unaudited)	
<b>Profitability ratios</b>					
Gross profit margin <sup>(1)</sup> . . . . .	42.7%	48.2%	50.8%	51.6%	51.9%
Net profit margin <sup>(2)</sup> . . . . .	9.5%	11.4%	11.9%	12.0%	12.8%
Return on equity <sup>(3)</sup> . . . . .	59.2%	61.0%	49.9%	23.7%	22.7%
Return on total assets <sup>(4)</sup> . . . . .	22.3%	23.8%	23.2%	11.2%	11.3%
<b>Liquidity ratios</b>					
Current ratio <sup>(5)</sup> . . . . .	1.4x	1.4x	1.6x	1.5x	1.6x
Gearing ratio <sup>(6)</sup> . . . . .	42.6%	9.3%	5.7%	8.5%	8.7%

*Notes:*

- (1) The calculation of gross profit margin is based on gross profit for the period divided by revenue for the respective period and multiplied by 100%.
- (2) The calculation of net profit margin is based on profit for the period divided by revenue for the respective period and multiplied by 100%.
- (3) The calculation of return on equity is based on profit or loss for the period divided by average total equity as of the beginning and end of the period and multiplied by 100%.
- (4) The calculation of return on total assets is based on profit for the period divided by the average of opening and closing balance of total assets of the same period and multiplied by 100%.
- (5) The calculation of current ratio is based on current assets divided by current liabilities as of period end.
- (6) The calculation of gearing ratio is based on total debt (including interest-bearing borrowings and lease liabilities) divided by total equity and multiplied by 100%.

### Analysis of Key Financial Ratios

#### *Gross Profit Margin and Net Profit Margin*

See “—Period to Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

#### *Return on Equity and Return on Total Assets*

Our return on equity ratio was 59.2%, 61.0% and 49.9% as of December 31, 2020, 2021 and 2022, respectively. Our return on equity increased from 59.2% as of December 31, 2020 to 61.0% as of December 31, 2021, primarily due to the growth rate of our net profit outpacing the growth of our total equity. Our return on equity ratio decreased from 61.0% as of December 31, 2021 to 49.9% as of December 31, 2022, primarily due to the growth rate of our total equity outpacing the growth of our net profit. The increase in our total equity was primarily due to an increase in retained profits, which were in line with our increased net profit, and an increase in statutory reserve.

Our return on total assets was 22.3%, 23.8% and 23.2% as of December 31, 2020, 2021 and 2022, respectively. Our return on total assets increased from 22.3% as of December 31, 2020 to 23.8% as of December 31, 2021, primarily due to the growth rate of our net profit outpacing the growth of our total assets. Our return on total assets remained stable at 23.8% and 23.2% in 2021 and 2022, respectively.

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## FINANCIAL INFORMATION

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### *Current Ratio and Gearing Ratio*

Our current ratio was 1.4x, 1.4x, 1.6x and 1.6x as of December 31, 2020, 2021 and 2022 and May 31, 2023, respectively. Our current ratio increased from 1.4x as of December 31, 2021 to 1.6x as of December 31, 2022, primarily due to the growth of our current assets outpacing the growth of current liabilities, largely due to an increase in cash and cash equivalents. Our current ratio remained stable at 1.6x as of December 31, 2022 and May 31, 2023, respectively.

Our gearing ratio was 42.6%, 9.3%, 5.7% and 8.7% as of December 31, 2020, 2021 and 2022 and May 31, 2023. Our gearing ratio decreased from 42.6% as of December 31, 2020 to 9.3% as of December 31, 2021, primarily due to the increase in our total equity and the decrease in our bank loans. Our gearing ratio further decreased from 9.3% as of December 31, 2021 to 5.7% as of December 31, 2022, primarily due to the increase in our total equity and the decrease in our lease liabilities. Our gearing ratio increased from 5.7% as of December 31, 2022 to 8.7% as of May 31, 2023, primarily due to a decrease in our total equity as well as an increase in our lease liabilities.

### **RELATED PARTY TRANSACTIONS**

For details of our material related party transactions, see Note 33 to the Accountants' Report in Appendix I to this prospectus. Our Directors believe that each of the related party transactions was conducted in the ordinary course of business on an arm's length basis. Our Directors are of the view that related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### **DISTRIBUTABLE RESERVES**

As of May 31, 2023, our statutory reserve and retained profits were RMB137.0 million. Our statutory reserve and retained profits represent the distributable reserve of our Group as of the same date.

### **DIVIDENDS**

According to the Articles of Association and applicable laws and regulations, our profit distribution proposal is formulated by our Board, and upon approval by the Board and the Board of Supervisors, it is submitted to a Shareholders' general meeting for consideration where it must be passed by Shareholders representing more than half of the voting rights of the Shareholders who attend the general meeting. Our Board will declare dividends, if any, in RMB with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. All of our Shareholders have equal rights to distributable profits, and our profits will be distributed on a pro-rata basis.

Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board. Both current and new Shareholders are entitled to our accumulated retained earnings prior to the Listing, subject to compliance with our Articles of Association and relevant regulatory requirements.

During the Track Record Period, we declared dividends to our then Shareholders of RMB120.0 million, RMB100.0 million, RMB80.0 million and RMB160.0 million in 2020, 2021, 2022 and the five months ended May 31, 2023, respectively, in light of our cumulative business growth. As of May 31, 2023, all of such dividends declared during the Track Record Period had been fully settled by bank transfer to our then Shareholders. See also Note 30(b) to the Accountants' Report in Appendix I to this prospectus.

### **DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES**

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FINANCIAL INFORMATION

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since May 31, 2023 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there has been no event since May 31, 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including credit risk, liquidity risk and interest rate risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our management.

#### Credit Risk

We are primarily exposed to credit risk in relation to our trade receivables. Our trade receivables are mainly from sales of EBN products. We have established a credit risk management policy, under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on our customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, we do not obtain collateral from customers.

We do not have significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2020, 2021 and 2022 and May 31, 2023, 17.9%, 51.6%, 81.7% and 83.6% of the total trade receivables were due from our largest customer in each year/period during the Track Record Period, respectively, and 64.7%, 59.0%, 85.5% and 88.6% of the total trade receivables were due from our five largest customers in each year/period during the Track Record Period, respectively. Such increase was primarily due to the growth in business scale with e-commerce platform customers, which tend to have a longer settlement cycle. For further details, see Note 31(a) to the Accountants' Report in Appendix I to this prospectus.

#### Liquidity Risk

To manage the liquidity risk, we manage the treasury function, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. We also regularly monitor our liquidity requirements and compliance with lending covenants, to ensure that we maintain a level of cash and cash equivalents deemed adequate by our management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. The table below analyses our financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For details, see Note 31(b) to the Accountants' Report in Appendix I to this prospectus.

	Within one year or on demand	More than one year but less two years	More than two years but less than five years	More than five years	Total
	(RMB in thousands)				
<i>As of December 31, 2020</i>					
Bank loans . . . . .	66,421	1,067	7,585	—	75,073
Trade and other payables . . .	154,085	—	—	—	154,085
Lease liabilities . . . . .	8,305	3,325	3,778	1,510	16,918
	<b>228,811</b>	<b>4,392</b>	<b>11,363</b>	<b>1,510</b>	<b>246,076</b>

## FINANCIAL INFORMATION

	Within one year or on demand	More than one year but less two years	More than two years but less than five years	More than five years	Total
(RMB in thousands)					
<i>As of December 31, 2021</i>					
Trade and other payables . . .	154,346	—	—	—	154,346
Lease liabilities . . . . .	17,018	10,729	6,808	516	35,071
	<b>171,364</b>	<b>10,729</b>	<b>6,808</b>	<b>516</b>	<b>189,417</b>
<i>As of December 31, 2022</i>					
Trade and other payables . . .	171,974	—	—	—	171,974
Lease liabilities . . . . .	16,898	8,312	3,474	—	28,684
	<b>188,872</b>	<b>8,312</b>	<b>3,474</b>	<b>—</b>	<b>200,658</b>
<i>As of May 31, 2023</i>					
Trade and other payables . . .	133,324	—	—	—	133,324
Lease liabilities . . . . .	17,637	10,810	11,119	1,637	41,203
	<b>150,961</b>	<b>10,810</b>	<b>11,119</b>	<b>1,637</b>	<b>174,527</b>

### Interest Rate Risk

Our interest rate risk arises primarily from restricted bank deposits, cash at banks, bank loans issued at fixed rates and lease liabilities. We are exposed to cash flow interest rate risk and fair value interest rate risk from interest-bearing financial instruments at variable rates and at fixed rates, respectively. The following table sets forth the interest rate risk profile of our fixed rate instruments and variable rate instruments as of the dates indicated.

	As of December 31,			As of May 31,
	2020	2021	2022	2023
(RMB in thousands)				
<b>Fixed rate instruments</b>				
Restricted bank deposits . . . . .	1,202	2,000	1,600	8,000
Lease liabilities . . . . .	15,490	32,691	26,921	36,168
Bank loans . . . . .	74,694	—	—	—
<b>Total</b> . . . . .	<b>91,386</b>	<b>34,691</b>	<b>28,521</b>	<b>44,168</b>
<b>Variable rate instruments</b>				
Cash at bank and on hand . . . . .	143,239	163,503	338,398	180,425
Cash balances with payment platforms . . . . .	7,334	5,992	12,420	6,978
<b>Total</b> . . . . .	<b>150,573</b>	<b>169,495</b>	<b>350,818</b>	<b>187,403</b>

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to equity shareholders of our Company as if the Global Offering had taken place on May 31, 2023.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the financial position of our Group had the Global Offering been completed as of May 31, 2023 or at any future dates.

	Consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of May 31, 2023 <sup>(1)</sup>		Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company as of May 31, 2023		Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share <sup>(3)</sup>	
	Estimated net proceeds from the Global Offering <sup>(2)</sup>	(RMB in thousands)	RMB	HK\$	RMB	HK\$
<b>Based on an Offer Price of HK\$8.80 per H Share . . . . .</b>	315,460	224,774	540,234	1.16	1.26	
<b>Based on an Offer Price of HK\$11.00 per H Share . . . . .</b>	315,460	286,941	602,401	1.29	1.41	

*Notes:*

- (1) The consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of May 31, 2023 is arrived at after deducting intangible assets of RMB1,018,000 and goodwill of RMB75,165,000 from the total equity attributable to equity shareholders of our Company of RMB391,643,000 as of May 31, 2023, as shown in the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$8.80 and HK\$11.00 per H Share, being the low end price and high end price of the indicative Offer Price range respectively, and 32,000,000 H Shares expected to be issued under the Global Offering, after deduction of the underwriting commissions and other listing related expenses payable by our Company (excluding the listing expenses charged to profit or loss during the Track Record Period), and takes no account of any shares that may be issued upon exercise of the Over-Allotment Option or any shares which may be granted under the Shares Purchase Scheme. For illustrative purpose, the estimated net proceeds have been converted from Hong Kong dollar into Renminbi at the exchange rate of HK\$1.09 to RMB1.00. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity shareholders of our Company per Share is arrived at after the adjustments referred to the preceding paragraphs and on the basis of 465,500,000 Shares in issue immediately following completion of the Global Offering and sub-division, assuming that the Global Offering and sub-division have been completed on May 31, 2023, but does not take into account of any shares that may be issued upon exercise of the Over-Allotment Option or any share which may be granted under the Shares Purchase Scheme. For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity shareholders of the Company per Share are converted from Renminbi into Hong Kong dollar at exchange rate of HK\$1.09 to RMB1.00. No representation is made that the Renminbi amounts have been, could have been, or may be converted to Hong Kong dollar, or vice versa, at the rate of any other rates at all.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to May 31, 2023.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For further disclosure of our business objectives and strategies, see “Business—Growth Strategies.”

### USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting commissions and other fees and expenses payable by us in connection with the Global Offering, will be approximately HK\$262.6 million, assuming an Offer Price of HK\$9.90 per H Share (being the mid-point of the indicative range of the Offer Price of HK\$11.00 to HK\$8.80 per H Share), without the exercise of the Over-allotment Option.

We currently intend to use the net proceeds from the Global Offering for the purposes and in the amounts as set out below:

- approximately 10% of the net proceeds, or HK\$26.3 million, will be used for research and development activities to expand our product portfolio and enrich our product features. More specifically:
  - (1) approximately 7% of the net proceeds, or HK\$18.4 million, will be used to establish new research and development laboratories and pilot workshops within the next three years and build joint laboratories with reputable domestic and overseas universities and research institutions within the next five years to carry out research and development projects on EBN product features and expand our product portfolio;
  - (2) approximately 3% of the net proceeds, or HK\$7.9 million, will be used to purchase raw materials to be used in our research and development activities, optimizing production process and upgrading product packaging design and recruit talents to expand our research and development team within the next five years;

Our use of proceeds to establish new research and development laboratories and pilot workshops commensurate with our past R&D investments and our commitment to conducting more than 20 research projects related to EBN products in the next three to five years. As we strive to enhance the diversity, reliability, and safety of our products, our existing laboratories have become inadequate, with outdated equipment and limited space. Moreover, ongoing research projects further strain our current facilities. To effectively address these challenges and bolster our research and development capabilities, we plan to establish specialized research and development laboratories, including R&D, testing, basic research, packaging, sensory evaluation, and simulation facilities. The new R&D laboratories will allow us to tailor our research efforts and acquire advanced equipment and systems, thereby ensuring a successful transformation of scientific achievements into productive capabilities. Additionally, we aim to create an all-encompassing pilot workshop, optimizing the available space and acquiring state-of-the-art equipment, to enhance our pilot production capacity and streamline the technology transfer and industrialization process.

- approximately 25% of the net proceeds, or HK\$65.7 million, will be used to expand and consolidate our sales network. More specifically:
  - (1) approximately 15% of the net proceeds, or HK\$39.4 million, will be used to diversify our offline channels and upgrade existing offline channels within the next five years;
    - o approximately 13%, or HK\$34.1 million to be used to upgrade and expand our network of offline self-operated stores. We plan to upgrade our existing offline stores to establish flagship stores that enhance our premium brand image. Moreover,

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## FUTURE PLANS AND USE OF PROCEEDS

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we plan to further penetrate our existing markets by (1) establishing integrated experience stores primarily in tier-1 cities, (2) opening more flagship stores primarily in tier-2 and tier-3 cities, and (3) setting up signature stores at major airport hubs and railway stations;

- o approximately 2%, or HK\$5.3 million to be used to expand our distributor and e-commerce platform customers network. We plan to establish collaboration with boutique supermarkets, membership supermarkets and convenience stores to reach a wider range of consumers. We also plan to tap into new markets by collaborating with distributors to expand our distribution network into greenfield markets in China as well as Hong Kong, Macau and other overseas markets;
- (2) approximately 7% of the net proceeds, or HK\$18.4 million, will be used to further expand our online channels by further diversifying online distribution channels within the next three years, expanding our online operation team and collaborating with influencers to enhance sales effectiveness;
- (3) approximately 3%, or HK\$7.9 million, to be used to grow our membership base for our membership program and improve the overall experience for our members within the next three years;
- approximately 15% of the net proceeds, or HK\$39.4 million, will be used to strengthen our brand building and marketing promotion efforts within the next three years by (1) waging advertising campaigns through traditional marketing channels including television, radio and offline advertising such as billboards and print media; (2) partnering with events, organizations, or individuals that align with our brand values and target audience through brand sponsorship and naming opportunities; (3) organizing interactive events for valued members; and (4) allocating more resources for marketing campaigns in emerging online marketing channels;
- approximately 35% of the net proceeds, or HK\$92.0 million, will be used to strengthen our supply chain management capabilities. More specifically:
  - (1) approximately 25% of the net proceeds, or HK\$65.7 million, will be used for the construction of another production base in Xiamen within the next five years, including renting factory buildings, factory renovation and decoration, and purchasing advanced equipment and intelligent management systems to enhance the automation and intelligence of our operations;
  - (2) approximately 10% of the net proceeds, or HK\$26.3 million, will be used to selectively pursue strategic alliances, investment and acquisition opportunities within the next five years both domestically and overseas in the EBN industry that may help us secure stable raw nest supply, improve our supply chain efficiency, reduce costs, and enhance our competitiveness in the market, for instance, high quality raw nest suppliers in Indonesia. When assessing the investment or acquisition opportunities, we will primarily consider targets that are complementary to our business and are in line with our corporate philosophy and growth strategies. As of the Latest Practicable Date, we had not identified any investment or acquisition target or enter into any definitive investment or acquisition agreement;

We believe the benefits of establishing another production base in Xiamen outweigh the cost. Considering (1) our revenue growth during the Track Record Period, (2) the projected growth of the EBN industry in the coming years, and (3) the near saturation of utilization at our

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## FUTURE PLANS AND USE OF PROCEEDS

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primary production base in Xiamen, establishing another production base in Xiamen presents an opportunity to enhance our production capacity and capitalize on future market growth. With our headquarter and primary production base already situated in Xiamen, we have decades of experience operating in this region and have fostered strong local resources, which will enable a smooth establishment process for the new production base. Also, the introduction of advanced equipment and intelligent management systems that enhance automation and intelligent operations is expected to reduce the reliance on manual labor and subsequently lower labor costs. In addition, the establishment of the new production base will present us an opportunity to enhance our brand image by attracting visitors, including our valued members, to tour our factory and promote our EBN products and brand effectively.

- approximately 5% of the net proceeds, or HK\$12.9 million, will be used to strengthen our digital infrastructure within the next five years, including (1) developing a membership data management platform, (2) leasing cloud servers and adding or upgrading of various management systems, such as membership management system, production management system, research and development management system, sales management system, and warehousing and logistics management system, and (3) deployment of data analytics technology; and
- approximately 10% of the net proceeds, or HK\$26.3 million, for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the mid-point of the indicative price range. If the Offer Price is set at HK\$11.00 per H Share, which is the high end of our indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK\$33.8 million. If the Offer Price is set at HK\$8.80 per H Share, which is the low end of our indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK\$33.8 million. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK\$308.3 million (after deducting the estimated underwriting commissions and other fees and expenses payable by us in connection with the Global Offering and assuming an Offer Price of HK\$9.90 per H Share, being the mid-point of our indicative Offer Price range).

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to only deposit the net proceeds into short-term demand deposits with one or more licensed banks or authorized financial institutions as defined under the Securities and Futures Ordinance or the applicable laws and regulations in China, so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

GF Securities (Hong Kong) Brokerage Limited

Citigroup Global Markets Asia Limited

Valuable Capital Limited

Futu Securities International (Hong Kong) Limited

Tiger Brokers (HK) Global Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering 3,200,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus.

Subject to the Listing Committee granting the listing of, and permission to deal in, our H Shares in issue and to be issued as mentioned herein (including any additional H Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe for or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 90 minutes before the trading of the H Shares first commences on the Stock Exchange:

- (1) there shall develop, occur, exist or come into effect:
  - (i) any or a series of local, national, regional or international event(s) or circumstance(s) in the nature of force majeure (including any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic and pandemic (including Severe Acute Respiratory Syndrome (SARS), Coronavirus Disease 2019 (COVID-19), H1N1 and H5N1 and such related/mutated forms and the escalation, mutation or aggravation of such diseases), or interruption or delay in transportation,

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## UNDERWRITING

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outbreak, escalation, mutation or aggravation of disease, economic sanctions, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or directly or indirectly affecting Hong Kong, the PRC, the United States, the United Kingdom, Japan, Singapore, the European Union (or any member thereof), or any other jurisdiction relevant to our Group (collectively, the “Relevant Jurisdictions”); or

- (ii) any change, or any development involving a prospective change, or any event or series of events or circumstance resulting or likely to result in or representing any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market conditions, exchange control or any monetary or trading settlement system (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or directly or indirectly affecting any Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, Singapore, Japan, the European Union (or any member thereof) or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction laws or regulations, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement in, Hong Kong, the PRC or any other Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or RMB against any foreign currencies and a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (viii) any litigation or claim of any third party being threatened or instigated against any member of our Group or any Director; or
- (ix) a contravention by any member of our Group or any Director or any Supervisor of the Listing Rules or applicable Laws; or
- (x) non-compliance of this prospectus and the press announcement to be issued by our Company in connection with the Hong Kong Public Offering pursuant to the Listing Rules (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- (xi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xii) any change or development involving a prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (xiii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity or any loss or damage sustained by that member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiv) an authority or a political body or organisation in any Relevant Jurisdiction (including, in particular, the CSRC and its local branches and representative offices) commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director or Supervisor or a member of our Company’s senior management as named in this prospectus; or
- (xv) any order or petition for the winding up or liquidation of any member of our Group (other than our Company) or any composition or arrangement made by any member of our Group (other than our Company) with its creditors or a scheme of arrangement entered into by any member of our Group (other than our Company) or any resolution for the winding-up of any member of our Group (other than our Company) or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group (other than our Company) or anything analogous thereto occurring in respect of any member of our Group (other than our Company),

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for any part of the Hong Kong

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## UNDERWRITING

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Underwriting Agreement, or any part of the Hong Kong Public Offering or the Global Offering, or the delivery of the Offer Shares, to be performed or implemented or to proceed or to market the Global Offering in the manner contemplated by this prospectus; or (4) has, will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting of the Hong Kong Public Offering and/or the Global Offering) impracticable or incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof (collectively, “Material Adverse Effect”); or

- (2) there has come to the notice of the Joint Sponsors and the Overall Coordinators:
- (i) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement, the PHIP (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the “Offer Related Documents”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, inaccurate, incorrect in any material aspects or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest made on reasonable grounds or, where appropriate, and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer Related Documents (including any supplement or amendment thereto); or
  - (iii) any breach of any of the obligations imposed upon our Company or any of the warrantors in the Hong Kong Underwriting Agreement, the International Underwriting Agreement or the Cornerstone Investment Agreements; or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the provisions of the Hong Kong Underwriting Agreement; or
  - (v) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, properties, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
  - (vi) any Material Adverse Change (as defined in the Hong Kong Underwriting Agreement); or
  - (vii) any breach of, or any event or matter or arising or has been discovered, or circumstance rendering untrue, inaccurate, incorrect, incomplete or misleading in any respect, any of the representations, warranties and undertakings given by the warrantors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
  - (viii) the chairman of our Board, the general manager, the chief financial officer, a Director, a Supervisor or any member of senior management of our Company as named in this prospectus vacating his or her office; or

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- (ix) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the H Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (x) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (xi) our Company withdraws any of the Offer Related Documents or the Global Offering; or
- (xii) any person named as an expert in this prospectus (other than the Joint Sponsors) has withdrawn its consent to being named in this prospectus or to the issue of any of this prospectus and the press announcement to be issued by our Company in connection with the Hong Kong Public Offering pursuant to the Listing Rules; or
- (xiii) a Director or a Supervisor or a member of our Company's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company or the commencement by any government, political, regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political regulatory body that it intends to take any such action; or
- (xiv) any order or petition for the winding up or liquidation of our Company or any composition or arrangement made by our Company with its creditors or a scheme of arrangement entered into by our Company or any resolution for the winding-up of our Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company; or
- (xv) any non-compliance of the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) with the CSRC Rules (as defined in the Hong Kong Underwriting Agreement); or
- (xvi) that a material portion of the orders placed or confirmed in the book-building process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

### ***Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules***

#### ***(A) Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date) except (a) pursuant to the Global Offering and the Over-Allotment Option; or (b) in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

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### *(B) Undertakings by our Controlling Shareholders*

In accordance with Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and us that, except pursuant to the Global Offering (including the Over-allotment Option) and the Conversion of Unlisted Shares into H Shares, he/she/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “LR First Six-month Period”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner (the “Relevant Securities”); and
- (b) in the period of six months commencing from the expiry of the LR First Six-month Period (the “LR Second Six-month Period”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be the controlling shareholder (as defined in the Listing Rules) of the Company.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also undertaken to the Stock Exchange and us that during the LR First Six-month Period and the LR Second Six-month Period, he/she/it shall:

- (a) when he/she/it pledges or charges any Shares or securities of the Company beneficially owned by him/her/it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of such Shares or securities so pledged or charged; and
- (b) when he/she/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (a) and (b) above by the Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

### ***Undertakings Pursuant to the Hong Kong Underwriting Agreement***

#### *(A) Undertakings by our Company*

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or otherwise in compliance with the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “First Six-Month Period”), the Company undertakes to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract

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## UNDERWRITING

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or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or other securities of the Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares), or deposit any H Shares or other securities of the Company with a depository in connection with the issue of depository receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “Second Six-Month Period”), the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders undertakes to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Manager, the Joint Bookrunner, the Capital Market Intermediaries and the Hong Kong Underwriters to procure our Company and each other member of our Group to comply with the undertakings.

### *(B) Undertakings by our Controlling Shareholders*

Each of the Controlling Shareholders jointly and severally undertakes to each of our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or unless in compliance with the requirements of the Listing Rules, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) he/she/it will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him/her/it and the companies controlled by him/her/it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any legal or beneficial interest therein that is beneficially owned

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## UNDERWRITING

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- by him/her/it as at the Listing Date (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any such Shares) (the “**Locked-up Securities**”), or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in (a)(i) or (a)(ii) above, or (a)(iv) offer to or agree to or announce any intention to effect any transaction specified in (a)(i), (a)(ii) or (a)(iii) above, in each case, whether any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period or the Second Six Month Period);
- (b) he/she/it will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) or (a)(iv) above or offer to or agree to or contract or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/she/it will, individually or collectively with the other Controlling Shareholders, as applicable, cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company;
- (c) until the expiry of the Second Six-Month period, in the event that he/she/it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of the Company;
- (d) at any time during the First Six-Month Period and the Second Six-Month Period, he/she/it or any relevant registered holder will (i) if and when he/she/it pledges or charges any Shares or other securities (or interest therein) of the Company beneficially owned by him/her/it, immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such pledge or charge together with the number of Shares or other securities of the Company so pledged or charged; and (ii) if and when it or any relevant registered holder receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interest therein) of the Company will be disposed of, immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such indications.

### *Indemnity*

Each of our Company and the Controlling Shareholders has agreed to indemnify each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including any breach by them, respectively, of the Hong Kong Underwriting Agreement or certain provisions thereof.

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## UNDERWRITING

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### **Underwriting Commission and Expenses**

Our Company will pay an underwriting commission of 2.85% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the “Fixed Fees”). Our Company may, at our sole and absolute discretion, pay an incentive fee of up to 1.00% of the Offer Price in respect of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (the “Discretionary Fees”). The ratio of Fixed Fees and Discretionary Fees payable is therefore 74%:26% (on the basis that the Discretionary Fees will be fully paid). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, AFRC transaction levy, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB49.8 million (approximately HK\$54.2 million) in total (based on the Offer Price of HK\$9.90 per Offer Share which is the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised).

### **Hong Kong Underwriters’ interests in our Company**

Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any Shares or securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or securities in our Company or any other member of the Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **International Offering**

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally but not jointly agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Joint Global Coordinators and Overall Coordinators on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 4,800,000 additional H Shares, representing approximately 15.0% of the number of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any.

The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that undertakings similar to those given to the Hong Kong Underwriters will be given by our Company to the International Underwriters under the International Underwriting Agreement.

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## UNDERWRITING

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### ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members”, may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares.

All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the section headed “Structure of the Global Offering—Stabilizing Action” in this prospectus. These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

### JOINT SPONSORS’ INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

- (a) the Hong Kong Public Offering of initially 3,200,000 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “—The Hong Kong Public Offering” in this section; and
- (b) the International Offering of an aggregate of 28,800,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed “—Pricing and Allocation” in this section.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Hong Kong Offer Shares initially offered

We are initially offering 3,200,000 Hong Kong Offer Shares at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.69% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “—Conditions of the Global Offering” in this section.

#### Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools (with any odd board lots being allocated to pool A) for allocation purposes.

- (a) **Pool A:** The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) or less.
- (b) **Pool B:** The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 1,600,000 Hong Kong Offer Shares will be rejected.

### **Reallocation and Clawback**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and the certain prescribed total demand levels are reached under the Hong Kong Public Offering, subject to the following:

- (a) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 9,600,000 Offer Shares, representing 30% of Offer Shares initially available under the Global Offering.
- (b) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 12,800,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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- (c) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 16,000,000 Offer Shares, representing 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators and the Overall Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators and the Overall Coordinators may in their discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators and Overall Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators and the Overall Coordinators deem appropriate. In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 3,200,000 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 6,400,000 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the Offer Price shall be fixed at HK\$8.80 per Offer Share (being the low-end of the indicative Offer Price range) in accordance with Guidance Letter HKEX-GL91-18.

### Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$11.00 per Offer Share in addition to the brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “—Pricing and Allocation” in this section, is less than the maximum price of HK\$11.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants who have applied through the **HK eIPO White Form** service, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 28,800,000 Offer Shares (subject to reallocation and the Over-allotment Option), representing 90.0% of the total number of Offer Shares initially available under the Global Offering.

Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 6.19% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

#### Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors and expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "—Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, the Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

#### Reallocation and Clawback

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "—The Hong Kong Public Offering—Reallocation and Clawback" in this section, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed "—Over-allotment Option" in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Overall Coordinators.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Over-allotment Option

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 4,800,000 Offer Shares, representing 15.0% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 1.02% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### STABILIZATION ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day of the lodging of applications under the Hong Kong Public Offering. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing H Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the Shares will be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws, rules and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

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## STRUCTURE OF THE GLOBAL OFFERING

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Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Offer Shares that may be sold under the Over-allotment Option, namely, 4,800,000 Offer Shares, which is 15.0% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under the SFO include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our H Shares;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares;
- (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares;
- (e) selling or agreeing to sell any of our H Shares in order to liquidate any position held as a result of those purchases; and
- (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- (d) no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our H Shares, could fall;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (e) the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Saturday, January 6, 2024. As a result, demand for the H Shares and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

### PRICING AND ALLOCATION

#### Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, December 8, 2023 and, in any event, no later than 12:00 noon on Friday, December 8, 2023, by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters), and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Overall Coordinators, for themselves and on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK\$11.00 per Offer Share and is expected to be not less than HK\$8.80 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

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## STRUCTURE OF THE GLOBAL OFFERING

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The Overall Coordinators, for themselves and on behalf of the Underwriters, and the Joint Sponsors, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://www.yanzhiwu.com>, notices of the reduction of the Offer Shares and/or the indicative Offer Price range, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on revised proceeds. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Overall Coordinators, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares initially offered in the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our H Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer and issue a supplemental prospectus or a new prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators and the Joint Sponsors may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering.

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Monday, December 11, 2023 on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at <http://www.yanzhiwu.com>.

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Overall Coordinators, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators and the Overall Coordinators, for themselves and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times as specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than Saturday, December 30, 2023 (i.e., the 30th day after the date of this prospectus).

If, for any reason, the Offer Price is not agreed between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on Friday, December 8, 2023, the Global Offering will not proceed and will lapse immediately.

The completion of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company and on the websites of Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at <http://www.yanzhiwu.com> on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares—D. Despatch/Collection of H Share Certificates and Refund of Application Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised. Investors who trade the H Shares prior to the receipt of H Share certificates or prior to the H Share certificates bearing valid evidence of title do so entirely at their own risk.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Application for Listing on the Stock Exchange**

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and the Conversion of Unlisted Shares into H Shares.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS, established and operated by HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, December 12, 2023, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, December 12, 2023.

The H Shares will be traded in board lots of 400 H Shares each and the stock code of the H Shares will be 1497.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

#### FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at <http://www.yanzhiwu.com>.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### A. APPLICATION FOR HONG KONG OFFER SHARES

##### 1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- are outside the United States; and
- have a Hong Kong address (*for the HK eIPO White Form service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or his/her/its close associates; or
- are a Director or any of his/her close associates.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, November 30, 2023 and end at 12:00 noon on Thursday, December 7, 2023 (Hong Kong time) being longer than normal market practice of three and a half days.

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
<b>HK eIPO White Form service</b>	IPO App (which can be downloaded by searching “IPO App” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a> ) or <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, November 30, 2023 to 11:30 a.m. on Thursday, December 7, 2023, Hong Kong time.  The latest time for completing full payment of application monies will be 12:00 noon on Thursday, December 7, 2023, Hong Kong time.
<b>HKSCC EIPO channel</b>	Your <b>broker</b> or <b>custodian</b> who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your <b>broker</b> or <b>custodian</b> for the earliest and latest time for giving such instructions, as this may vary by <b>broker</b> or <b>custodian</b> .

The **HK eIPO White Form** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through the HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

### 3. Information Required to Apply

You must provide the following information with your application:

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#### For Individual Applicants

- Full name(s)<sup>2</sup> as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

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#### For Corporate Applicants

- Full name(s)<sup>2</sup> as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

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#### Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint account holders on FINI is capped at 4 in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agents, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney’s authority.

Failing to provide any required information may result in your application being rejected.

#### 4. Permitted Number of Hong Kong Offer Shares for Application

**Board lot size** : 400 H Shares

**Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment** : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$11.00 per Share.

If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment
	HK\$		HK\$		HK\$		HK\$
400	4,444.38	8,000	88,887.48	70,000	777,765.46	900,000	9,999,841.50
800	8,888.75	10,000	111,109.36	80,000	888,874.80	1,000,000	11,110,935.00
1,200	13,333.13	12,000	133,331.22	90,000	999,984.16	1,200,000	13,333,122.00
1,600	17,777.50	14,000	155,553.09	100,000	1,111,093.50	1,400,000	15,555,309.00
2,000	22,221.86	16,000	177,774.95	200,000	2,222,187.00	1,600,000 <sup>(1)</sup>	17,777,496.00
2,400	26,666.24	18,000	199,996.84	300,000	3,333,280.50		
2,800	31,110.62	20,000	222,218.70	400,000	4,444,374.00		
3,200	35,554.99	30,000	333,328.06	500,000	5,555,467.50		
3,600	39,999.37	40,000	444,437.40	600,000	6,666,561.00		
4,000	44,443.75	50,000	555,546.76	700,000	7,777,654.50		
6,000	66,665.61	60,000	666,656.10	800,000	8,888,748.00		

*Notes:*

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the **HK eIPO White Form** service), while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

### 5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “—A. Applications for Hong Kong Offer Shares—3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus, the **IPO App** and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;
- (iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "Relevant Persons"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "—G. Personal Data—3. Purposes and 4. Transfer of personal data" in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “—B. Publication of Results” in this section;
- (x) confirm that you are aware of the situations specified in the paragraph headed “—C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) confirm that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### B. PUBLICATION OF RESULTS

#### Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>		<u>Date/Time</u>
	Applying through the <b>HK eIPO White Form</b> service or HKSCC EIPO channel:	
Website	From the “IPO Results” function in the <b>IPO App</b> or at <a href="http://www.hkeipo.hk/IPOResult">www.hkeipo.hk/IPOResult</a> (or <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> ) with a “search by ID Number” function.	24 hours, no later than 11:00 p.m. on Monday, December 11, 2023 to 12:00 midnight on Sunday, December 17, 2023 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the <b>HK eIPO White Form</b> service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “IPO Results” function in the <b>IPO App</b> or at <a href="http://www.hkeipo.hk/IPOResult">www.hkeipo.hk/IPOResult</a> or <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a>	
	The Stock Exchange’s website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our website at <a href="http://www.yanzhiwu.com">http://www.yanzhiwu.com</a> which will provide links to the above-mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Monday, December 11, 2023 (Hong Kong time)
Telephone	+852 3691 8488 — the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Tuesday, December 12, 2023 to Friday, December 15, 2023 (Hong Kong time) on a business day

For those applying through the HKSCC EIPO channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Friday, December 8, 2023 (Hong Kong time)

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, December 8, 2023 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

#### Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <http://www.yanzhiwu.com> by no later than 11:00 p.m. on Monday, December 11, 2023 (Hong Kong time).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

#### 1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### 2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

#### 3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

#### 4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “—A. Applications for Hong Kong Offer Shares—5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

### D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on Tuesday, December 12, 2023 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The following sets out the relevant procedures and time:

	<u>HK eIPO White Form service</u>	<u>HKSCC EIPO channel</u>
<b>Despatch/collection of H Share certificate<sup>1</sup></b>		
<b>For application of 1,000,000 Hong Kong Offer Shares or more</b>	<p>Collection in person at H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong</p> <p><b>Time:</b> from 9:00 a.m. to 1:00 p.m. on Tuesday, December 12, 2023 (Hong Kong time)</p> <p>If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop</p> <p>Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar</p> <p><b>Note:</b> If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	<p>Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account</p> <p>No action by you is required</p>
<b>For application of less than 1,000,000 Hong Kong Offer Shares</b>	<p>Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk</p> <p><b>Date:</b> Monday, December 11, 2023</p>	

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<sup>1</sup> Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an "extreme conditions" announcement being in force in Hong Kong in the morning on Monday, December 11, 2023, rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, in which case the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "– E. Severe Weather Arrangements" in this section.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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	HK eIPO White Form service	HKSCC EIPO channel
<b>Refund mechanism for surplus application monies paid by you</b>		
<b>Date</b>	Tuesday, December 12, 2023	Subject to the arrangement between you and your <b>broker or custodian</b>
<b>Responsible party</b>	H Share Registrar	Your <b>broker or custodian</b>
<b>Application monies paid through single bank account</b>	<b>HK eIPO White Form</b> e-Auto Refund payment instructions to your designated bank account	Your <b>broker or custodian</b> will arrange refund to your designated bank account subject to the arrangement between you and it
<b>Application monies paid through multiple bank accounts</b>	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

### E. SEVERE WEATHER ARRANGEMENTS

#### The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, December 7, 2023 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions, (collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 7, 2023.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <http://www.yanzhiwu.com> of the revised timetable.

If a **Severe Weather Signal** is hoisted on Monday, December 11, 2023, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Tuesday, December 12, 2023.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If a **Severe** Weather Signal is hoisted on Monday, December 11, 2023, the despatch of physical H Share certificates of less than 1,000,000 Offer Shares issued under your own name will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, December 11, 2023 or on Tuesday, December 12, 2023).

If a **Severe** Weather Signal is hoisted on Tuesday, December 12, 2023, physical H Share certificates of 1,000,000 Offer Shares or more issued under your own name is available for collection in person at the H Share Registrar's office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, December 12, 2023 or on Wednesday, December 13, 2023).

**Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.**

### **F. ADMISSION OF THE H SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

### **G. PERSONAL DATA**

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

#### **1. Personal Information Collection Statement**

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### **2. Reasons for the collection of your personal data**

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

### 3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers, etc.

### 5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### 6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

*The following is the text of a report set out on pages I-1 to I-68, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 廈門燕之屋燕窩產業股份有限公司 XIAMEN YAN PALACE BIRD'S NEST INDUSTRY CO., LTD. (FORMERLY KNOWN AS 廈門燕之屋生物工程股份有限公司 XIAMEN YAN PALACE BIOENGINEERING CO., LTD.), CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND GF CAPITAL (HONG KONG) LIMITED**

### **Introduction**

We report on the historical financial information of 廈門燕之屋燕窩產業股份有限公司 Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (formerly known as 廈門燕之屋生物工程股份有限公司 Xiamen Yan Palace Bioengineering Co., Ltd.) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-68, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 31 May 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023 (the "Relevant Periods"), and a summary of material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-68 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 November 2023 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### **Directors' responsibility for Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2020, 2021 and 2022 and 31 May 2023 of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

### **Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended 31 May 2022 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### *Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

#### *Dividends*

We refer to Note 30(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
30 November 2023

**HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Xiamen Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(Expressed in Renminbi)

	Note	Year ended 31 December			Five months ended 31 May	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Revenue</b> . . . . .	4	1,301,157	1,506,997	1,729,945	696,876	782,576
Cost of sales . . . . .		<u>(745,448)</u>	<u>(780,214)</u>	<u>(851,693)</u>	<u>(337,313)</u>	<u>(376,565)</u>
<b>Gross profit</b> . . . . .		555,709	726,783	878,252	359,563	406,011
Other net income . . . . .	5	20,714	32,680	27,692	5,123	3,293
Selling and distribution expenses . . . . .		(317,762)	(398,951)	(503,879)	(205,800)	(208,533)
Administrative expenses . . .		(76,060)	(108,020)	(111,543)	(41,462)	(60,807)
Research and development expenses . . . . .		<u>(17,679)</u>	<u>(18,982)</u>	<u>(24,320)</u>	<u>(8,809)</u>	<u>(9,579)</u>
<b>Profit from operations</b> . . .		164,922	233,510	266,202	108,615	130,385
Finance costs . . . . .	6(a)	(4,882)	(3,337)	(1,636)	(764)	(857)
Share of loss of an associate . . . . .		<u>(214)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Profit before taxation</b> . . .	6	159,826	230,173	264,566	107,851	129,528
Income tax . . . . .	7(a)	<u>(36,401)</u>	<u>(57,814)</u>	<u>(58,688)</u>	<u>(24,096)</u>	<u>(29,031)</u>
<b>Profit and total comprehensive income for the year/period</b> . . . . .		<u>123,425</u>	<u>172,359</u>	<u>205,878</u>	<u>83,755</u>	<u>100,497</u>
<b>Attributable to:</b>						
Equity shareholders of the Company . . . . .		122,017	167,353	191,840	78,772	95,058
Non-controlling interests . .		<u>1,408</u>	<u>5,006</u>	<u>14,038</u>	<u>4,983</u>	<u>5,439</u>
<b>Profit and total comprehensive income for the year/period</b> . . . . .		<u>123,425</u>	<u>172,359</u>	<u>205,878</u>	<u>83,755</u>	<u>100,497</u>
<b>Earnings per share</b>						
Basic and diluted (RMB) . .	10	<u>1.46</u>	<u>1.95</u>	<u>2.21</u>	<u>0.91</u>	<u>1.09</u>

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at 31 December			As at 31 May
		2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>					
Property, plant and equipment . . . . .	11	62,462	91,934	87,782	94,187
Intangible assets . . . . .	12	704	873	1,275	1,018
Goodwill . . . . .	13	–	75,165	75,165	75,165
Interest in an associate . . . . .	16	2,067	–	–	–
Deferred tax assets . . . . .	29(b)	4,342	16,313	36,130	29,914
Other non-current assets . . . . .	17	1,264	6,862	4,679	2,870
		<u>70,839</u>	<u>191,147</u>	<u>205,031</u>	<u>203,154</u>
<b>Current assets</b>					
Financial assets measured at fair value through profit or loss . . . . .					
	18	46,225	–	4,996	–
Inventories . . . . .	19	277,045	279,742	271,795	260,354
Trade and other receivables . . . . .	20	70,537	87,583	89,459	95,270
Prepayments . . . . .	20	33,353	66,759	54,655	48,460
Restricted bank deposits . . . . .	21(b)	1,202	2,000	1,600	8,000
Cash and cash equivalents . . . . .	21(a)	150,573	169,495	350,818	187,403
		<u>578,935</u>	<u>605,579</u>	<u>773,323</u>	<u>599,487</u>
<b>Current liabilities</b>					
Trade and other payables . . . . .	23	213,699	204,794	239,673	166,805
Contract liabilities . . . . .	24	102,084	138,789	176,450	157,079
Bank loans . . . . .	25	66,097	–	–	–
Lease liabilities . . . . .	26	7,697	15,644	15,657	15,250
Other current liabilities . . . . .	24	12,849	17,897	23,274	19,566
Current taxation . . . . .	29(a)	16,391	47,133	38,091	7,224
		<u>418,817</u>	<u>424,257</u>	<u>493,145</u>	<u>365,924</u>
<b>Net current assets</b> . . . . .		<u>160,118</u>	<u>181,322</u>	<u>280,178</u>	<u>233,563</u>
<b>Total assets less current liabilities</b> . . . . .		<u>230,957</u>	<u>372,469</u>	<u>485,209</u>	<u>436,717</u>
<b>Non-current liabilities</b>					
Bank loans . . . . .	25	8,597	–	–	–
Lease liabilities . . . . .	26	7,793	17,047	11,264	20,918
Deferred tax liabilities . . . . .	29(b)	2,802	2,285	1,935	1,103
		<u>19,192</u>	<u>19,332</u>	<u>13,199</u>	<u>22,021</u>
<b>NET ASSETS</b> . . . . .		<u>211,765</u>	<u>353,137</u>	<u>472,010</u>	<u>414,696</u>
<b>CAPITAL AND RESERVES</b>					
Share capital . . . . .	30(c)	83,333	86,700	86,700	86,700
Reserves . . . . .		124,054	250,253	367,696	304,943
<b>Total equity attributable to equity shareholders of the Company</b> . . . . .		<u>207,387</u>	<u>336,953</u>	<u>454,396</u>	<u>391,643</u>
<b>Non-controlling interests</b> . . . . .		<u>4,378</u>	<u>16,184</u>	<u>17,614</u>	<u>23,053</u>
<b>TOTAL EQUITY</b> . . . . .		<u>211,765</u>	<u>353,137</u>	<u>472,010</u>	<u>414,696</u>

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at 31 December			As at 31 May
		2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>					
Property, plant and equipment . . . . .	11	10,717	13,671	15,053	14,053
Intangible assets . . . . .		163	284	502	288
Investments in subsidiaries . . . . .	15	96,461	188,060	188,694	189,761
Interest in an associate . . . . .	16	2,067	–	–	–
Deferred tax assets . . . . .		218	287	7,314	4,844
Other non-current assets . . . . .		110	3,165	774	820
		<u>109,736</u>	<u>205,467</u>	<u>212,337</u>	<u>209,766</u>
<b>Current assets</b>					
Financial assets measured at fair value through profit or loss . . . . .					
	18	10,068	–	4,996	–
Inventories . . . . .	19	5,894	711	4,381	3,006
Trade and other receivables . . . . .	20	15,049	29,062	9,689	15,952
Amounts due from subsidiaries . . . . .	22	50,620	61,841	181,236	66,308
Prepayments . . . . .	20	83,303	85,662	64,424	91,954
Cash and cash equivalents . . . . .	21(a)	46,061	62,126	162,177	40,490
		<u>210,995</u>	<u>239,402</u>	<u>426,903</u>	<u>217,710</u>
<b>Current liabilities</b>					
Trade and other payables . . . . .	23	117,197	84,773	99,286	73,988
Amounts due to subsidiaries . . . . .	22	1	29,467	4,064	600
Contract liabilities . . . . .	24	31,325	48,983	53,782	34,461
Lease liabilities . . . . .	26	563	2,004	1,387	885
Other current liabilities . . . . .	24	4,023	6,225	6,861	4,020
Current taxation . . . . .		62	7,680	9,174	–
		<u>153,171</u>	<u>179,132</u>	<u>174,554</u>	<u>113,954</u>
<b>Net current assets</b> . . . . .		<u>57,824</u>	<u>60,270</u>	<u>252,349</u>	<u>103,756</u>
<b>Total assets less current liabilities</b> . . . . .		<u>167,560</u>	<u>265,737</u>	<u>464,686</u>	<u>313,522</u>
<b>Non-current liability</b>					
Lease liabilities . . . . .	26	514	2,645	684	1,256
		<u>514</u>	<u>2,645</u>	<u>684</u>	<u>1,256</u>
<b>NET ASSETS</b> . . . . .		<u>167,046</u>	<u>263,092</u>	<u>464,002</u>	<u>312,266</u>
<b>CAPITAL AND RESERVES</b>					
Paid-in capital/share capital . . . . .	30(a)	83,333	86,700	86,700	86,700
Reserves . . . . .	30(c)	83,713	176,392	377,302	225,566
<b>TOTAL EQUITY</b> . . . . .		<u>167,046</u>	<u>263,092</u>	<u>464,002</u>	<u>312,266</u>

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Note	Paid-in capital	Share capital	Capital reserve	Share premium	Share-based payment reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000 (Note 30(c))	RMB'000 (Note 30(c))	RMB'000 (Note 30(d)(i))	RMB'000 (Note 30(d)(i))	RMB'000 (Note 30(d)(ii))	RMB'000 (Note 30(d)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020</b> . . . . .		83,333	-	64,327	-	-	21,215	33,459	202,334	2,970	205,304
<b>Changes in equity for 2020:</b>											
Profit and total comprehensive income for the year. . . . .		-	-	-	-	-	-	122,017	122,017	1,408	123,425
Capital injection from equity shareholders . . . . .		-	-	2,598	-	-	-	-	2,598	-	2,598
Equity settled share-based transactions . . . . .	28(a)	-	-	-	-	438	-	-	438	-	438
Appropriation to statutory reserve. . . . .	30(d)(iii)	-	-	-	-	-	3,525	(3,525)	-	-	-
Conversion to a joint stock limited liability company . . . . .	30(c)	(83,333)	83,333	(66,925)	100,845	-	(10,441)	(23,479)	-	-	-
Dividends approved and paid to the shareholders . . . . .	30(b)	-	-	-	-	-	-	(120,000)	(120,000)	-	(120,000)
<b>Balance at 31 December 2020</b> . . . . .		-	83,333	-	100,845	438	14,299	8,472	207,387	4,378	211,765

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

Attributable to equity shareholders of the Company									
Note	Shares held for								
	Share capital	Share premium	Share-based employee incentive scheme	Share-based payment reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 30(c))	(Note 30(d)(i))	(Note 28)	(Note 30(d)(ii))	(Note 30(d)(iii))				
	83,333	100,845	-	438	14,299	8,472	207,387	4,378	211,765
<b>Balance at 1 January 2021</b>									
<b>Changes in equity for 2021:</b>									
Profit and total comprehensive income for the year									
	3,367	38,675	(1,642)	-	-	167,353	167,353	5,006	172,359
							40,400		40,400
		16,560		5,253			21,813		21,813
					19,811	(19,811)			
						(100,000)	(100,000)		(100,000)
								(560)	(560)
								3,760	3,760
									3,600
	86,700	156,080	(1,642)	5,691	34,110	56,014	336,953	16,184	353,137

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

Attributable to equity shareholders of the Company									
	Share capital	Share premium	Shares held for			Retained profits	Total	Non-controlling interests	Total equity
			Share-based employee incentive scheme	Share-based payment reserve	Statutory reserve				
Note	RMB'000 (Note 30(c))	RMB'000 (Note 30(d)(i))	RMB'000 (Note 28)	RMB'000 (Note 30(d)(ii))	RMB'000 (Note 30(d)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2022</b> . . .	86,700	156,080	(1,642)	5,691	34,110	56,014	336,953	16,184	353,137
<b>Changes in equity for 2022:</b>									
Profit and total comprehensive income for the year . . . . .	-	-	-	-	-	191,840	191,840	14,038	205,878
Equity settled share-based transactions . . . . .	-	-	-	5,253	-	-	5,253	-	5,253
Appropriation to statutory reserve . . . . .	-	-	-	-	31,137	(31,137)	-	-	-
Dividends approved and paid to the shareholders . . . . .	-	-	-	-	-	(80,000)	(80,000)	-	(80,000)
Dividends to non-controlling interests of subsidiaries . . . . .	-	-	-	-	-	-	-	(11,258)	(11,258)
Acquisition of non-controlling interests of subsidiaries . . . . .	-	350	-	-	-	-	350	(1,350)	(1,000)
<b>Balance at 31 December 2022</b> . . . . .	86,700	156,430	(1,642)	10,944	65,247	136,717	454,396	17,614	472,010

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

	Attributable to equity shareholders of the Company							Total equity RMB'000	
	Share capital RMB'000 (Note 30(c))	Share premium RMB'000 (Note 30(d)(i))	Shares held for employee incentive scheme RMB'000 (Note 28)	Share-based payment reserve RMB'000 (Note 30(d)(ii))	Statutory reserve RMB'000 (Note 30(d)(iii))	Retained profits RMB'000	Total RMB'000		Non-controlling interests RMB'000
<b>Balance at 1 January 2022</b> . . . . .	86,700	156,080	(1,642)	5,691	34,110	56,014	336,953	16,184	353,137
<b>Changes in equity for the five months ended 31 May 2022:</b>									
Profit and total comprehensive income for the period . . . . .	-	-	-	-	-	78,772	78,772	4,983	83,755
Equity settled share-based transactions . . . . .	-	-	-	2,189	-	-	2,189	-	2,189
Dividends approved and paid to the shareholders . . . . .	-	-	-	-	-	(80,000)	(80,000)	-	(80,000)
Dividends to non- controlling interests of subsidiaries . . . . .	-	-	-	-	-	-	-	(3,330)	(3,330)
Acquisition of non- controlling interests of subsidiaries . . . . .	-	350	-	-	-	-	350	(1,350)	(1,000)
<b>Balance at 31 May 2022</b> . . . . .	86,700	156,430	(1,642)	7,880	34,110	54,786	338,264	16,487	354,751

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

Attributable to equity shareholders of the Company											
	Share capital	Share premium	Shares held for				Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
			Share (d)(i)	employee incentive scheme	Share-based payment reserve	Share (d)(iii)					
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2023	86,700	156,430	(1,642)	10,944	65,247	136,717	454,396	17,614	472,010		
Changes in equity for the five months ended 31 May 2023:											
Profit and total comprehensive income for the period	-	-	-	-	-	95,058	95,058	5,439	100,497		
Equity settled share-based transactions	-	-	-	2,189	-	-	2,189	-	2,189		
Dividends approved and paid to the shareholders	-	-	-	-	-	(160,000)	(160,000)	-	(160,000)		
Balance at 31 May 2023	86,700	156,430	(1,642)	13,133	65,247	71,775	391,643	23,053	414,696		

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

## CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	Year ended 31 December			Five months ended 31 May	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Operating activities</b>						
Cash generated from operations . . . . .	21(c)	69,044	253,414	393,951	149,828	71,582
Income tax paid . . . . .		(20,031)	(39,642)	(88,072)	(64,484)	(60,972)
<b>Net cash generated from operating activities . . . . .</b>		<u>49,013</u>	<u>213,772</u>	<u>305,879</u>	<u>85,344</u>	<u>10,610</u>
<b>Investing activities</b>						
Payment for purchase of property, plant and equipment and intangible assets . . . . .		(11,742)	(24,806)	(22,478)	(9,248)	(4,695)
Proceeds from disposal of property, plant and equipment . . . . .		330	27	–	–	–
Payment for acquisition of financial assets measured at fair value through profit or loss . . . . .		(496,100)	(527,340)	(555,000)	(240,000)	(408,000)
Proceeds from disposal of financial assets measured at fair value through profit or loss . . . . .		508,003	575,894	551,459	195,480	414,165
Acquisition of subsidiaries, net of cash acquired . . . . .	21	–	(73,817)	–	–	–
Cash received from repayment of entrusted loans . . . . .		54,000	–	–	–	–
Interest received . . . . .		3,994	1,492	–	–	–
Proceeds from disposal of investment in an associate . . . . .		–	2,100	–	–	–
Proceeds from disposal of subsidiaries . . . . .		<u>1,600</u>	<u>–</u>	<u>4,995</u>	<u>–</u>	<u>–</u>
<b>Net cash generated from/(used in) investing activities . . . . .</b>		<u>60,085</u>	<u>(46,450)</u>	<u>(21,024)</u>	<u>(53,768)</u>	<u>1,470</u>

	Note	Year ended 31 December			Five months ended 31 May	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Financing activities</b>						
Capital element of lease rentals paid . . . . .	21(d)	(6,484)	(13,809)	(16,838)	(7,378)	(6,515)
Interest element of lease rentals paid . . . . .	21(d)	(784)	(1,411)	(1,621)	(749)	(857)
Proceeds from new bank loans . . . . .	21(d)	161,275	55,371	12,183	12,183	–
Repayment of bank loans . .	21(d)	(87,141)	(129,597)	(12,183)	(12,183)	–
Interest and other borrowing costs paid . . .	21(d)	(3,630)	(2,394)	(15)	(15)	–
Issuance of new shares . . .		–	40,400	–	–	–
Capital injection from equity shareholders . . . . .		2,598	–	–	–	–
Acquisition of non-controlling interests of subsidiaries . . . . .		–	–	(1,000)	(1,000)	–
Dividends paid to the shareholders . . . . .	21(d)	(120,000)	(100,000)	(80,000)	(80,000)	(160,000)
Dividends to non-controlling interests of subsidiaries . . . . .	21(d)	–	(560)	(4,058)	(3,330)	(7,200)
Contribution from non-controlling interests . . . . .		–	3,600	–	–	–
Payment of listing expenses . . . . .		–	–	–	–	(923)
<b>Net cash used in financing activities . . . . .</b>		<u>(54,166)</u>	<u>(148,400)</u>	<u>(103,532)</u>	<u>(92,472)</u>	<u>(175,495)</u>
<b>Net change in cash and cash equivalents . . . . .</b>		54,932	18,922	181,323	(60,896)	(163,415)
<b>Cash and cash equivalents at the beginning of the year/period . . . . .</b>		<u>95,641</u>	<u>150,573</u>	<u>169,495</u>	<u>169,495</u>	<u>350,818</u>
<b>Cash and cash equivalents at the end of the year/period . . . . .</b>	21(a)	<u>150,573</u>	<u>169,495</u>	<u>350,818</u>	<u>108,599</u>	<u>187,403</u>

The Notes on pages I-14 to I-68 form part of the Historical Financial Information.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (廈門燕之屋燕窩產業股份有限公司) (formerly known as Xiamen Yan Palace Bioengineering Co., Ltd. (廈門燕之屋生物工程股份有限公司)) ("the Company"), was established in the People's Republic of China (the "PRC") on 31 October 2014 as a limited liability company under the Companies laws of the PRC. The Company was converted into a joint stock limited liability company on 23 December 2020.

The Company and its subsidiaries (together, the "Group") are principally engaged in the development, production and marketing of edible bird's nest products.

The audited financial statements of the Company for the years ended 31 December 2021 and 2022 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Da Hua CPAs LLP (大華會計師事務所(特殊普通合夥)) and Xiamen Zhongyou CPA Co., Ltd. (廈門中友會計師事務所有限公司) respectively.

During the Relevant Periods and as at the date of this report, the Company has direct interests in the following principal subsidiaries, all of which are private companies:

Company Name	Place and date of establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Xiamen Yan Palace Si Nong Food Co., Ltd. (廈門市燕之屋絲濃食品有限公司) (note (a) and (b))	PRC/ 23 November 2007	RMB21,260,000	100%	–	Research, development and production of bird's nest products
Xiamen Yan Palace Electronic Commerce Technology Co., Ltd. (廈門燕之屋電子商務科技有限公司) (note (a) and (b))	PRC/ 6 May 2020	RMB10,000,000	100%	–	Online retail business of bird's nest products

*Notes:*

- (a) The official name of this entity is in Chinese. The English name is for identification purpose only. The company was registered as a limited liability company under the PRC Law.
- (b) No audited financial statements has been prepared for these entities for the year ended 31 December 2020. The audited financial statements of this company for the year ended 31 December 2021 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Da Hua CPAs LLP. The audited financial statements of this company for the year ended 31 December 2022 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Xiamen Zhongyou CPA Co., Ltd..

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standard Board ("IASB"). Further details of the material accounting policy information adopted are set out in note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2023. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2023 are set out in note 35.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION

## (a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for certain financial assets measured at their fair value (see note 2(g)).

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. All of the companies comprising the Group are operating in PRC and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

**(b) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

**(c) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with note 2(n).

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(d) Associates**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the

post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statements of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(k)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(k)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

**(e) Business combination**

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note 2(c)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 2(k)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

**(f) Goodwill**

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)(ii)).

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.



Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(i) Intangible assets (other than goodwill)**

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patent rights	6.5 to 17 years
– Software	2 to 3 years

The useful life of patent rights was assessed based on the protection terms of patent rights.

The useful life of software was assessed based on the expected service life during which relevant software performs its desired functionality.

Both the period and method of amortisation are reviewed annually.

**(j) Leased assets**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

*As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h) and 2(k)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(g)(i), 2(u)(ii)(a) and 2(k)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

**(k) Credit losses and impairment of assets**

**(i) Credit losses from financial instruments**

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits, trade receivables and other receivables).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Basis of calculation of interest income*

Interest income recognised in accordance with Note 2(u)(ii)(a) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 30 to 90 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) *Impairment of other non-current assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- interest in an associate;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(I) **Inventories and other contract costs**

(i) *Inventories*

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Costs is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 2(u)(i).

**(ii) Other contract costs**

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(l)(i)).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(u)(i).

**(m) Contract liabilities**

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(u)(i)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(n)).

**(n) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(k)(i)).

**(o) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(k)(i).

**(p) Trade and other payables (other than refund liabilities)**

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Refund liabilities arising from rights of returns and volume rebates are recognised in accordance with the policy set out in note 2(u)(i).

**(q) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

**(r) Employee benefits****(i) Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(ii) Share-based payments**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**(s) Income tax**

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(t) Provisions and contingent liabilities**

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(u) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of bird's nest products in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

**(i) Revenue from contracts with customers**

**(a) Sales of edible bird's nest products**

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Sales of the Group's edible bird's nest products are recognised as follows:

**(i) Direct sales to customers**

In direct sales, the Group sells edible bird's nest products to retail customers through self-operated online and offline stores.

- For retail customers that purchase from the Group's offline stores, sales revenue is recognised when customers take possession of the products and make payment.
- For retail customers that purchase from the Group's online stores, payment is collected when customers place purchase orders and sales revenue is recognised when customers accept the products upon delivery.

The Group typically offers retail customers a right of return for a period of 7 days upon customer acceptance. The Group estimates the constrained transaction price with all reasonably available information and updates the variable consideration at each reporting date.

The Group operates membership programs and members can earn loyalty points on their purchases from stores operated by the Group as well as the Group's distributors. Points are redeemable against any future purchases of the Group's products or other offerings provided by the Group. The Group allocates a portion of the consideration received from direct sales and sales to distributors (see (ii) below) as appropriate to loyalty points based on the relative stand-alone selling prices. The amount allocated to the membership programs is deferred and recognised as revenue when loyalty points are redeemed or expire. Unused loyalty points generally expire in 12 to 15 months after they are granted.

(ii) Sales to distributors

The Group sells edible bird's nest products to distributors through offline and online channels.

Offline channel distributors make payments for their purchase orders before product shipment. Sales revenue is recognised when the products are delivered to and accepted by distributors at the locations specified in the purchase orders.

The Group generally does not accept return of products from offline channel distributors, except for quality defects or transportation damages in rare cases.

Group provides sales rebates to distributors who satisfy relevant requirements specified in the distribution agreements and the Group's distributor incentivising policies.

The above sales rebates and the rights of return (where applicable) to distributors give rise to variable consideration. The Group uses the most likely amount approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products to distributors, the Group recognises revenue after taking into account adjustment to transaction price arising from sales rebates and returns which are estimated and updated at each reporting date.

(iii) Sales to e-commerce platform

The Group sells edible bird's nest products to e-commerce platforms. Sales of products sold to e-commerce platforms are recognised when the products are accepted by the platforms upon delivery to their designated premises.

Certain e-commerce platforms can return unsold products to the Group. The Group also provides a profit protection to certain e-commerce platform such that the monthly overall gross margin generated by the e-commerce platform from selling the products is not less than a floor.

The above rights of return and profit protection give rise to variable consideration. The Group uses the most likely amount approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products to e-commerce platforms, the Group recognises revenue after taking into account adjustment to transaction price arising from returns and profit protection which are estimated and updated at each reporting date.

(ii) ***Revenue from other sources and other income***

(a) *Interest income*

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)(i)).

(b) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(v) **Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

(w) **Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(x) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13, 28 and 31 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

**(a) Variable consideration for volume rebates**

The Group estimates variable consideration included in the transaction price arising from the sales of bird's nest products where volume rebates are offered. The Group uses judgement in estimating the amount of volume rebates based on the customer's historical rebate rates, accumulated purchases to date, as well as estimates of future purchases. Changes in these estimates could have a significant impact on the amount of revenue recognised in future periods.

**(b) Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Value in use is determined using the discounted cash flow method. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of the assets may be different from its actual recoverable amount and the Group's profit or loss could be affected by the accuracy of the estimations. Changes in facts and circumstances may result in revisions to the estimates of recoverable amount, which would affect profit or loss in future years.

**(c) Expected credit losses for receivables**

The credit losses for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 31(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may be necessary to make additional loss allowances in future periods.

**(d) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of businesses, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

**4 REVENUE AND SEGMENT REPORTING****(a) Revenue**

The principal activities of the Group are the development, production and marketing of edible bird's nest products. Further details regarding the Group's principal activities are disclosed in note 4(b).

Disaggregation of revenue from contracts with customers by sales channel is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>					
Offline channels					
– Sales to offline distributors . . .	409,777	509,917	477,525	198,716	208,563
– Direct sales to offline customers . . . . .	168,729	228,794	314,466	135,225	144,646
Online channels					
– Direct sales to online customers	575,220	564,587	695,265	264,361	327,802
– Direct sales to E-commerce platform . . . . .	137,545	189,196	227,071	92,228	93,700
– Sales to online distributors . . . .	9,886	14,503	15,618	6,346	7,865
	<u>1,301,157</u>	<u>1,506,997</u>	<u>1,729,945</u>	<u>696,876</u>	<u>782,576</u>

The revenue of the Group is mainly generated from sales of bird's nest products, which is recognised at a point in time.

The Group's customer base is diversified and includes nil, nil, 1, 1 (unaudited) and nil customer with whom transactions have exceeded 10% of the Group's revenues for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. During the year ended 31 December 2022 and five months ended 31 May 2022, revenues from sales of edible bird's nest products to the customer, including sales to entities which are known to the Group to be under common control with the customer, amounted to approximately RMB189,036,000 and RMB75,986,000 (unaudited), respectively.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for bird's nest products that had an original expected duration of one year or less and does not disclose the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations.

**(b) Segment reporting**

The Group manages its businesses by sales channel categories. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Direct sales to online customers: this segment engaged in sales of bird's nest products to retail customers through online platform.
- Direct sales to offline customers: this segment engaged in sales of bird's nest products to retail customers in brick-and-mortar stores.
- Sales to offline distributors: this segment engaged in sales of bird's nest products to offline distributors.

- Direct sales to E-commerce platform: this segment engaged in sales of bird's nest products to online platform.
- Sales to online distributors: this segment engaged in sales of bird's nest products to online distributors.

(i) *Segment results*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and direct expenses incurred by those segments respectively. The measure used for reporting segment result is gross profit which is calculated based on revenue less cost of sales for the relevant segment. No inter-segment sales have occurred during the Relevant Periods. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other net income, selling and distribution expenses, administrative expenses, research and development expenses, finance costs, share of loss of an associate, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, other operating income and expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Periods is set out below.

	Year ended 31 December 2020					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platform	Sales to online distributors	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue . . . . .	575,220	168,729	409,777	137,545	9,886	1,301,157
Gross profit . . . . .	191,720	100,951	191,395	67,357	4,286	555,709

	Year ended 31 December 2021					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platform	Sales to online distributors	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue . . . . .	564,587	228,794	509,917	189,196	14,503	1,506,997
Gross profit . . . . .	223,238	151,204	246,767	99,778	5,796	726,783

	Year ended 31 December 2022					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platform	Sales to online distributors	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue . . . . .	695,265	314,466	477,525	227,071	15,618	1,729,945
Gross profit . . . . .	305,495	212,193	236,975	116,920	6,669	878,252

	Five months ended 31 May 2022					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platform	Sales to online distributors	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue . . . . .	264,361	135,225	198,716	92,228	6,346	696,876
Gross profit . . . . .	115,215	91,182	99,844	50,646	2,676	359,563

	Five months ended 31 May 2023					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platform	Sales to online distributors	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue . . . . .	327,802	144,646	208,563	93,700	7,865	782,576
Gross profit . . . . .	153,616	99,153	104,514	45,285	3,443	406,011

(ii) *Reconciliation of reportable segment profit or loss*

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Total reportable segment gross profit . . . . .	555,709	726,783	878,252	359,563	406,011
Other net income . . . . .	20,714	32,680	27,692	5,123	3,293
Selling and distribution expenses . . . . .	(317,762)	(398,951)	(503,879)	(205,800)	(208,533)
Administrative expenses . . . . .	(76,060)	(108,020)	(111,543)	(41,462)	(60,807)
Research and development expenses . . . . .	(17,679)	(18,982)	(24,320)	(8,809)	(9,579)
Finance costs . . . . .	(4,882)	(3,337)	(1,636)	(764)	(857)
Share of loss of an associate . . . . .	(214)	–	–	–	–
Consolidated profit before taxation . . . . .	159,826	230,173	264,566	107,851	129,528

(iii) *Geographic information*

The Group generated all of its revenue in the PRC and its non-current assets are all located in the PRC, and accordingly, no analysis of geographic information is presented.

## 5 OTHER NET INCOME

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net fair value changes on financial assets measured at fair value through profit or loss . . . . .	1,128	2,329	1,455	480	1,169
Gain on disposal of investments in a subsidiary . . . . .	–	–	380	–	–
Gain on disposal of interest in an associate . . . . .	–	33	–	–	–
Interest income . . . . .	4,276	1,884	1,950	567	1,048
Government grants (note (i)). . . . .	17,156	36,507	24,553	4,378	1,085
Net (loss)/gain on disposal of property, plant and equipment . . . . .	(29)	159	(60)	52	52
Other expenses . . . . .	(1,817)	(8,232)	(586)	(354)	(61)
	20,714	32,680	27,692	5,123	3,293

*Note:*

- (i) Government grants were received or receivable from several local government authorities as a recognition of the Group's contribution towards the local economic development.

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) **Finance costs**

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank loans (note 21(d)) . . . . .	4,098	1,926	15	15	–
Interest on lease liabilities (note 21(d)). . . . .	784	1,411	1,621	749	857
	4,882	3,337	1,636	764	857

(b) Staff costs<sup>#</sup>

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits. . . . .	178,022	224,826	255,528	95,926	108,639
Contributions to defined contribution retirement plan . . . . .	331	6,784	12,160	4,825	5,608
Equity-settled share-based payment expenses (note 28) . . . . .	438	21,813	5,253	2,189	2,189
	<u>178,791</u>	<u>253,423</u>	<u>272,941</u>	<u>102,940</u>	<u>116,436</u>

## (c) Other items

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amortisation of intangible assets (note 12) . . . . .	458	272	540	189	257
Depreciation charge <sup>#</sup> (note 11)					
– owned property, plant and equipment . . . . .	10,429	12,771	17,889	7,069	7,861
– right-of-use assets . . . . .	7,868	15,371	18,413	7,692	8,208
Impairment loss of trade and other receivables . . . . .	852	2,098	2,040	2,144	64
Auditors' remuneration . . . . .	1,226	967	2,675	19	41
Listing expenses . . . . .	–	–	–	–	14,650
Cost of inventories <sup>#</sup> (note 19(a)) . . . . .	671,495	711,816	771,235	306,381	342,733

<sup>#</sup> Cost of inventories includes RMB85,594,000, RMB82,531,000, RMB97,666,000, RMB36,514,000 (unaudited) and RMB39,869,000 relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or note 6(b) for each of these types of expenses for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively.

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### (a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Current tax – PRC Corporate Income Tax (“PRC CIT”)</b>					
Provision for the year/period . . . . .	34,627	69,675	78,411	33,019	23,420
Under-provision in respect of prior years . . . . .	–	450	444	444	227
	<u>34,627</u>	<u>70,125</u>	<u>78,855</u>	<u>33,463</u>	<u>23,647</u>
<b>Deferred tax</b>					
Origination and reversal of temporary differences (note 29(b)) . . . . .	1,774	(12,311)	(20,167)	(9,367)	5,384
	<u>36,401</u>	<u>57,814</u>	<u>58,688</u>	<u>24,096</u>	<u>29,031</u>

In accordance with relevant rules and regulations of CIT in the PRC, a subsidiary of the Group, Guanghe Yan Palace Biotechnology Development Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023. In addition, Xiamen Jinyan Tengfei Equity Investment Partnership (Limited Partnership) (“Jinyan Tengfei LP”), the special purpose vehicles to hold the ordinary shares for the Company’s employees under the employee incentive scheme as disclosed in note 28, are not subject to corporate income tax of the PRC. All the other PRC subsidiaries of the Group and the Company are subject to income tax at 25% for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for income tax purpose, as a result, an additional 75%, 100%, 100%, 100% and 100% of the qualified research and development costs could be deemed as deductible expenses for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 respectively.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation . . . . .	<u>159,826</u>	<u>230,173</u>	<u>264,566</u>	<u>107,851</u>	<u>129,528</u>
Notional tax on profit before taxation, calculated at the applicable rates in the jurisdictions concerned . . . . .	39,957	57,543	66,142	26,963	32,382
Tax effect of non-deductible expenses . . . . .	2,656	6,901	3,010	1,717	1,953
Tax effect of additional deduction for qualified research and development expenses . . . . .	(2,430)	(3,136)	(4,750)	(1,635)	(2,169)
Utilisation of previously unrecognised tax losses . . . . .	(204)	–	(130)	(62)	(61)
Tax effect of unused tax losses not recognised . . . . .	17	163	61	90	41
Statutory tax concession . . . . .	(3,595)	(4,107)	(6,089)	(3,421)	(3,342)
Under-provision in prior years . . . . .	–	450	444	444	227
Actual tax expense . . . . .	<u>36,401</u>	<u>57,814</u>	<u>58,688</u>	<u>24,096</u>	<u>29,031</u>

## 8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 are as follows:

	Year ended 31 December 2020						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Chairman and executive director</b>							
Mr. Huang Jian . . . . .	–	1,577	1,243	2	2,822	–*	2,822
<b>Executive directors</b>							
Mr. Zheng Wenbin . . . . .	–	485	29	–	514	–	514
Mr. Li Youquan . . . . .	–	1,738	1,712	–	3,450	–	3,450
Ms. Huang Danyan . . . . .	–	401	1,100	–	1,501	23	1,524
<b>Non-executive directors</b>							
Mr. Liu Zhen . . . . .	–	250	–	–	250	–	250
Mr. Wang Yalong . . . . .	–	250	–	–	250	–	250
Mr. Zhao Chaoming (resigned on 10 December 2020) . . . . .	–	–	–	–	–	–	–
<b>Independent non-executive directors</b>							
Mr. Xiao Wei (appointed on 10 December 2020) . . . . .	–	–	–	–	–	–	–
Mr. Chen Aihua (appointed on 10 December 2020) . . . . .	–	–	–	–	–	–	–
Mr. Zeng Hongliang (appointed on 10 December 2020) . . . . .	–	–	–	–	–	–	–
<b>Supervisors</b>							
Mr. Fu Yu . . . . .	–	617	–	–	617	–	617
Mr. Zheng Feng . . . . .	–	50	–	–	50	–	50
Ms. Wei Wei . . . . .	–	177	407	12	596	16	612
	–	5,545	4,491	14	10,050	39	10,089

\* The amount represents amount less than RMB1,000.

## Year ended 31 December 2021

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Chairman and executive director</b>							
Mr. Huang Jian . . . . .	–	1,561	1,152	27	2,740	2	2,742
<b>Executive directors</b>							
Mr. Zheng Wenbin . . . . .	–	510	–	16	526	–	526
Mr. Li Youquan . . . . .	–	2,328	1,152	16	3,496	–	3,496
Ms. Huang Danyan . . . . .	–	482	808	–	1,290	272	1,562
<b>Non-executive directors</b>							
Mr. Liu Zhen . . . . .	–	250	–	–	250	–	250
Mr. Wang Yalong . . . . .	–	250	–	–	250	–	250
<b>Independent non-executive directors</b>							
Mr. Xiao Wei . . . . .	120	–	–	–	120	–	120
Mr. Chen Aihua . . . . .	120	–	–	–	120	–	120
Mr. Zeng Hongliang . . . . .	120	–	–	–	120	–	120
<b>Supervisors</b>							
Mr. Fu Yu . . . . .	–	590	–	16	606	–	606
Mr. Zheng Feng . . . . .	–	50	–	–	50	–	50
Ms. Wei Wei . . . . .	–	249	426	14	689	192	881
	360	6,270	3,538	89	10,257	466	10,723

## Year ended 31 December 2022

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Chairman and executive director</b>							
Mr. Huang Jian . . . . .	–	1,621	1,143	37	2,801	2	2,803
<b>Executive directors</b>							
Mr. Zheng Wenbin . . . . .	–	659	257	37	953	–	953
Mr. Li Youquan . . . . .	–	2,386	1,143	37	3,566	–	3,566
Ms. Huang Danyan . . . . .	–	462	717	–	1,179	272	1,451
<b>Non-executive directors</b>							
Mr. Liu Zhen . . . . .	–	300	–	–	300	–	300
Mr. Wang Yalong . . . . .	–	300	–	–	300	–	300
<b>Independent non-executive directors</b>							
Mr. Xiao Wei . . . . .	120	–	–	–	120	–	120
Mr. Chen Aihua . . . . .	120	–	–	–	120	–	120
Mr. Zeng Hongliang . . . . .	120	–	–	–	120	–	120
<b>Supervisors</b>							
Mr. Fu Yu (resigned on 22 September 2022) . . . . .	–	440	–	27	467	–	467
Mr. Zheng Feng . . . . .	–	100	–	–	100	–	100
Ms. Wei Wei . . . . .	–	274	381	18	673	192	865
Ms. Zhang Ning (appointed on 26 September 2022) . . . . .	–	202	276	16	494	112	606
	360	6,744	3,917	172	11,193	578	11,771

## Five months ended 31 May 2022 (unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Chairman and executive director</b>							
Mr. Huang Jian . . . . .	–	679	453	15	1,147	1	1,148
<b>Executive directors</b>							
Mr. Zheng Wenbin . . . . .	–	424	103	15	542	–	542
Mr. Li Youquan . . . . .	–	1,020	453	15	1,488	–	1,488
Ms. Huang Danyan . . . . .	–	142	162	–	304	113	417
<b>Non-executive directors</b>							
Mr. Liu Zhen . . . . .	–	125	–	–	125	–	125
Mr. Wang Yalong . . . . .	–	125	–	–	125	–	125
<b>Independent non-executive directors</b>							
Mr. Xiao Wei . . . . .	50	–	–	–	50	–	50
Mr. Chen Aihua . . . . .	50	–	–	–	50	–	50
Mr. Zeng Hongliang . . . . .	50	–	–	–	50	–	50
<b>Supervisors</b>							
Mr. Fu Yu . . . . .	–	164	–	15	179	–	179
Mr. Zheng Feng . . . . .	–	42	–	–	42	–	42
Ms. Wei Wei . . . . .	–	79	94	8	181	80	261
	150	2,800	1,265	68	4,283	194	4,477

## Five months ended 31 May 2023

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Chairman and executive director</b>							
Mr. Huang Jian . . . . .	–	682	593	16	1,291	1	1,292
<b>Executive directors</b>							
Mr. Zheng Wenbin . . . . .	–	432	117	16	565	–	565
Mr. Li Youquan . . . . .	–	1,025	593	16	1,634	–	1,634
Ms. Huang Danyan . . . . .	–	113	237	–	350	113	463
<b>Non-executive directors</b>							
Mr. Liu Zhen . . . . .	–	125	–	–	125	–	125
Mr. Wang Yalong . . . . .	–	125	–	–	125	–	125
<b>Independent non-executive directors (i)</b>							
Mr. Xiao Wei . . . . .	50	–	–	–	50	–	50
Mr. Chen Aihua . . . . .	50	–	–	–	50	–	50
Mr. Zeng Hongliang (resigned on 25 May 2023) . . . . .	48	–	–	–	48	–	48
Mr. Lam Yiu Por (appointed on 20 November 2023) . . . . .	–	–	–	–	–	–	–
<b>Supervisors</b>							
Mr. Zheng Feng . . . . .	–	42	–	–	42	–	42
Ms. Wei Wei . . . . .	–	74	133	16	223	80	303
Ms. Zhang Ning . . . . .	–	50	105	7	162	47	209
	148	2,668	1,778	71	4,665	241	4,906

*Note:*

These represent the estimated value of restricted shares granted to the directors and supervisors under the Group's share award scheme. The value of these share awards is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(r)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of shares granted, are disclosed in note 28.

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 3, 2, 2 (unaudited) and 2 are directors whose emoluments are disclosed in note 8 for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 respectively. The aggregate of the emoluments in respect of the other 2, 3, 3 (unaudited) and 3 individuals for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other emoluments . . . . .	1,050	1,505	1,512	611	580
Discretionary bonuses . . . . .	2,520	3,759	3,487	863	1,086
Equity-settled share-based payments . . . . .	46	816	816	339	339
Retirement scheme contributions . . . . .	2	70	109	44	48
	<u>3,618</u>	<u>6,150</u>	<u>5,924</u>	<u>1,857</u>	<u>2,053</u>

The emoluments of the 2, 3, 3, 3 (unaudited) and 3 individuals with the highest emoluments for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
HK\$Nil – HK\$1,000,000 . . . . .	–	–	–	3	2
HK\$1,000,001 – HK\$1,500,000 . . . . .	–	–	–	–	1
HK\$1,500,001 – HK\$2,000,000 . . . . .	1	–	1	–	–
HK\$2,000,001 – HK\$2,500,000 . . . . .	1	1	2	–	–
HK\$2,500,001 – HK\$3,000,000 . . . . .	–	2	–	–	–

## 10 EARNINGS PER SHARE

## (a) Basic earnings per share

The calculation of basic earnings per share during the Relevant Periods is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue for the respective year/period and does not take into account the effect of sub-division detailed in Note 36. The profit attributable to unvested ordinary shares held for employee incentive scheme with employees (see note 28) and the number of such shares have been excluded from the calculation of basic earnings per share.

As set out in note 30(c), the Company was converted from a limited liability company into a joint stock limited liability company on 23 December 2020. The Company's paid-in capital of RMB83,333,000 was converted into 83,333,000 shares of RMB1.00 each accordingly. For the purpose of determining basic earnings per share, the weighted average number of ordinary shares were deemed to be in issue before the Company's conversion into a joint stock limited liability company as if the above conversion had occurred on 1 January 2020 at the exchange ratio established on 23 December 2020.

## (i) Profit attributable to ordinary equity shareholders of the Company

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period attributable to all ordinary equity shareholders of the Company . . . . .	122,017	167,353	191,840	78,772	95,058
Allocation of profit for the year/period attributable to unvested shares held for employee incentive scheme (note 28) . . . . .	–	(2,865)	(3,633)	(1,589)	(1,995)
Profit for the year/period attributable to ordinary equity shareholders of the Company . . . . .	<u>122,017</u>	<u>164,488</u>	<u>188,207</u>	<u>77,183</u>	<u>93,063</u>

(ii) *Weighted average number of ordinary shares*

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	'000	'000	'000	'000 (unaudited)	'000
Ordinary shares (deemed to be) in issue at 1 January . . . . .	83,333	83,333	86,700	86,700	86,700
Effect of issuance of new shares . . .	–	2,346	–	–	–
Effect of unvested shares held for employee incentive scheme (note 28) . . . . .	–	(1,467)	(1,642)	(1,642)	(1,642)
Weighted average number of ordinary shares at 31 December/31 May . . . . .	<u>83,333</u>	<u>84,212</u>	<u>85,058</u>	<u>85,058</u>	<u>85,058</u>

(b) **Diluted earnings per share**

For the Relevant Periods, the effects of unvested ordinary shares held for employee incentive scheme with employees have not been included in the calculation of diluted earnings per share because their inclusion would be anti-dilutive. The Company does not have other potential ordinary shares and therefore the amounts of diluted earnings per share are the same as basic earnings per share.

## 11 PROPERTY, PLANT AND EQUIPMENT

## (a) Reconciliation of carrying amount

## The Group

	Ownership interests in leasehold buildings held for own use	Other properties leased for own use	Motor vehicles	Machinery	Office and other equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>								
At 1 January 2020 . . . . .	16,815	21,440	4,513	25,189	3,375	10,922	–	82,254
Additions . . . . .	–	7,421	1,127	5,385	1,221	1,885	770	17,809
Transfer from construction in progress . . . . .	–	–	–	493	–	277	(770)	–
Disposals . . . . .	–	(3,876)	(840)	(591)	–	(1,510)	–	(6,817)
At 31 December 2020 and 1 January 2021 . . . . .	16,815	24,985	4,800	30,476	4,596	11,574	–	93,246
Additions . . . . .	–	29,127	248	5,378	2,045	12,433	2,671	51,902
Business combination (note 14) . . . . .	–	5,553	232	–	–	437	–	6,222
Transfer from construction in progress . . . . .	–	–	–	1,379	–	–	(1,379)	–
Disposals . . . . .	–	(7,288)	–	(27)	(198)	(5,744)	–	(13,257)
At 31 December 2021 and 1 January 2022 . . . . .	16,815	52,377	5,280	37,206	6,443	18,700	1,292	138,113
Additions . . . . .	–	17,717	282	5,308	2,990	9,718	1,040	37,055
Transfer from construction in progress . . . . .	–	–	–	1,402	–	–	(1,402)	–
Disposals . . . . .	–	(17,658)	(80)	(887)	(376)	(5,367)	–	(24,368)
At 31 December 2022 and 1 January 2023 . . . . .	16,815	52,436	5,482	43,029	9,057	23,051	930	150,800
Additions . . . . .	–	20,534	51	4,617	291	1,545	–	27,038
Transfer from construction in progress . . . . .	–	–	–	930	–	–	(930)	–
Disposals . . . . .	–	(14,149)	(171)	–	–	(6,697)	–	(21,017)
At 31 May 2023 . . . . .	16,815	58,821	5,362	48,576	9,348	17,899	–	156,821
<b>Accumulated depreciation:</b>								
At 1 January 2020 . . . . .	(1,292)	(5,781)	(1,424)	(5,042)	(1,785)	(3,433)	–	(18,757)
Charge for the year . . . . .	(799)	(7,868)	(928)	(4,055)	(696)	(3,951)	–	(18,297)
Written back on disposals . . . . .	–	3,876	518	366	–	1,510	–	6,270
At 31 December 2020 and 1 January 2021 . . . . .	(2,091)	(9,773)	(1,834)	(8,731)	(2,481)	(5,874)	–	(30,784)
Charge for the year . . . . .	(799)	(15,371)	(1,078)	(4,556)	(925)	(5,413)	–	(28,142)
Written back on disposals . . . . .	–	6,804	–	22	177	5,744	–	12,747
At 31 December 2021 and 1 January 2022 . . . . .	(2,890)	(18,340)	(2,912)	(13,265)	(3,229)	(5,543)	–	(46,179)
Charge for the year . . . . .	(799)	(18,413)	(1,142)	(5,508)	(1,543)	(8,897)	–	(36,302)
Written back on disposals . . . . .	–	12,906	16	817	357	5,367	–	19,463
At 31 December 2022 and 1 January 2023 . . . . .	(3,689)	(23,847)	(4,038)	(17,956)	(4,415)	(9,073)	–	(63,018)
Charge for the period . . . . .	(333)	(8,208)	(245)	(2,821)	(705)	(3,757)	–	(16,069)
Written back on disposals . . . . .	–	9,585	171	–	–	6,697	–	16,453
At 31 May 2023 . . . . .	(4,022)	(22,470)	(4,112)	(20,777)	(5,120)	(6,133)	–	(62,634)
<b>Net book value:</b>								
At 31 December 2020 . . . . .	14,724	15,212	2,966	21,745	2,115	5,700	–	62,462
At 31 December 2021 . . . . .	13,925	34,037	2,368	23,941	3,214	13,157	1,292	91,934
At 31 December 2022 . . . . .	13,126	28,589	1,444	25,073	4,642	13,978	930	87,782
At 31 May 2023 . . . . .	12,793	36,351	1,250	27,799	4,228	11,766	–	94,187

## The Company

	Ownership interests in leasehold buildings held for own use	Other properties leased for own use	Motor vehicles	Office and other equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>						
At 1 January 2020 . . . . .	8,901	1,217	108	703	252	11,181
Additions . . . . .	–	645	379	794	556	2,374
At 31 December 2020 and						
1 January 2021 . . . . .	8,901	1,862	487	1,497	808	13,555
Additions . . . . .	–	4,715	–	786	187	5,688
Disposals . . . . .	–	(391)	–	–	–	(391)
At 31 December 2021 and						
1 January 2022 . . . . .	8,901	6,186	487	2,283	995	18,852
Additions . . . . .	–	229	–	1,989	4,837	7,055
Disposals . . . . .	–	(2,420)	–	(194)	(654)	(3,268)
At 31 December 2022 and						
1 January 2023 . . . . .	8,901	3,995	487	4,078	5,178	22,639
Additions . . . . .	–	2,282	–	245	75	2,602
Disposals . . . . .	–	(3,766)	–	–	(996)	(4,762)
At 31 May 2023 . . . . .	8,901	2,511	487	4,323	4,257	20,479
<b>Accumulated depreciation:</b>						
At 1 January 2020 . . . . .	(916)	(282)	(26)	(140)	(55)	(1,419)
Charge for the year . . . . .	(423)	(486)	(25)	(308)	(177)	(1,419)
At 31 December 2020 and						
1 January 2021 . . . . .	(1,339)	(768)	(51)	(448)	(232)	(2,838)
Charge for the year . . . . .	(423)	(1,312)	(116)	(508)	(298)	(2,657)
Written back on disposals. . . . .	–	314	–	–	–	314
At 31 December 2021 and						
1 January 2022 . . . . .	(1,762)	(1,766)	(167)	(956)	(530)	(5,181)
Charge for the year . . . . .	(423)	(1,470)	(115)	(844)	(1,766)	(4,618)
Written back on disposals. . . . .	–	1,375	–	184	654	2,213
At 31 December 2022 and						
1 January 2023 . . . . .	(2,185)	(1,861)	(282)	(1,616)	(1,642)	(7,586)
Charge for the period . . . . .	(176)	(383)	(38)	(390)	(709)	(1,696)
Written back on disposals. . . . .	–	1,860	–	–	996	2,856
At 31 May 2023 . . . . .	(2,361)	(384)	(320)	(2,006)	(1,355)	(6,426)
<b>Net book value:</b>						
At 31 December 2020 . . . . .	7,562	1,094	436	1,049	576	10,717
At 31 December 2021 . . . . .	7,139	4,420	320	1,327	465	13,671
At 31 December 2022 . . . . .	6,716	2,134	205	2,462	3,536	15,053
At 31 May 2023 . . . . .	6,540	2,127	167	2,317	2,902	14,053

As at 31 December 2020, 2021 and 2022 and 31 May 2023, the Group's buildings with carrying amount of RMB14,724,000, nil, nil and nil were pledged as collateral for the Group's short-term bank loans (note 25).

**(b) Right-of-use assets**

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Included in "Property, plant and equipment":				
Ownership interests in leasehold buildings held for own use, carried at depreciated cost in the PRC, with remaining lease term of:				
– between 20 to 38 years . . . . .	14,724	13,925	13,126	12,793
Other properties leased for own use, carried at depreciated cost . . . . .	15,212	34,037	28,589	36,351

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:					
Properties leased for own use . . . . .	7,868	15,371	18,413	7,692	8,208
Interest on lease liabilities (note 6(a)) . . . . .	784	1,411	1,621	749	857
Expense relating to short-term leases . . . . .	4,329	6,196	7,783	3,250	4,035
Variable lease payments not included in the measurement of lease liabilities . . . . .	135	380	45	35	27
COVID-19-related rent concessions received . . . . .	(535)	(334)	(473)	(46)	–

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, additions to right-of-use assets were RMB7,421,000, RMB29,127,000, RMB17,717,000 and RMB20,534,000, respectively. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(e) and 26 respectively.

**(i) Ownership interests in leasehold land and buildings held for own use**

The Group holds several commercial buildings as administrative offices. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

**(ii) Other properties leased for own use**

The Group has obtained the right to use other properties as its retail stores, manufacturing facilities and administrative offices through tenancy agreements. The leases typically run for an initial period of 1 to 10 years. Lease payments are usually increased every 1 year to reflect market rentals. None of properties leased for own used include an option to renew the lease for an additional period after the end of the contract term.

The Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in PRC where the Group operates. During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the Group received rent concessions in the form of a discount on fixed payments as a result of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the years/periods is summarised below:

2020				
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Retail stores . . . . .	5,077	135	(513)	4,699
Manufacturing facilities and administrative offices . . . . .	3,618	–	(22)	3,596
	<u>8,695</u>	<u>135</u>	<u>(535)</u>	<u>8,295</u>
2021				
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Retail stores . . . . .	9,859	380	(334)	9,905
Manufacturing facilities and administrative offices . . . . .	8,263	–	–	8,263
	<u>18,122</u>	<u>380</u>	<u>(334)</u>	<u>18,168</u>
2022				
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Retail stores . . . . .	9,615	45	(473)	9,187
Manufacturing facilities and administrative offices . . . . .	10,853	–	–	10,853
	<u>20,468</u>	<u>45</u>	<u>(473)</u>	<u>20,040</u>
Five months ended 31 May 2022 (unaudited)				
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Retail stores . . . . .	3,569	35	(46)	3,558
Manufacturing facilities and administrative offices . . . . .	4,746	–	–	4,746
	8,315	35	(46)	8,304
Five months ended 31 May 2023				
	Fixed payments	Variable payments	Total payments	
	RMB'000	RMB'000	RMB'000	
Retail stores . . . . .	3,128	27	3,155	
Manufacturing facilities and administrative offices . . . . .	4,476	–	4,476	
	<u>7,604</u>	<u>27</u>	<u>7,631</u>	

At 31 December 2020, 2021 and 2022 and 31 May 2022 and 2023, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by RMB36,000, RMB42,000, RMB14,000, RMB3,000 (unaudited) and RMB6,000, respectively.

## 12 INTANGIBLE ASSETS

	Patent rights	Software	Total
	RMB'000	RMB'000	RMB'000
<b>Cost:</b>			
At 1 January 2020, 31 December 2020 and 1 January 2021 . . .	519	1,091	1,610
Additions . . . . .	100	341	441
At 31 December 2021 and 1 January 2022. . . . .	619	1,432	2,051
Additions . . . . .	100	842	942
At 31 December 2022 and 1 January 2023. . . . .	719	2,274	2,993
Additions . . . . .	–	–	–
At 31 May 2023 . . . . .	719	2,274	2,993
<b>Accumulated amortisation:</b>			
At 1 January 2020. . . . .	(205)	(243)	(448)
Charge for the year . . . . .	(26)	(432)	(458)
At 31 December 2020 and 1 January 2021. . . . .	(231)	(675)	(906)
Charge for the year . . . . .	(23)	(249)	(272)
At 31 December 2021 and 1 January 2022. . . . .	(254)	(924)	(1,178)
Charge for the year . . . . .	(30)	(510)	(540)
At 31 December 2022 and 1 January 2023. . . . .	(284)	(1,434)	(1,718)
Charge for the period . . . . .	(13)	(244)	(257)
At 31 May 2023 . . . . .	(297)	(1,678)	(1,975)
<b>Net book value:</b>			
At 31 December 2020. . . . .	288	416	704
At 31 December 2021. . . . .	365	508	873
At 31 December 2022. . . . .	435	840	1,275
At 31 May 2023 . . . . .	422	596	1,018

The amortization charge for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023 is included in administrative expenses, selling and distribution expenses and research and development expenses in the consolidated statements of profit or loss and other comprehensive income.

## 13 GOODWILL

	RMB'000
<b>Cost:</b>	
At 1 January 2020, 31 December 2020 and 1 January 2021 . . . . .	–
Arising from business combination (note 14). . . . .	75,165
At 31 December 2021 and 2022 and 31 May 2023 . . . . .	75,165
<b>Accumulated impairment losses:</b>	
At 31 December 2020, 2021 and 2022 and 31 May 2023 . . . . .	–
<b>Carrying amount:</b>	
At 31 December 2020 . . . . .	–
At 31 December 2021 and 2022 and 31 May 2023 . . . . .	75,165

**Impairment tests for cash-generating units containing goodwill**

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to city of operation and operating segment as follows:

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Beijing Tianfeiyuan Trading Co., Ltd. ("Beijing Tianfeiyuan") – offline retail . . . . .	–	31,609	31,609	31,609
Harbin Jinyanhui Trading Co., Ltd. ("Harbin Jinyanhui") – offline retail . . . . .	–	17,301	17,301	17,301
Changchun Jinyanhui Trading Co., Ltd. ("Changchun Jinyanhui") – offline retail . . . . .	–	15,245	15,245	15,245
Taiyuan Jixiangyan Trading Co., Ltd. ("Taiyuan Jixiangyan") – offline retail . . . . .	–	11,010	11,010	11,010
	–	75,165	75,165	75,165

The recoverable amount of the CGU- Beijing Tianfeiyuan is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	As at 31 December		As at 31 May
	2021	2022	2023
Annual growth rate of revenue during five-year forecast period . . . . .	2%	3%	3%
Estimated weighted average growth rate beyond the five-year period . . . . .	2%	2%	2%
Pre-tax discount rate . . . . .	16.20%	14.58%	14.43%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU- Beijing Tianfeiyuan as at 31 December 2021 and 2022 and 31 May 2023 is RMB2,622,000, RMB3,749,000 and RMB11,446,000 respectively.

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2021 and 2022 and 31 May 2023:

	As at 31 December		As at 31 May
	2021	2022	2023
Decrease in annual growth rate of revenue during five-year forecast period . . . . .	0.7 percentage points	0.9 percentage points	3.3 percentage points
Decrease in estimated weighted average growth rate beyond the five-year period . . . . .	0.9 percentage points	1.1 percentage points	3.7 percentage points
Increase in pre-tax discount rate . . . . .	0.6 percentage points	0.7 percentage points	2.4 percentage points

The recoverable amount of the CGU- Harbin Jinyanhui is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	As at 31 December		As at 31 May
	2021	2022	2023
Annual growth rate of revenue during five-year forecast period . . . . .	2%-3%	4%-5%	4%-5%
Estimated weighted average growth rate beyond the five-year period . . . . .	2%	2%	2%
Pre-tax discount rate . . . . .	16.20%	14.58%	14.43%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU- Harbin Jinyanhui as at 31 December 2021 and 2022 and 31 May 2023 is RMB1,895,000, RMB4,265,000 and RMB8,301,000, respectively.

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2021 and 2022 and 31 May 2023:

	As at 31 December		As at 31 May
	2021	2022	2023
Decrease in annual growth rate of revenue during five-year forecast period . . . . .	1.2 percentage points	2.4 percentage points	5.6 percentage points
Decrease in estimated weighted average growth rate beyond the five-year period . . . . .	1.3 percentage points	2.3 percentage points	4.9 percentage points
Increase in pre-tax discount rate . . . . .	0.8 percentage points	1.5 percentage points	3.0 percentage points

The recoverable amount of the CGU- Changchun Jinyanhui is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	As at 31 December		As at 31 May
	2021	2022	2023
Annual growth rate of revenue during five-year forecast period . . . . .	2%-3%	3%-4%	3%-4%
Estimated weighted average growth rate beyond the five-year period . . . . .	2%	2%	2%
Pre-tax discount rate . . . . .	16.20%	14.58%	14.43%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU- Changchun Jinyanhui as at 31 December 2021 and 2022 and 31 May 2023 is RMB1,092,000, RMB3,902,000 and RMB4,798,000, respectively.

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2021 and 2022 and 31 May 2023:

	As at 31 December		As at 31 May
	2021	2022	2023
Decrease in annual growth rate of revenue during five-year forecast period . . . . .	0.7 percentage points	2.5 percentage points	3.4 percentage points
Decrease in estimated weighted average growth rate beyond the five-year period . . . . .	0.8 percentage points	2.5 percentage points	3.1 percentage points
Increase in pre-tax discount rate . . . . .	0.5 percentage points	1.6 percentage points	1.9 percentage points

The recoverable amount of the CGU- Taiyuan Jixiangyan is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	As at 31 December		As at 31 May
	2021	2022	2023
Annual growth rate of revenue during five-year forecast period . . . . .	2%	2%	2%
Estimated weighted average growth rate beyond the five-year period . . . . .	2%	2%	2%
Pre-tax discount rate . . . . .	16.20%	14.58%	14.43%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU- Taiyuan Jixiangyan as at 31 December 2021 and 2022 and 31 May 2023 is RMB2,905,000, RMB7,464,000 and RMB14,526,000, respectively.

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2021 and 2022 and 31 May 2023:

	As at 31 December		As at 31 May
	2021	2022	2023
Decrease in annual growth rate of revenue during five-year forecast period . . . . .	2.0 percentage points	3.7 percentage points	8.1 percentage points
Decrease in estimated weighted average growth rate beyond the five-year period . . . . .	3.3 percentage points	7.3 percentage points	16.5 percentage points
Increase in pre-tax discount rate . . . . .	1.9 percentage points	4.1 percentage points	8.2 percentage points

Management adopted Weighted Average Cost of Capital (“WACC”) model to calculate the discount rate of the CGUs. Since all CGUs are engaged in sales of the same products in the PRC, parameters adopted in WACC model, such as beta extracted from comparable companies, risk free rate, cost of debt and tax rate, are the same for all CGUs. Further, given that all CGUs are substantially similar in business model in the PRC, operation scale, stage of development, core competitiveness and financing costs during the Relevant Periods, management apply consistent CGU-specific risk premium of all CGUs, which results in the same pre-tax discount rate for all CGUs during the Relevant Periods.

No impairment loss of goodwill was recognised during the years ended 31 December 2021 and 2022 and the five months ended 31 May 2023. Except for the pre-tax discount rates, a reasonably possible adverse change in the assumptions used in the calculation of recoverable amount would not result in impairment losses.

#### 14 ACQUISITIONS OF SUBSIDIARIES

On 21 June 2021, the Group entered into agreements in relation to acquisition of 55% equity interest in each of Beijing Tianfeiyuan Trading Co., Ltd. (“Beijing Tianfeiyuan”), Harbin Jinyanhui Trading Co., Ltd. (“Harbin Jinyanhui”) and Changchun Jinyanhui Trading Co., Ltd. (“Changchun Jinyanhui”) with Mr. Zheng Wenbin (a controlling shareholder and executive director of the Company) at consideration of RMB32,670,000, RMB18,370,000 and RMB16,060,000, respectively. Beijing Tianfeiyuan, Harbin Jinyanhui and Changchun Jinyanhui principally engage in offline sales of bird’s nest products. In light of the good historical performance of such companies and to reduce the related party transactions and consolidating selling channels, the Group acquired them as subsidiaries. The transaction was approved by the shareholder of the Company on 21 June 2021 and completed on 29 June 2021.

From the post acquisition date to 31 December 2021, Beijing Tianfeiyuan and its subsidiaries contributed revenue of RMB48,918,000 and profit of RMB3,371,000 to the Group’s results.

From the post acquisition date to 31 December 2021, Harbin Jinyanhui and its subsidiary contributed revenue of RMB10,955,000 and profit of RMB1,518,000 to the Group’s results.

From the post acquisition date to 31 December 2021, Changchun Jinyanhui and its subsidiary contributed revenue of RMB10,745,000 and profit of RMB1,198,000 to the Group’s results.

On 9 August 2021, the Group entered into an agreement in relation to acquisition of 55% equity interest in Taiyuan Jixiangyan Trading Co., Ltd. (“Taiyuan Jixiangyan”) with Mr. Li Youquan (a controlling shareholder and executive director of the Company) at consideration of RMB12,540,000. Taiyuan Jixiangyan principally engages in offline sales of bird’s nest products. The transaction was approved by the board of directors of the Company on 9 August 2021 and completed on 10 September 2021.

From the post acquisition date to 31 December 2021, Taiyuan Jixiangyan contributed revenue of RMB11,240,000 and profit of RMB1,797,000 to the Group’s results.

If the above mentioned four acquisitions had occurred on 1 January 2021, management estimates the consolidated revenue for year ended 31 December 2021 would have been RMB1,536,220,000 and consolidated profit for the year ended 31 December 2021 would have been RMB179,804,000.

The following tables summarise the recognised amounts of assets and liabilities acquired at the date of acquisition. The management considered the fair value of these assets and liabilities are not materially different from the book value.

## Beijing Tianfeiyuan:

	RMB'000
Property, plant and equipment . . . . .	3,496
Deferred tax assets . . . . .	157
Inventories . . . . .	5,158
Trade and other receivables . . . . .	3,977
Prepayments . . . . .	2,927
Cash and cash equivalents . . . . .	1,745
Trade and other payables . . . . .	(7,422)
Contract liabilities . . . . .	(4,854)
Lease liabilities . . . . .	(861)
Other current liabilities . . . . .	(2,393)
Total identifiable net assets acquired . . . . .	<u>1,930</u>
Non-controlling interests (45%) . . . . .	869
Consideration in cash paid . . . . .	32,670
Goodwill arising on acquisition . . . . .	<u>31,609</u>

## Harbin Jinyanhui:

	RMB'000
Property, plant and equipment . . . . .	1,736
Deferred tax assets . . . . .	10
Inventories . . . . .	1,154
Trade and other receivables . . . . .	735
Prepayments . . . . .	1,000
Cash and cash equivalents . . . . .	1,800
Trade and other payables . . . . .	(2,279)
Contract liabilities . . . . .	(1,234)
Lease liabilities . . . . .	(372)
Other current liabilities . . . . .	(607)
Total identifiable net assets acquired . . . . .	<u>1,943</u>
Non-controlling interests (45%) . . . . .	874
Consideration in cash paid . . . . .	18,370
Goodwill arising on acquisition . . . . .	<u>17,301</u>

## Changchun Jinyanhui:

	RMB'000
Property, plant and equipment . . . . .	990
Deferred tax assets . . . . .	10
Other non-current assets . . . . .	3
Inventories . . . . .	1,964
Trade and other receivables . . . . .	945
Prepayments . . . . .	1,354
Cash and cash equivalents . . . . .	419
Trade and other payables . . . . .	(2,457)
Contract liabilities . . . . .	(1,316)
Other current liabilities . . . . .	(332)
Non-controlling interests . . . . .	(98)
Total identifiable net assets acquired . . . . .	<u>1,482</u>
Non-controlling interests (45%) . . . . .	667
Consideration in cash paid . . . . .	16,060
Goodwill arising on acquisition . . . . .	<u>15,245</u>

Taiyuan Jixiangyan:

	RMB'000
Inventories . . . . .	2,000
Trade and other receivables . . . . .	798
Prepayments . . . . .	1,317
Cash and cash equivalents . . . . .	1,859
Trade and other payables . . . . .	(3,149)
Contract liabilities . . . . .	(43)
Total identifiable net assets acquired. . . . .	<u>2,782</u>
Non-controlling interests (45%) . . . . .	1,252
Consideration in cash paid . . . . .	12,540
Goodwill arising on acquisition. . . . .	<u>11,010</u>

Goodwill is mainly attributable to the sales talent of Beijing Tianfeiyuan, Harbin Jinyanhui, Changchun Jinyanhui and Taiyuan Jixiangyan's work force and the synergies expected to be achieved from integrating Beijing Tianfeiyuan, Harbin Jinyanhui, Changchun Jinyanhui and Taiyuan Jixiangyan into the Group's existing sales channel. Non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

## 15 INVESTMENTS IN SUBSIDIARIES

The carrying amounts of investments in subsidiaries of the Company is listed below:

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in subsidiaries . . . . .	<u>96,461</u>	<u>188,060</u>	<u>188,694</u>	<u>189,761</u>

Further details of the principal subsidiaries of the Group are set out in note 1.

The subsidiaries of the Group do not have material non-controlling interest.

## 16 INTEREST IN AN ASSOCIATE

Directors of the Company are of the view that the associate is not a material associate for the Group and it was disposed on 28 June 2021.

## 17 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent prepayments for purchases of property, plant and equipment.

## 18 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

### The Group

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products . . . . .	<u>46,225</u>	<u>–</u>	<u>4,996</u>	<u>–</u>

### The Company

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products . . . . .	<u>10,068</u>	<u>–</u>	<u>4,996</u>	<u>–</u>

The amount represents investments in wealth management products issued by reputable financial institutions in the PRC. There are no fixed or determinable returns of these wealth management products.

## 19 INVENTORIES

## The Group

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Inventories</b>				
Raw materials . . . . .	174,103	163,851	125,926	187,748
Work in progress . . . . .	41,092	33,360	36,467	17,608
Finished goods . . . . .	42,071	65,189	81,504	34,881
Goods in transit . . . . .	6,739	4,743	13,295	9,183
Packaging . . . . .	12,981	12,498	14,370	10,832
Right to recover returned goods . . . . .	59	101	233	102
	<u>277,045</u>	<u>279,742</u>	<u>271,795</u>	<u>260,354</u>

## The Company

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Goods in transit . . . . .	<u>5,894</u>	<u>711</u>	<u>4,381</u>	<u>3,006</u>

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Carrying amount of inventories sold . . . . .	658,791	701,766	761,495	303,362	339,264
Carrying amount of inventories recognised as research and development expenses . . . . .	10,165	8,207	7,860	2,290	2,784
Write-down of inventories . . . . .	2,539	1,843	1,880	729	685
	<u>671,495</u>	<u>711,816</u>	<u>771,235</u>	<u>306,381</u>	<u>342,733</u>

## 20 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables and other receivables

## The Group

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, net of loss allowance				
– third parties . . . . .	23,340	38,442	62,834	58,223
– related parties . . . . .	135	–	–	–
Deposits . . . . .	6,157	9,416	9,282	10,683
Amounts due from related parties (note 33) . . . . .	1,827	1,015	1,900	1,900
VAT recoverable . . . . .	27,905	14,769	13,956	16,723
Government grants receivables . . . . .	10,067	22,242	–	–
Current tax recoverable . . . . .	–	–	–	6,003
Other receivables . . . . .	1,106	1,699	1,487	1,738
	<u>70,537</u>	<u>87,583</u>	<u>89,459</u>	<u>95,270</u>

**The Company**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, net of loss allowance				
– third parties . . . . .	–	186	685	465
– related parties . . . . .	135	–	–	–
Deposits . . . . .	400	1,571	1,638	1,922
Amounts due from related parties . . . . .	–	–	1,900	1,900
VAT recoverable . . . . .	4,320	4,822	5,174	5,692
Government grants receivables . . . . .	9,922	22,225	–	–
Current tax recoverable . . . . .	–	–	–	5,554
Other receivables . . . . .	272	258	292	419
	<u>15,049</u>	<u>29,062</u>	<u>9,689</u>	<u>15,952</u>

As at 31 December 2020, 2021 and 2022 and 31 May 2023, deposits of RMB4,031,000, RMB5,234,000, RMB5,769,000 and RMB6,802,000 of the Group were expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

**Ageing analysis**

As at 31 December 2020, 2021 and 2022 and 31 May 2023, the ageing analysis of trade receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

**The Group**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Current (not past due) . . . . .	21,275	38,038	62,643	58,220
Less than 3 months past due . . . . .	2,200	404	191	3
	<u>23,475</u>	<u>38,442</u>	<u>62,834</u>	<u>58,223</u>

**The Company**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Current (not past due) . . . . .	135	186	685	465

Trade debtors are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 31(a).

**(b) Prepayments**

Prepayments mainly represent prepayments for purchase of raw materials and prepayments for selling and distribution expenses.

As at 31 December 2020, 2021 and 2022 and 31 May 2023, the prepayments of the Company include prepayments for purchase of finished goods from subsidiaries amounted to RMB73,725,000, RMB48,353,000, RMB47,144,000 and RMB79,970,000, respectively.

## 21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

## (a) Cash and cash equivalents comprise:

## The Group

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand . . . . .	143,239	163,503	338,398	180,425
Cash balances with payment platforms . . . . .	7,334	5,992	12,420	6,978
Cash and cash equivalents. . . . .	150,573	169,495	350,818	187,403

## The Company

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand . . . . .	45,475	62,024	162,122	40,381
Cash balances with payment platforms . . . . .	586	102	55	109
Cash and cash equivalents. . . . .	46,061	62,126	162,177	40,490

Cash balances with payment platforms represents cash balances kept with third party payment platforms, which can be withdrawn on demand.

As at 31 December 2020, 2021 and 2022 and 31 May 2023, all cash and cash equivalents were situated in Mainland China. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

## (b) Restricted bank deposits

As at 31 December 2020, 2021 and 2022 and 31 May 2023, RMB1,202,000, RMB2,000,000, RMB1,600,000 and RMB8,000,000 have been placed with a bank in a designated account in relation to guarantee for the customs duties.

## (c) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December			Five months ended 31 May	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation . . . . .		159,826	230,173	264,566	107,851	129,528
Adjustments for:						
Depreciation . . . . .	6(c)	18,297	28,142	36,302	14,761	16,069
Amortisation of intangible assets . . . . .	6(c)	458	272	540	189	257
Finance costs . . . . .	6(a)	4,882	3,337	1,636	764	857
Interest income . . . . .		(3,994)	(1,492)	–	–	–
Share of profits less losses of an associate . . . . .		214	–	–	–	–
Loss/(gain) on disposal of property, plant and equipment . . . . .	5	29	(159)	60	(52)	(52)
Gain on financial assets measured at fair value through profit or loss . . . . .	5	(1,128)	(2,329)	(1,455)	(480)	(1,169)
Gain on disposal of investment in a subsidiary . . . . .	5	–	–	(380)	–	–
Gain on disposal of interests in an associate . . . . .	5	–	(33)	–	–	–
Equity-settled share-based payment expenses . . . . .	6(b)	438	21,813	5,253	2,189	2,189
Impairment loss on trade and other receivables . . . . .	6(c)	852	2,098	2,040	2,144	64
COVID-19-related rent concessions received . . . . .	11(b)	(535)	(334)	(473)	(46)	–
Changes in working capital:						
(Increase)/decrease in inventories . . . . .		(181,665)	7,579	7,947	57,206	11,441
(Increase)/decrease in trade receivables, other receivables and prepayments . . . . .		(26,655)	(37,669)	3,693	33,212	7,545
(Increase)/decrease in restricted bank deposits . . . . .		(1,202)	(798)	400	400	(6,400)
Increase/(decrease) in trade and other payables . . . . .		45,997	(28,160)	32,191	(60,284)	(65,668)
Increase/(decrease) in contract liabilities . . . . .		47,479	29,258	36,254	(6,828)	(19,371)
Increase/(decrease) in other current liabilities . . . . .		5,751	1,716	5,377	(1,198)	(3,708)
Cash generated from operations . . . . .		<u>69,044</u>	<u>253,414</u>	<u>393,951</u>	<u>149,828</u>	<u>71,582</u>

**(d) Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans	Lease liabilities	Total
	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000
<b>At 1 January 2020</b> . . . . .	92	15,989	16,081
<b>Changes from financing cash flows:</b>			
Proceeds from new bank loans . . . . .	161,275	–	161,275
Repayment of bank loans . . . . .	(87,141)	–	(87,141)
Capital element of lease rentals paid . . . . .	–	(6,484)	(6,484)
Interest element of lease rentals paid . . . . .	–	(784)	(784)
Interest and other borrowing costs paid . . . . .	(3,630)	–	(3,630)
Total changes from financing cash flows . . . . .	70,504	(7,268)	63,236
<b>Other changes:</b>			
Increase in lease liabilities from entering into new leases during the year . . . . .	–	6,520	6,520
COVID-19-related rent concessions received (note 11(b)) . . . . .	–	(535)	(535)
Interest expenses (note 6(a)) . . . . .	4,098	784	4,882
Total other changes . . . . .	4,098	6,769	10,867
<b>At 31 December 2020</b> . . . . .	74,694	15,490	90,184

	Bank loans	Lease liabilities	Amount due to non-controlling interests	Total
	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000 (Note 23)	RMB'000
<b>At 1 January 2021</b> . . . . .	74,694	15,490	–	90,184
<b>Changes from financing cash flows:</b>				
Proceeds from new bank loans . . . . .	55,371	–	–	55,371
Repayment of bank loans . . . . .	(129,597)	–	–	(129,597)
Capital element of lease rentals paid . . . . .	–	(13,809)	–	(13,809)
Interest element of lease rentals paid . . . . .	–	(1,411)	–	(1,411)
Interest and other borrowing costs paid . . . . .	(2,394)	–	–	(2,394)
Dividends to non-controlling interests of subsidiaries . . . . .	–	–	(560)	(560)
Total changes from financing cash flows . . . . .	(76,620)	(15,220)	(560)	(92,400)
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the year . . . . .	–	30,696	–	30,696
Early termination of lease liabilities . . . . .	–	(585)	–	(585)
COVID-19-related rent concessions received (note 11(b)) . . . . .	–	(334)	–	(334)
Interest expenses (note 6(a)) . . . . .	1,926	1,411	–	3,337
Acquisition of subsidiaries . . . . .	–	1,233	–	1,233
Dividends to non-controlling interests of subsidiaries . . . . .	–	–	560	560
Total other changes . . . . .	1,926	32,421	560	34,907
<b>At 31 December 2021</b> . . . . .	–	32,691	–	32,691

	Bank loans	Lease liabilities	Amount due to non-controlling interests	Total
	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000 (Note 23)	RMB'000
<b>At 1 January 2022</b> . . . . .	–	32,691	–	32,691
<b>Changes from financing cash flows:</b>				
Proceeds from new bank loans . . . . .	12,183	–	–	12,183
Repayment of bank loans . . . . .	(12,183)	–	–	(12,183)
Capital element of lease rentals paid . . . . .	–	(16,838)	–	(16,838)
Interest element of lease rentals paid . . . . .	–	(1,621)	–	(1,621)
Interest and other borrowing costs paid . . . . .	(15)	–	–	(15)
Dividends to non-controlling interests of subsidiaries . . . . .	–	–	(4,058)	(4,058)
Total changes from financing cash flows . . . . .	(15)	(18,459)	(4,058)	(22,532)
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the year . . . . .	–	16,255	–	16,255
Early termination of lease liabilities . . . . .	–	(4,714)	–	(4,714)
COVID-19-related rent concessions received (note 11(b)) . . . . .	–	(473)	–	(473)
Interest expenses (note 6(a)) . . . . .	15	1,621	–	1,636
Dividends to non-controlling interests of subsidiaries . . . . .	–	–	11,258	11,258
Total other changes . . . . .	15	12,689	11,258	23,962
<b>At 31 December 2022</b> . . . . .	–	26,921	7,200	34,121
 (unaudited)				
	Bank loans	Lease liabilities	Amount due to non-controlling interests	Total
	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000 (Note 23)	RMB'000
<b>At 1 January 2022</b> . . . . .	–	32,691	–	32,691
<b>Changes from financing cash flows:</b>				
Proceeds from new bank loans . . . . .	12,183	–	–	12,183
Repayment of bank loans . . . . .	(12,183)	–	–	(12,183)
Capital element of lease rentals paid . . . . .	–	(7,378)	–	(7,378)
Interest element of lease rentals paid . . . . .	–	(749)	–	(749)
Interest and other borrowing costs paid . . . . .	(15)	–	–	(15)
Dividends to non-controlling interests of subsidiaries . . . . .	–	–	(3,330)	(3,330)
Total changes from financing cash flows . . . . .	(15)	(8,127)	(3,330)	(11,472)
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the period . . . . .	–	6,439	–	6,439
Early termination of lease liabilities . . . . .	–	(1,570)	–	(1,570)
COVID-19-related rent concessions received (note 11(b)) . . . . .	–	(46)	–	(46)
Interest expenses (note 6(a)) . . . . .	15	749	–	764
Dividends to non-controlling interests of subsidiaries . . . . .	–	–	3,330	3,330
Total other changes . . . . .	15	5,572	3,330	8,917
<b>At 31 May 2022</b> . . . . .	–	30,136	–	30,136

	Lease liabilities	Amount due to non-controlling interests	Total
	RMB'000 (Note 26)	RMB'000 (Note 23)	RMB'000
<b>At 1 January 2023</b> . . . . .	26,921	7,200	34,121
<b>Changes from financing cash flows:</b>			
Capital element of lease rentals paid . . . . .	(6,515)	–	(6,515)
Interest element of lease rentals paid . . . . .	(857)	–	(857)
Dividends to non-controlling interests of subsidiaries . . . . .	–	(7,200)	(7,200)
Total changes from financing cash flows . . . . .	(7,372)	(7,200)	(14,572)
<b>Other changes:</b>			
Increase in lease liabilities from entering into new leases during the period . . . . .	20,378	–	20,378
Early termination of lease liabilities . . . . .	(4,616)	–	(4,616)
Interest expenses (note 6(a)) . . . . .	857	–	857
Total other changes . . . . .	16,619	–	16,619
<b>At 31 May 2023</b> . . . . .	36,168	–	36,168

(e) **Total cash outflow for leases**

Amounts included in the cash flow statement for leases comprise the following, which are related to lease rentals paid:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating cash flows . . . . .	4,464	6,576	7,828	3,285	4,062
Within financing cash flows . . . . .	7,268	15,220	18,459	8,127	7,372
	11,732	21,796	26,287	11,412	11,434

(f) **Net cash outflow arising from the acquisitions of subsidiaries**

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	RMB'000
Property, plant and equipment (note 11) . . . . .	6,222
Goodwill (note 13) . . . . .	75,165
Deferred tax assets (note 29(b)) . . . . .	177
Other non-current assets . . . . .	3
Inventories and other contract costs . . . . .	10,276
Trade and other receivables . . . . .	6,455
Prepayments . . . . .	6,598
Cash and cash equivalents . . . . .	5,823
Trade and other payables . . . . .	(15,307)
Contract liabilities . . . . .	(7,447)
Lease liabilities (note 21(d)) . . . . .	(1,233)
Other current liabilities . . . . .	(3,332)
Non-controlling interests . . . . .	(3,760)
Total consideration paid in cash . . . . .	79,640
Less: cash of subsidiaries acquired . . . . .	(5,823)
	73,817

**22 AMOUNTS DUE FROM/TO SUBSIDIARIES**

The amounts due from/to subsidiaries were unsecured, interest-free, repayable on demand and non-trade in nature.

## 23 TRADE AND OTHER PAYABLES

## The Group

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables . . . . .	44,240	62,467	64,087	46,223
Receipts in advance . . . . .	51,989	24,929	22,035	12,562
Salary and welfare payables . . . . .	39,872	43,900	53,210	34,816
Amount due to non-controlling interests . . . . .	–	–	7,200	–
Other payables and accruals . . . . .	17,984	23,050	25,442	39,723
Financial liabilities measured at amortised cost . . . . .	154,085	154,346	171,974	133,324
Other tax payables . . . . .	22,174	11,766	18,222	11,694
Refund liabilities:				
– arising from right of return . . . . .	113	192	478	217
– arising from sales rebates . . . . .	37,327	38,490	48,999	21,570
	<u>213,699</u>	<u>204,794</u>	<u>239,673</u>	<u>166,805</u>

## The Company

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables . . . . .	579	1,204	1,790	1,674
Receipts in advance . . . . .	51,989	24,929	22,035	12,562
Salary and welfare payables . . . . .	15,716	10,996	12,422	7,056
Other payables and accruals . . . . .	15,666	19,705	21,995	35,574
Financial liabilities measured at amortised cost . . . . .	83,950	56,834	58,242	56,866
Other tax payables . . . . .	3,360	2,142	5,061	1,080
Refund liabilities arising from sales rebates . . . . .	29,887	25,797	35,983	16,042
	<u>117,197</u>	<u>84,773</u>	<u>99,286</u>	<u>73,988</u>

All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

## The Group

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months . . . . .	42,968	59,969	63,301	45,323
Over 3 months but within 6 months . . . . .	26	132	204	675
Over 6 months but within 9 months . . . . .	–	9	13	139
Over 9 months but within 1 year . . . . .	785	–	–	44
Over 1 year but within 2 years . . . . .	461	2,357	569	42
	<u>44,240</u>	<u>62,467</u>	<u>64,087</u>	<u>46,223</u>

## The Company

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months . . . . .	579	1,204	1,790	1,328
Over 3 months but within 6 months . . . . .	–	–	–	337
Over 6 months but within 9 months . . . . .	–	–	–	9
	<u>579</u>	<u>1,204</u>	<u>1,790</u>	<u>1,674</u>

## 24 CONTRACT LIABILITIES

**The Group**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Receipts in advance . . . . .	101,750	137,684	175,291	153,328
Unredeemed credits . . . . .	334	1,105	1,159	3,751
	<u>102,084</u>	<u>138,789</u>	<u>176,450</u>	<u>157,079</u>

**The Company**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Receipts in advance . . . . .	30,991	47,885	52,779	30,919
Unredeemed credits . . . . .	334	1,098	1,003	3,542
	<u>31,325</u>	<u>48,983</u>	<u>53,782</u>	<u>34,461</u>

Contract liabilities mainly represents the advance payments (exclude output VAT) from customers, for which the underlying goods are yet to be provided. The output VAT contained in the advance payments has been classified under other current liabilities.

**Movement in contract liabilities****The Group**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Balance at 1 January . . . . .	54,605	102,084	138,789	176,450
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period . . . . .	(50,175)	(100,060)	(134,255)	(143,433)
Increase in contract liabilities as a result of receiving advances from customers during the year/period . . . . .	97,654	136,765	171,916	124,062
Balance at 31 December/31 May . . . . .	<u>102,084</u>	<u>138,789</u>	<u>176,450</u>	<u>157,079</u>

**The Company**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Balance at 1 January . . . . .	27,140	31,325	48,983	53,782
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period . . . . .	(17,872)	(27,314)	(39,344)	(32,235)
Increase in contract liabilities as a result of receiving advances from customers during the year/period . . . . .	22,057	44,972	44,143	12,914
Balance at 31 December/31 May . . . . .	<u>31,325</u>	<u>48,983</u>	<u>53,782</u>	<u>34,461</u>

Most of the contract liabilities are expected to be recognised as income within one year.

## 25 BANK LOANS

(a) The analysis of the repayment schedule of bank loans is as follows:

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year or on demand . . . . .	66,097	–	–	–
After 1 year but within 2 years . . . . .	1,011	–	–	–
After 2 years but within 5 years . . . . .	7,586	–	–	–
	8,597	–	–	–
	74,694	–	–	–

(b) Assets pledged as security for bank loans

At 31 December 2020, the bank loans were secured as follows:

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term bank loans				
– guaranteed . . . . .	35,870	–	–	–
– secured and guaranteed . . . . .	30,227	–	–	–
Long-term bank loans				
– guaranteed . . . . .	8,597	–	–	–
	74,694	–	–	–

As at 31 December 2020, bank loans of RMB29,990,000 were secured by property, plant and equipment of the Group with an aggregate value of RMB14,724,000. All of the bank loans as at 31 December 2020 were guaranteed by related parties (note 33).

## 26 LEASE LIABILITIES

At 31 December 2020, 2021 and 2022 and 31 May 2023, the lease liabilities were repayable as follows:

**The Group**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year . . . . .	7,697	15,644	15,657	15,250
After 1 year but within 2 years . . . . .	3,006	10,106	7,970	9,203
After 2 years but within 5 years . . . . .	3,328	6,428	3,294	10,091
After 5 years . . . . .	1,459	513	–	1,624
	7,793	17,047	11,264	20,918
	15,490	32,691	26,921	36,168

**The Company**

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year . . . . .	563	2,004	1,387	885
After 1 year but within 2 years . . . . .	283	1,720	642	837
After 2 years but within 5 years . . . . .	231	925	42	419
	514	2,645	684	1,256
	1,077	4,649	2,071	2,141

## 27 EMPLOYEE RETIREMENT BENEFITS

**Defined contribution retirement plan**

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 12% – 19% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

## 28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

**(a) Employee Incentive Scheme**

The Group has adopted an employee incentive scheme on 26 December 2020 (the "Employee Incentive Scheme"). The purpose is to provide incentives and rewards to eligible participants for their contribution or potential contribution to continue leading the future success of the Group. In connection with the Employee Incentive Scheme, Xiamen Jinyan Tengfei Equity Investment Partnership (Limited Partnership) ("Jinyan Tengfei LP") has been established in the PRC as employee incentive platform. Eligible participants as approved by the Company may subscribe for the limited partnership interests in Jinyan Tengfei LP ("Restricted Shares"). The Restricted Shares shall be entitled to all the economic interests relating to their respective Restricted Shares, except that the Restricted Shares shall be subject to certain transfer and disposal restrictions. The transfer and disposal restrictions will be released upon the completion of the vesting period as mentioned below.

The Company has power to govern the relevant activities of Jinyan Tengfei LP and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the Employee Incentive Scheme, the directors of the Company consider that it is appropriate to consolidate Jinyan Tengfei LP.

Fair value of Restricted Shares is measured with reference to the price of a transaction of the Company's share capital completed in a short period of time before the Restricted Shares granted. Service conditions attached to the arrangements were not taken into account in measuring fair value.

On 26 December 2020, 43 employees were granted 1,642,000 Restricted Shares pursuant to the Employee Incentive Scheme at a subscription price of RMB12 per share. All Restricted Shares granted were subscribed and will be vested at the date of 36 months from the date of grant or the date of completion of a qualified listing, whichever is later.

Movements in the number of Restricted Shares granted to employees are as follows:

	2020		2021		2022		31 May 2023	
	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value
		RMB		RMB		RMB		RMB
Outstanding at January 1 . . . . .	–	NA	1,642,000	18	1,642,000	18	1,642,000	18
Subscribed during the year/period . . . . .	1,642,000	18	–	NA	–	NA	–	NA
Outstanding at December 31/ 31 May . . . . .	<u>1,642,000</u>	<u>18</u>	<u>1,642,000</u>	<u>18</u>	<u>1,642,000</u>	<u>18</u>	<u>1,642,000</u>	<u>18</u>

- (b) In order to provide incentives and rewards to Ms. Xue Fengying for her contribution to continue leading the future success of the Group, the Company entered into a capital increase agreement with Ms. Xue Fengying on 21 June 2021, pursuant to which Ms. Xue Fengying agreed to subscribe for 1,725,000 shares of the Company at a price of RMB12 per share and all of these shares will be vested immediately at the date of insurance. Fair value of each share was RMB18, measured using the Recent Transaction Method.

## 29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## (a) Current taxation in the consolidated statements of financial position represents:

## The Group

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
PRC corporate income tax payable . . . . .	16,391	47,133	38,091	7,224

## (b) Deferred tax assets and liabilities recognised:

## (i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

	Credit loss allowance	Unrealised inter-group profit	Promotion and advertising expenses	Accumulated tax losses	Depreciation charge of right-of-use asset and interest on lease liabilities	Accruals	Depreciation allowances in excess of the related depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Deferred tax arising from:</b>								
At 1 January 2020 . . . . .	(371)	(1,058)	(1,931)	(1,434)	(124)	(503)	2,107	(3,314)
(Credited)/charged to profit or loss . . . . .	(398)	(1,116)	1,931	1,227	(90)	(475)	695	1,774
At 31 December 2020 and 1 January 2021 . . . . .	(769)	(2,174)	-	(207)	(214)	(978)	2,802	(1,540)
Acquisition of a subsidiary (note 14) . . . . .	-	-	-	-	(177)	-	-	(177)
(Credited)/charged to profit or loss . . . . .	(430)	(1,786)	(8,509)	(894)	243	(418)	(517)	(12,311)
At 31 December 2021 and 1 January 2022 . . . . .	(1,199)	(3,960)	(8,509)	(1,101)	(148)	(1,396)	2,285	(14,028)
(Credited)/charged to profit or loss . . . . .	(197)	(613)	(18,044)	(224)	(156)	(583)	(350)	(20,167)
At 31 December 2022 and 1 January 2023 . . . . .	(1,396)	(4,573)	(26,553)	(1,325)	(304)	(1,979)	1,935	(34,195)
Charged/(credited) to profit or loss . . . . .	420	1,848	4,205	199	48	(504)	(832)	5,384
At 31 May 2023 . . . . .	(976)	(2,725)	(22,348)	(1,126)	(256)	(2,483)	1,103	(28,811)

## (ii) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statements of financial position . . . . .	(4,342)	(16,313)	(36,130)	(29,914)
Net deferred tax liability recognised in the consolidated statements of financial position . . . . .	2,802	2,285	1,935	1,103
	(1,540)	(14,028)	(34,195)	(28,811)

## (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB66,000, RMB574,000, RMB242,000 and RMB162,000 as at 31 December 2020, 2021 and 2022 and 31 May 2023 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire within 5 years under current tax legislation.

## 30 CAPITAL, RESERVES AND DIVIDENDS

## (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

## Company

Note	Paid-in capital	Share capital	Capital reserve	Share premium	Share-based payment reserve	Statutory reserve	Retained profits/ (Accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020</b>	83,333	–	64,327	–	–	9,977	50,142	207,779
<b>Changes in equity for 2020:</b>								
Profit and total comprehensive income for the year	–	–	–	–	–	–	76,231	76,231
Appropriation to statutory reserve	–	–	–	–	–	464	(464)	–
Conversion to a joint stock limited liability company	(83,333)	83,333	(66,925)	100,845	–	(10,441)	(23,479)	–
Equity settled share-based transactions	–	–	–	–	438	–	–	438
Capital injection from equity shareholders	–	–	2,598	–	–	–	–	2,598
Dividends declared	–	–	–	–	–	–	(120,000)	(120,000)
<b>Balance at 31 December 2020</b>	–	83,333	–	100,845	438	–	(17,570)	167,046

Note	Share capital	Share premium	Share-based payment reserve	Statutory reserve	(Accumulated losses)/ Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2021</b>	83,333	100,845	438	–	(17,570)	167,046
<b>Changes in equity for 2021:</b>						
Profit and total comprehensive income for the year	–	–	–	–	133,833	133,833
Issuance of new shares	3,367	37,033	–	–	–	40,400
Equity settled share-based transactions	–	16,560	5,253	–	–	21,813
Appropriation to statutory reserve	–	–	–	13,136	(13,136)	–
Dividends declared	–	–	–	–	(100,000)	(100,000)
<b>Balance at 31 December 2021</b>	86,700	154,438	5,691	13,136	3,127	263,092

Note	Share capital	Share premium	Share-based payment reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2022</b>	86,700	154,438	5,691	13,136	3,127	263,092
<b>Changes in equity for 2022:</b>						
Profit and total comprehensive income for the year	–	–	–	–	275,657	275,657
Equity settled share-based transactions	–	–	5,253	–	–	5,253
Appropriation to statutory reserve	–	–	–	27,615	(27,615)	–
Dividends declared	–	–	–	–	(80,000)	(80,000)
<b>Balance at 31 December 2022</b>	86,700	154,438	10,944	40,751	171,169	464,002

(unaudited)	Note	Share capital	Share premium	Share-based payment reserve	Statutory reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2022</b> . . . . .		86,700	154,438	5,691	13,136	3,127	263,092
<b>Changes in equity for the five months ended 31 May 2022:</b>							
Profit and total comprehensive income for the period . . . . .		–	–	–	–	112,295	112,295
Equity settled share-based transactions . . . . .	28(a)	–	–	2,189	–	–	2,189
Dividends declared . . . . .	30(b)	–	–	–	–	(80,000)	(80,000)
<b>Balance at 31 May 2022</b> . . . . .		86,700	154,438	7,880	13,136	35,422	297,576
	Note	Share capital	Share premium	Share-based payment reserve	Statutory reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2023</b> . . . . .		86,700	154,438	10,944	40,751	171,169	464,002
<b>Changes in equity for the five months ended 31 May 2023:</b>							
Profit and total comprehensive income for the period . . . . .		–	–	–	–	6,075	6,075
Equity settled share-based transactions . . . . .	28(a)	–	–	2,189	–	–	2,189
Dividends declared . . . . .	30(b)	–	–	–	–	(160,000)	(160,000)
<b>Balance at 31 May 2023</b> . . . . .		86,700	154,438	13,133	40,751	17,244	312,266

**(b) Dividends**

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the Company declared dividends of RMB120,000,000 (RMB1.44 per share), RMB100,000,000 (RMB1.15 per share), RMB80,000,000 (RMB0.92 per share), RMB80,000,000 (RMB0.92 per share), and RMB160,000,000 (RMB1.85 per share), respectively to its shareholders.

**(c) Paid-in capital and share capital**

	Note	No. of ordinary shares issued and fully paid	Paid-in capital	Share capital
		'000	RMB'000	RMB'000
At 1 January 2020 . . . . .		–	83,333	–
Issue of ordinary shares upon conversion into a joint stock limited liability company . . . . .	i	83,333	(83,333)	83,333
At 31 December 2020 . . . . .		83,333	–	83,333
Issuance of new shares . . . . .	ii	3,367	–	3,367
At 31 December 2021 and 2022 and 31 May 2023 . . . . .		86,700	–	86,700

**Notes:**

- (i) Pursuant to the shareholders' resolutions and the promoters' agreement dated 10 December 2020, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as of the conversion base date, which is 31 October 2020, including paid-in capital, capital reserve, statutory reserve and retained profits were converted into 83,333,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium. Upon the completion of registration with the Xiamen Administration for Industry and Commerce on 23 December 2020, the Company was converted into a joint stock limited liability company under PRC Company Law, and renamed from Xiamen Yanzhiwu Biological Engineering Co., Ltd. to Xiamen Yan Palace Bioengineering Co., Ltd. (the former name of Xiamen Yan Palace Bird's Nest Industry Co., Ltd.).
- (ii) On 26 December 2020, pursuant to a resolution of shareholders' meeting, the Company and Jinyan Tengfei LP entered into a capital injection agreement. Jinyan Tengfei LP injected cash of RMB19,700,000 into the Company, and share capital and share premium increased by RMB1,642,000 and RMB18,058,000, respectively. The consideration was fully paid in cash on 8 February 2021.

On 21 June 2021, pursuant to a resolution of shareholders' meeting, the Company and Xue Fengying entered into a capital injection agreement, Xue Fengying injected cash of RMB20,700,000 into the Company, and share capital and share premium increased by RMB1,725,000 and RMB18,975,000, respectively. The consideration was fully paid in cash on 28 June 2021.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**(d) Nature and purpose of reserves**

**(i) Capital reserve and share premium**

The capital reserve of the Group represents the share premium contributed by the shareholders of the Company before its conversion into a joint stock limited liability company in December 2020.

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock limited liability company in December 2020.

**(ii) Share-based payment reserve**

The share-based payment reserve comprises the portion of difference between the fair value of shares granted and the consideration paid by the employees of the Group that has been recognised in accordance with the accounting policy adopted for equity settled share-based payments in note 2(r)(ii).

**(iii) Statutory reserve**

Pursuant to the Articles of Association of the Group's PRC companies and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC companies provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

**(e) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

**31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and financial assets measured at fair value through profit or loss is limited because the counterparties are banks and financial institutions for which the Group considers to represent low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

**Trade receivables**

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2020, 2021 and 2022 and 31 May 2023, 17.9%, 51.6%, 81.7% and 83.6% of the total trade receivables was due from the Group's largest customer respectively, and 64.7%, 59.0%, 85.5% and 88.6% of the total trade receivables, respectively, was due from the Group's five largest customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different type of customer, the loss allowance based on past due status is not distinguished among the Group's different customer types.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

As at 31 December 2020		
Expected loss rate	Gross carrying amount	Loss allowance
	RMB'000	RMB'000
Current (not past due) . . . . .	21,799	524
Less than 3 months past due . . . . .	2,319	119
Past due over 3 months . . . . .	319	319
	24,437	962
	24,437	962

As at 31 December 2021		
Expected loss rate	Gross carrying amount	Loss allowance
	RMB'000	RMB'000
Current (not past due) . . . . .	39,054	1,016
Less than 3 months past due . . . . .	490	86
Past due over 3 months . . . . .	199	199
	39,743	1,301
	39,743	1,301

As at 31 December 2022		
Expected loss rate	Gross carrying amount	Loss allowance
	RMB'000	RMB'000
Current (not past due) . . . . .	65,124	2,482
Less than 3 months past due . . . . .	233	41
Past due over 3 months . . . . .	1,597	1,597
Subtotal . . . . .	66,954	4,120
	66,954	4,120

As at 31 May 2023		
Expected loss rate	Gross carrying amount	Loss allowance
	RMB'000	RMB'000
Current (not past due) . . . . .	60,696	2,476
Less than 3 months past due . . . . .	4	1
Past due over 3 months . . . . .	1,524	1,524
Subtotal . . . . .	62,224	4,001
	62,224	4,001

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during Relevant Periods is as follows:

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January . . . . .	740	962	1,301	4,120
Impairment losses recognised . . . . .	222	339	2,819	–
Impairment losses reversed . . . . .	–	–	–	(119)
Balance at 31 December/31 May . . . . .	962	1,301	4,120	4,001
	962	1,301	4,120	4,001

**(b) Liquidity risk**

The treasury function is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

As at 31 December 2020						
Contractual undiscounted cash out flow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount on consolidated statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans . . . . .	66,421	1,067	7,585	–	75,073	74,694
Trade and other payables . . . . .	154,085	–	–	–	154,085	154,085
Lease liabilities . . . . .	8,305	3,325	3,778	1,510	16,918	15,490
	<u>228,811</u>	<u>4,392</u>	<u>11,363</u>	<u>1,510</u>	<u>246,076</u>	<u>244,269</u>

As at 31 December 2021						
Contractual undiscounted cash out flow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount on consolidated statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . . . .	154,346	–	–	–	154,346	154,346
Lease liabilities . . . . .	17,018	10,729	6,808	516	35,071	32,691
	<u>171,364</u>	<u>10,729</u>	<u>6,808</u>	<u>516</u>	<u>189,417</u>	<u>187,037</u>

As at 31 December 2022						
Contractual undiscounted cash out flow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount on consolidated statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . . . .	171,974	–	–	–	171,974	171,974
Lease liabilities . . . . .	16,898	8,312	3,474	–	28,684	26,921
	<u>188,872</u>	<u>8,312</u>	<u>3,474</u>	<u>–</u>	<u>200,658</u>	<u>198,895</u>

As at 31 May 2023						
Contractual undiscounted cash out flow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount on consolidated statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . . . . .	133,324	–	–	–	133,324	133,324
Lease liabilities . . . . .	17,637	10,810	11,119	1,637	41,203	36,168
	<u>150,961</u>	<u>10,810</u>	<u>11,119</u>	<u>1,637</u>	<u>174,527</u>	<u>169,492</u>

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from restricted bank deposits, cash at banks, bank loans and lease liabilities. Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group's interest rate risk profile as monitored by management is set out in (i) below.

**(i) Interest rate risk profile**

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's bank loans and lease liabilities at the end of each reporting period:

	Note	As at 31 December			As at 31 May
		2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Fixed rate instruments:</b>					
Restricted bank deposits . . . . .	21(b)	1,202	2,000	1,600	8,000
Lease liabilities . . . . .	26	15,490	32,691	26,921	36,168
Bank loans . . . . .	25	74,694	–	–	–
		<u>91,386</u>	<u>34,691</u>	<u>28,521</u>	<u>44,168</u>
<b>Variable rate instruments:</b>					
Cash at bank and on hand . . . . .	21(a)	143,239	163,503	338,398	180,425
Cash balances with payment platforms . . . . .	21(a)	7,334	5,992	12,420	6,978
		<u>150,573</u>	<u>169,495</u>	<u>350,818</u>	<u>187,403</u>

**(ii) Sensitivity analysis**

At 31 December 2020, 2021 and 2022 and 31 May 2023, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB278,000, RMB324,000, RMB655,000 and RMB154,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

**(d) Fair value measurement****(i) Financial assets and liabilities measured at fair value***Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs



## 33 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions during the Relevant Periods.

Name of related parties	Relationship
Beijing Zhongshi Hongyun Advertising Co., Ltd. (北京中視鴻韻廣告有限公司)*	Entity controlled by a director of the Group
Beijing Guangyao Tianrun Advertising Co., Ltd. (北京光耀天潤廣告有限公司)*	Entity controlled by a director of the Group
Beijing Zhongda Baichengtang Biotechnology Co., Ltd. (北京中大百誠堂生物科技有限公司)*	Entity controlled by one of the Controlling Shareholders
Shanxi Yanbaolai Trading Co., Ltd. (山西燕寶來商貿有限公司)* (note (a))	Entity controlled by one of the Controlling Shareholders
Harbin Yanzhiwu Trading Co., Ltd. (哈爾濱市燕之屋商貿有限公司)* (note (b))	Entity controlled by one of the Controlling Shareholders
Changchun Changshengrong Trade Co., Ltd. (長春市昌盛榮商貿有限公司)* (note (c))	Entity controlled by one of the Controlling Shareholders
Tianjin Union Yutai Trading Co., Ltd. (天津市合聯裕泰商貿有限公司)*	Entity significantly influenced by one of the Controlling Shareholders
Shanghai Yanbao Food Co., Ltd. (上海燻寶食品有限公司)*	Associate of the Company before 28 June 2021
Xiamen Suntama Industrial Development Co., Ltd. (廈門市雙丹馬實業發展有限公司)*	One of the Controlling Shareholders

\* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese. The English translations are for reference only.

- (a) This entity was deregistered on 4 July 2022.
- (b) This entity was deregistered on 15 February 2022.
- (c) This entity was deregistered on 15 November 2022.

**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits . . .	16,586	17,276	17,920	6,297	6,917
Contributions to defined contribution retirement plan . . . . .	43	210	354	140	151
Equity-settled share-based payment expenses . . . . .	140	1,666	1,778	693	740
	<u>16,769</u>	<u>19,152</u>	<u>20,052</u>	<u>7,130</u>	<u>7,808</u>

Total remuneration is included in "staff costs" (see note 6(b)).

## (b) Other transactions with related parties

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Trade in nature:</b>					
Advertising services received					
– Entities controlled by a director of the Group . . . . .	61,475	53,514	60,298	22,220	14,915
Sales of bird's nest products					
– Entities controlled by one of the Controlling Shareholders . . . . .	74,520	50,249	–	–	–
– Entity significantly influenced by one of the Controlling Shareholders . . . . .	15,547	19,989	20,447	8,017	6,735
– Associate of the Company . . . . .	8,476	11,862	–	–	–
<b>Non-trade in nature:</b>					
Interest income from entrusted loans					
– One of the Controlling Shareholders . . . . .	3,994	1,492	–	–	–
Bank loans guaranteed by					
– certain Controlling Shareholders . . . . .	74,694	–	–	–	–

## (c) Balances with related parties

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Trade in nature:</b>				
Prepayments				
– Entities controlled by a director of the Group . . . . .	2,926	13,456	6,336	1,661
Other receivables included in trade and other receivables				
– Entities controlled by a director of the Group . . . . .	1,827	1,015	1,900	1,900
Other payables included in trade and other payables				
– Entities controlled by a director of the Group . . . . .	900	–	–	–
Contract liabilities				
– Entities controlled by one of the Controlling Shareholders . . . . .	13,931	6	–	–

## 34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate holding party of the Company as at 31 December 2020, 2021 and 2022 and 31 May 2023 were Xiamen Suntama Industrial Development Co., Ltd., Zheng Wenbin and Li Youquan, and the ultimate controlling party of the Company as at 31 December 2020, 2021 and 2022 and 31 May 2023 were Huang Jian, Zheng Wenbin and Li Youquan.

## 35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2023

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on 1 January 2023 and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 7 and IFRS 7, <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be decided

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

**36 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

As approved by the Company's shareholders' general meeting on 25 May 2023, immediately upon the listing of the Company, one share of RMB1.0 will each subdivide into five shares of RMB0.2 each.

In November 2023, the Group entered into an eight-year lease in respect of certain leasehold properties from a third party as manufacturing facilities. The amount of rent payable (excluding VAT tax) by the Group under the lease is between RMB3,742,000 to RMB4,248,000 per quarter. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB100,008,000.

**SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 May 2023.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as if the Global Offering had taken place on 31 May 2023.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the financial position of the Group had the Global Offering been completed as at 31 May 2023 or at any future dates.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 May 2023 <sup>(1)</sup>	Estimated net proceeds from the Global Offering <sup>(2)</sup>	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company as at 31 May 2023	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share <sup>(3)</sup>	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
<b>Based on an Offer Price of HK\$8.80 per H Share . . . . .</b>	315,460	224,774	540,234	1.16	1.26
<b>Based on an Offer Price of HK\$11.00 per H Share . . . . .</b>	315,460	286,941	602,401	1.29	1.41

*Notes:*

- (1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 May 2023 is arrived at after deducting intangible assets of RMB1,018,000 and goodwill of RMB75,165,000 from the total equity attributable to equity shareholders of the Company of RMB391,643,000 as at 31 May 2023, as shown in the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$8.80 and HK\$11.00 per H Share, being the low end price and high end price of the indicative Offer Price range respectively, and 32,000,000 H Shares expected to be issued under the Global Offering, after deduction of the underwriting commissions and other listing related expenses payable by the Company (excluding the listing expenses charged to profit or loss during the Track Record Period), and takes no account of any shares that may be issued upon exercise of the Over-Allotment Option or any shares which may be granted under the Shares Purchase Scheme. For illustrative purpose, the estimated net proceeds have been converted from Hong Kong dollar into Renminbi at the exchange rate of HK\$1.09 to RMB1. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share is arrived at after the adjustments referred to the preceding paragraphs and on the basis of 465,500,000 Shares in issue immediately following completion of the Global Offering and sub-division, assuming that the Global Offering and sub-division have been completed on 31 May 2023, but does not take into account of any shares that may be issued upon exercise of the Over-Allotment Option or any share which may be granted under the Shares Purchase Scheme. For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share are converted from Renminbi into Hong Kong dollar at exchange rate of HK\$1.09 to RMB1. No representation is made that the Renminbi amounts have been, could have been, or may be converted to Hong Kong dollar, or vice versa, at the rate of any other rates at all.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 May 2023.

**B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF 廈門燕之屋燕窩產業股份有限公司 XIAMEN YAN PALACE BIRD'S NEST INDUSTRY CO., LTD. (FORMERLY KNOWN AS 廈門燕之屋生物工程股份有限公司 XIAMEN YAN PALACE BIOENGINEERING CO., LTD.)**

We have completed our assurance engagement to report on the compilation of pro forma financial information of 廈門燕之屋燕窩產業股份有限公司 Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (formerly known as 廈門燕之屋生物工程股份有限公司 Xiamen Yan Palace Bioengineering Co., Ltd.) (the **"Company"**) and its subsidiaries (collectively the **"Group"**) by the directors of the Company (the **"Directors"**) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 May 2023 and related notes as set out in Part A of Appendix II to the prospectus dated 30 November 2023 (the **"Prospectus"**) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the **"Global Offering"**) on the Group's financial position as at 31 May 2023 as if the Global Offering had taken place at 31 May 2023. As part of this process, information about the Group's financial position as at 31 May 2023 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **"Listing Rules"**) and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (**"AG 7"**) issued by the Hong Kong Institute of Certified Public Accountants (**"HKICPA"**).

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 May 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG**

*Certified Public Accountants*

Hong Kong

30 November 2023

### SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix contains a summary of the Company's Articles of Association, the objective of which is to provide potential investors with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

The Articles of Association and relevant amendments thereto were adopted or ratified by the Shareholders in Shareholders' general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law of the PRC, the Guidance on Articles of Association of Listed Company, the Hong Kong Listing Rules and other relevant regulations, and will become effective on the date that the Company's H Shares are listed on the Hong Kong Stock Exchange.

#### GENERAL PROVISIONS

The Articles of Association regulate our Company's organization and conduct guidance and is binding on our Company, the Shareholders, Directors, Supervisors and senior management. Subject to no violation of the relevant provisions of the Articles of Association, Shareholders may sue Shareholders; Shareholders may sue the Directors, Supervisors, General Manager and other senior management; Shareholders may sue our Company, and our Company may sue Shareholders, Directors, Supervisors, General Manager or other senior management.

#### SHARES

##### Issuance of Shares

The Shares of the Company take the form of share certificates.

The Shares of the Company shall be issued in accordance with the principles of open, fairness and justice, and each share in the same class shall rank *pari passu*. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the shares shall pay the same price for each share.

After completing the necessary procedures stipulated in the *Trial Measures* and other relevant laws, laws and normative documents, the Company may issue shares to domestic investors and overseas investors.

For the purpose of the preceding paragraph, overseas investors shall refer to investors from foreign countries and Hong Kong, Macao or Taiwan region who subscribe for shares issued by our Company; domestic investors shall refer to investors within the territory of the PRC apart from above-mentioned region who subscribe for shares issued by our Company.

##### Increase, Reduction and Repurchase of Shares

###### *Increase of Shares*

According to the operation and development needs of the Company, subject to the applicable laws and regulations, the Company may increase the registered capital by the following ways upon approval by separate resolution of the Shareholders' general meeting:

- i. public issuance of shares;
- ii. non-public issuance of shares;

- iii. offering of bonus shares to existing shareholders;
- iv. capitalization of common reserve fund;
- v. other means stipulated by laws and administrative regulations as well as regulatory documents or approved by the securities regulatory authority of the place where the Company's shares are listed and the Hong Kong Stock Exchange.

#### ***Reduction of Shares***

The Company may reduce its registered capital. The reduction in the registered capital shall be made in accordance with the procedures set out in the PRC Company Law, other relevant regulations and the Articles of Association.

The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital.

The Company shall notify its creditors within ten days from the date of the Company's resolution to reduce registered capital being passed and shall publish an announcement within thirty days from the date of such resolution being passed. A creditor has the right to require the Company to repay its debts or to provide a corresponding guarantee for such debts within thirty days from the date of receipt of the relevant notice or, in the case of a creditor who did not receive such notice, within forty-five days from the date of the announcement. The Company's registered capital shall not, after the reduction in the registered capital, be less than the minimum amount prescribed by law.

#### ***Repurchase of Shares***

The Company shall not purchase its shares. However, provided that it does not violate the laws, regulations, the regulations of the securities regulatory authority where the Company's shares are listed and the provisions of the *Hong Kong Listing Rules* and these Articles of Association, one of the following circumstances shall apply:

- (a) reducing the Company's registered capital;
- (b) merging with other companies holding our Shares;
- (c) using the Shares as an employee stock ownership plan or equity incentive plan;
- (d) purchasing its Shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders' general meeting upon their request;
- (e) use of shares for conversion of convertible corporate bonds issued by the Company;
- (f) necessary for the Company to maintain its value and protect the interests of the shareholders;  
or
- (g) other circumstances stipulated by laws, administrative regulations, departmental rules, regulatory documents, regulations of the securities regulatory authorities where the Company's shares are listed and the *Hong Kong Listing Rules*.

The Company may repurchase its Shares through open centralized trading or other ways recognized by laws, administrative regulations and regulatory documents, *the Hong Kong Listing Rules* and the securities regulatory authorities where the Company's shares are listed. If the share purchase is made under any of the circumstances stipulated in (c), (e) or (f) aforementioned, it shall be conducted by way of open centralized trading.

An approval shall be obtained from the Shareholders' general meeting when the Company is to repurchase its own Shares under the circumstances (a) and (b) set out above. In case of the circumstances stipulated in (c), (e) and (f) above, a resolution of the Company's Board of Directors shall be passed by a two-thirds majority of Directors attending the meeting in accordance with the provisions of the Articles of Association or the authorization of the Shareholders' general meeting.

After the Company has repurchased its own shares in accordance with the preceding provision, the shares so repurchased shall be canceled within ten days from the date of purchase (under the circumstances set out in (a)), or shall be transferred or canceled within six months (under the circumstances set out in (b) and (d)). The shares of the Company repurchased by the Company under the circumstances set out in (c), (e) and (f) above shall not exceed ten percent of the total issued shares of the Company, and shall be transferred or canceled within three years.

Where laws, administrative regulations, departmental rules, the securities regulatory authorities where the Company's shares are listed and *the Hong Kong Listing Rules* have other provisions on the financial treatment involved in the foregoing share repurchase, those provisions shall prevail.

### Transfer of Shares

Shares in the Company may be transferred in accordance with the law. Unless otherwise specified by laws, administrative regulations, departmental rules, regulatory documents, the securities regulatory authorities where the Company's shares are listed and Hong Kong Stock Exchange, the Shares of the Company may be transferred freely without any lien attached. The transfer of H Shares shall be registered in the shares registrar in Hong Kong entrusted by the Company.

All fully paid H Shares may be freely transferred in accordance with the Company's Articles of Association. However, the Board of Directors may refuse to recognize any documents for the transfer of H Shares without stating any reasons unless the conditions stipulated below are met:

- (a) transfers and other documents relating to or affecting the ownership of any shares shall be registered and a fee shall be payable to the Company for such registration at the rate of fee prescribed in the *Hong Kong Listing Rules*, which fee shall not exceed the maximum fee prescribed from time to time in the *Hong Kong Listing Rules*;
- (b) transfer documents are only in relation to H Shares;
- (c) the stamp duty (as stipulated by Hong Kong law) in relation to transfer documents has been duly paid;
- (d) relevant share certificate(s) and any other evidence which the Board of Directors may reasonably require to show that the transferor has the right to transfer the Shares have been provided;
- (e) If the shares are to be transferred to joint holders, the number of joint holders shall not exceed four;
- (f) the Shares do not have any lien attached, and
- (g) no transfer of any share shall be made to an infant or to a person of unsound mind or under other legal disability.

If the Company refuses to register the transfer of Shares, the Company shall give one copy of the notice to the transferor and the transferee to refuse the registration of the transfer within two months from the date of the formal application for transfer. All transfer documents shall be kept at the legal address of the Company or such address as may be designated by the Board of Directors from time to time.

The shares in the Company held by the Company's promoters shall not be transferred within one year from the date of establishment of the Company. The shares that have been issued before the Company publicly offers shares shall not be transferred within one year from the date when the shares in the Company get listed and traded in the stock exchange concerned.

The directors, supervisors and senior executives of the Company shall declare to the Company the shares (including the preferred shares) in the Company they hold and the changes thereof. During the term of office, the shares transferred by any of the aforesaid persons each year shall not exceed 25% of the total shares of the same type in the Company he/she holds. The shares in the Company held by any of the aforesaid persons shall not be transferred within one year from the date when the shares in the Company get listed and traded in the stock exchange concerned. Any of the aforesaid persons shall not transfer the shares in the Company held by him/her within six months after his/her departure.

If the securities regulatory authority of the place where the company's shares are listed stipulates other restrictions on the transfer of overseas listed foreign shares, the relevant regulations shall be complied with at the same time.

Where the Shareholders holding five percent or more of the Company, Directors, Supervisors and senior management of the Company and sell or other securities of equity nature of the Company within a period of six months after the acquisition of the or other securities of equity nature of the Company, or repurchase shares or other securities of equity nature of the Company within six months after sales of the shares, any proceeds arising therefrom shall belong to the Company, and the Board of the Company shall withdraw such gains for the benefit of the Company. However, an exception shall be made where a securities company holds 5% or more of its own shares as a result of purchasing the remaining shares after the sole sale of shares or any other circumstance prescribed by the Relevant regulatory authorities.

### **Pledge of Shares**

The Company shall not accept its Shares as the subject matter of a pledge.

### **Financial Assistance for Acquisition of the Company's shares**

Neither the Company nor any of its subsidiaries shall, by means of donation, advancement, guarantee, compensation, loan or other means, provide any financial aids to any person purchasing or intending to purchase shares in the Company.

## **SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS**

### **Register of Shareholders**

The Company shall set up a register of shareholders based on the certificates provided by the securities registration agency. Unless there is proof to the contrary, the register of Shareholders shall be sufficient evidence to the holding of the Shares of the Company by a Shareholder.

The register of shareholders registers the following matters, or the registration of shareholders in accordance with the laws, administrative regulations, departmental rules and *the Hong Kong Listing Rules*:

- (i) the name, address (domicile), occupation or nature of each Shareholder;
- (ii) the class and number of Shares held by each Shareholder;
- (iii) the amount paid or payable in respect to the Shares held by each Shareholder;

- (iv) the serial numbers of the Shares held by each Shareholder;
- (v) the date on which each Shareholder was registered as a Shareholder; and
- (vi) the date on which each Shareholder ceased to be a Shareholder.

Subject to the Articles of Association and other applicable regulations, once the Shares of the Company are transferred, the name of the transferee shall be listed in the register of Shareholders as the holder of the said Shares.

The Company may, in accordance with the understanding and agreements between the securities regulatory authority of the State Council and overseas securities regulatory authorities, maintain its register of Shareholders of overseas-listed foreign shares outside China and entrust an overseas agent to maintain such register. The original copy of the register of Shareholders of overseas-listed foreign shares listed on the Hong Kong Stock Exchange shall be maintained in Hong Kong.

The Company shall maintain a duplicate of the register of Shareholders of overseas-listed foreign shares at the Company's corporate domicile. The appointed overseas agent shall ensure the consistency between the original copy and the duplicate of the register of Shareholders of overseas-listed foreign shares at all times. If there is any inconsistency between the original copy and the duplicate of the register of Shareholders of overseas-listed foreign shares, the original copy shall prevail.

Our Company must keep a complete register of Shareholders. The register of Shareholders shall include the following:

- (i) register of shareholders kept at our domicile other than those specified in (ii) and (iii) below;
- (ii) register of the holders of our overseas listed foreign shares kept at the location of the stock exchange where such shares are listed; and
- (iii) register of shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the shares.

Different parts of the Shareholders' register shall not overlap. The transfer of Shares registered in a certain part of the register of Shareholders shall not be registered elsewhere in the register of Shareholders as long as the shares remain registered. Any alteration or rectification to any part of the register of Shareholders shall be made in accordance with the laws in the place where such part of the register of Shareholders is maintained.

If any person whose name appears in the register of Shareholders or requests to register his or her name (title) in the register of Shareholders loses his or her share certificates (that is, "original share certificates"), he or she may apply to our Company to reissue new share certificates for those shares. In the event a holder of unlisted shares applies to our Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the Company Law. In the event a H share shareholder applies to our Company for a reissue after losing the share certificates, the matter may be dealt with pursuant to the laws, regulations, listing rules of the stock exchange where the original register of H share shareholder is kept, or other related provisions.

If a H shareholder loses share certificates and applies to our Company for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

- (i) the applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the pertinent shares;

- (ii) before coming to a decision to issue new share certificates, our Company has not received any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares;
- (iii) if our Company decides to issue new share certificates to the applicant, we shall publish an announcement in an eligible newspaper designated by the Board of Directors indicating that we plan to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days;
- (iv) before publishing the announcement indicating that we plan to reissue new share certificates, our Company shall submit a copy of the announcement to be published to the stock exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the registered shareholders of the related shares do not approve the application for reissue of new share certificates, our Company shall mail the copy of the announcement to be repeatedly published to the Shareholders;
- (v) in the event that nobody raises any objection to the reissue of new share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (iii) and (iv) above, the new share certificates may be reissued according to the application made by the applicant;
- (vi) when re-issuing new share certificates according to the Articles of Association, our Company shall immediately cancel the original share certificates and register the cancelation and replacement issue on the register of shareholders;
- (vii) all expenses incurred by our Company from the cancelation of the original share certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

### Shareholders

A shareholder shall enjoy rights and assume obligations according to the class and number of shares held by that shareholder. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Holders of the ordinary shares of the Company shall be entitled to the following rights:

- to receive dividends and other distributions in proportion to the shares they hold;
- to file a petition according to laws, to convene, hold and attend the Shareholders' general meetings either in person or by proxy and exercise their corresponding voting right;
- to supervise, present suggestions on or make inquiries about the business operations of the Company;
- to transfer, donate or pledge their shares in accordance with laws, administrative regulations, the relevant regulations of the securities regulatory authority where the Company's Shares are listed and the Articles of Association;

- to obtain relevant information in accordance with the Articles of Association, including:
  1. receiving a copy of the Articles of Association after payment of cost;
  2. being entitled to inspect for free and copy after payment of reasonable fee:
    - (1) all parts of the register of Shareholders;
    - (2) personal data of Directors, Supervisors, General Manager and other senior management of the Company, including:
      - (a) present and former name and alias;
      - (b) principal address (domicile);
      - (c) nationality;
      - (d) primary and all other part-time occupations and duties;
      - (e) identification documents and the number thereof;
    - (3) report of the status of the Company's issued share capital;
    - (4) report of the total par value, quantity, the highest and lowest price of each class of shares repurchased by the Company from the last fiscal year and the total amount paid by the Company for this purpose;
    - (5) the special resolution of the general meeting of the Company;
    - (6) the latest audited financial statements of the Company, and the reports of the Board, auditors and the Board of Supervisors;
    - (7) a copy of the latest annual report filed with the Administration of Industry and Commerce or other competent authorities;
    - (8) counterfoils of corporate bonds, resolutions of the Board meetings, resolutions of meetings of the Board of Supervisors; and
    - (9) minutes of the general meeting of shareholders.

The Company shall publish the documents in items (3) to (7) of the aforementioned point 2 and other applicable documents on the websites of the Hong Kong Stock Exchange and the company in accordance with the requirements of the Hong Kong Listing Rules. The Company shall keep items (1) and (9) of the above-mentioned point 2 at the designated address in Hong Kong for free inspection by the public and shareholders (the minutes of the general meeting of shareholders are only available for shareholders to inspect and copy after paying a reasonable fee).

The Hong Kong branch register of shareholders must be open to inspection by shareholders, but a company may be allowed to suspend the register of shareholders on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), i.e. a company may, by notice, close its register of shareholders or that part of the register relating to shareholders holding any class of shares for one or more periods, provided that the aggregate period of closure shall not exceed 30 days in total in any one year.

Subject to compliance with applicable laws, administrative regulations and securities regulatory rules of the place where the company's shares are listed, the Company may refuse to provide if the content to be consulted and copied involves the Company's business secrets and inside information or the personal privacy of relevant personnel.

- to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- to request the Company to purchase their Shares for the Shareholders who object to the Company's resolution on merger or division made by the Shareholders' general meetings;
- to enjoy other rights stipulated by laws, administrative regulations, regulatory documents, the securities regulatory authority of the place where the company's shares are listed, *the Hong Kong Listing Rules* and the Articles of Association.

In the event that any resolution of the Shareholders' general meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the People's Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders' general meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People's Court to overturn the resolution within 60 days upon the resolution was adopted.

Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by Directors and senior management in the course of performing their duties, the Shareholders individually or jointly holding 1% or more of the Shares of the Company for over 180 consecutive days shall have the rights to request in writing to the Board of Supervisors to initiate legal proceedings in the People's Court. Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by the Supervisors in the course of performing their duties, the Shareholders individually or jointly holding 1% or more of the Shares of the Company for over 180 consecutive days shall have the rights to request in writing to the Board to initiate legal proceedings in the People's Court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the People's Court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the Shareholder(s) specified in the Articles of Association may file an action with the competent People's Court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent People's Court.

Shareholder(s) of the Company shall assume the following obligations:

- to abide by the laws, administrative regulations and the Articles of Association;
- to pay subscription monies according to the number of shares subscribed and the method of subscription;

- to be liable to the company to the extent of the shares they hold;
- not to withdraw the shares after the Company's approval and registration unless required by the laws, administrative regulations and departmental rules;
- not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company;
- other obligations imposed by the laws, administrative regulations, *the Hong Kong Listing Rules* and the Articles of Association.

Where any shareholder of the Company abuses the shareholders' rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages. Where shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.

#### **Restrictions on Rights of Controlling Shareholders**

The controlling shareholders and actual controllers of the Company shall not take advantage of their associated relationship to damage the Company's interests. Any loss caused to the Company as a result of such violation shall be compensated.

The controlling shareholders and actual controllers of the Company are obliged to act in good faith to the Company and the general public company shareholders. The controlling shareholders shall exercise their rights as capital contributors in strict accordance with the law and shall not impair the lawful rights and interests of the Company or of the general public company shareholders by means of the distribution of profits, reorganization of assets, external investment, misappropriation of assets, loan, or guaranty, nor shall he make use of his controlling position to impair the interests of the Company or of the general public company shareholders.

#### **Notice of the Shareholders' General Meeting**

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. The annual Shareholders' general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

The Company shall convene an extraordinary general meeting within two months from the occurrence of any of the following circumstances:

- (i) when the number of Directors is less than the statutory minimum number stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;
- (ii) when the unrecovered losses of the Company amount to one-third of the total paid-in share capital;
- (iii) when the Shareholders with 10% or more share certificates with voting rights issued by our Company separately or jointly request in writing;
- (iv) when the Board of Directors considers it necessary;

- (v) when it is proposed to hold by the Board of Supervisors;
- (vi) any other circumstances stipulated by laws, administrative regulations, departmental rules, the securities regulatory authority of the place where the company's shares are listed, *the Hong Kong Listing Rules* and the Articles of Association.

The convener of the general meeting shall notify the shareholders by written notice announcement twenty-one days prior to the annual general meeting, and the extraordinary general meeting shall notify the shareholders by written notice announcement fifteen days prior to the meeting. The notice shall be accompanied by the form of proxy, which shall provide the option of voting for and against all resolutions to be proposed at the meeting. In determining the commencement date and the period, the Company shall not include the date convening the meeting.

The notice of a Shareholders' general meeting shall include the following details:

- (i) the time, venue and duration of the meeting;
- (ii) the matters and proposals submitted to be deliberated at the meeting;
- (iii) a prominent written statement that all common shareholders (including holders of preference shares with resumed voting rights) are entitled to attend the shareholders' general meeting and may appoint a proxy in writing to attend and vote at the meeting. The proxy is not required to be a shareholder of the Company necessarily;
- (iv) the date of record for determining those shareholders who are entitled to attend the general meeting;
- (v) the name and telephone number of the permanent contact person concerning meeting matters;
- (vi) the time and procedure for voting through internet or other means;
- (vii) any other matters stipulated by laws, administrative regulations, regulatory documents, the securities regulatory authority of the place where the company's shares are listed and *the Hong Kong Listing Rules*.

The specific details of all proposals shall be adequately and fully disclosed in the notice and supplementary notice of the shareholders' general meeting. Where matters to be discussed requires opinions of independent directors, the opinions and reasons of independent directors shall be disclosed when the notice or supplementary notice of shareholders' general meeting is issued.

The interval between date of registration of shareholdings and the meeting shall not be more than 7 business days. The date of registration of shareholdings cannot be changed once determined.

If the notice issued by the Company is made by way of an announcement in compliance with laws, administrative regulations, departmental rules and regulatory rules of the place where the Company's securities are listed, all relevant persons (including all shareholders of unlisted shares, shareholders of unlisted foreign shares and shareholders of overseas listed foreign shares) shall be deemed to have received the notice upon the announcement.

In respect of the manner in which the Company provides or sends corporate communications to H Shareholders as required by the Hong Kong Listing Rules, subject to compliance with laws, administrative regulations, departmental rules and regulations and the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, corporate communications may be provided or sent to H Shareholders through the Company's designated and/or the website of the Hong Kong Stock Exchange or through electronic means.

### *Proxies*

Any shareholder who is entitled to attend and vote at Shareholders' general meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting on his or her behalf. The power of attorney issued by a shareholder to appoint another person to attend a general meeting shall contain the following information:

- (i) the name of the proxy;
- (ii) whether he/she has the right to vote;
- (iii) instructions to vote for, against or abstain from voting on each matter to be considered on the agenda of the shareholders' meeting, respectively;
- (iv) the date of issuance and expiration date of the proxy;
- (v) the signature (or seal) of the principal. If the principal is a shareholder of a legal entity, the seal of the legal entity shall be affixed. If the principal is a shareholder of a partnership, the seal of the partnership shall be affixed.

The power of attorney shall specify whether the proxy could vote at his or her own discretion if the shareholder does not provide specific instructions.

If the power of attorney is signed by another person authorized by the appointer, the power of attorney or other authorization documents authorized to be signed must be verified by a notary. The power of attorney or other instrument verified by the notary must be deposited together with the power of attorney at the domicile of the Company or other location designated at the notice convening the meeting. A legal person shareholder should attend the meeting by its legal representatives or persons authorized by its board of directors or other decision-making authorities. A partnership should attend the meeting by its managing partner or the appointed representative of the managing partner or the person authorized by the resolution of the partners' meeting or other decision-making body. The power of attorney must be deposited at the domicile of the Company or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time.

### *Power of the Meeting and Matters to be Resolved*

The Shareholders' general meeting is the authority of the Company and shall exercise the following powers according to the laws:

- (i) to decide the Company's operational directions and investment plans;
- (ii) to elect and replace Directors and Supervisors who are not staff representatives and to determine matters relating to the remuneration of the Directors and Supervisors;

- (iii) to consider and approve the reports of the Board;
- (iv) to consider and approve the reports of the Board of Supervisors;
- (v) to consider and approve the Company's annual financial budgets and final accounts;
- (vi) to consider and approve the Company's profit distribution plan and plan for recovery of losses;
- (vii) to make resolutions on increase or reduction of the Company's registered capital;
- (viii) to make resolution on the issuance of corporate bonds;
- (ix) to make resolutions on the merger, demerger, dissolution, liquidation or change of corporate form of the Company;
- (x) to amend the Articles of Association;
- (xi) to make resolutions on the issue of appointment and dismissal of accounting firms;
- (xii) to consider and approve the guarantee issues as prescribed in the Articles of Association;
- (xiii) to consider matters in which the Company's purchase or sale of significant assets within one year exceeds thirty percent of the company's latest audited total assets;
- (xiv) to consider and approve matters relating to the change of purpose of raised fund;
- (xv) to consider the share incentive plan and employee shareholding scheme;
- (xvi) to consider matters relating to the acquisition of shares of the Company that shall be considered by the general meeting of shareholders as provided for by laws and regulations, the regulatory rules of the place where the shares of the Company are listed and the Articles of Association;
- (xvii) to consider matters of connected transactions that shall be considered by the general meeting of shareholders as stipulated by laws and regulations, the regulatory rules of the place where the shares of the Company are listed and the Articles of Association;
- (xviii) to Consideration of other matters that shall be decided by the general meeting of shareholders as provided by laws, administrative regulations, departmental rules and regulations or the Articles of Association;
- (xix) other matters required by the securities regulatory rules of the place where the shares of the Company are listed, *the Hong Kong Listing Rules* or other applicable laws and regulations.

#### ***Voting and Resolutions of Shareholders' General Meetings***

Resolutions of a Shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by Shareholders (including proxies thereof) attending the Shareholders' general meeting. Special resolutions shall be passed by votes representing not less than two-thirds of voting rights held by Shareholders (including proxies thereof) attending the Shareholders' general meeting.

The following issues shall be approved by way of ordinary resolutions at a Shareholders' general meeting:

- (i) work report of the Board of Directors and the Board of Supervisors;
- (ii) plans of earnings distribution and loss make-up schemes;
- (iii) appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their remuneration and payment methods;
- (iv) annual preliminary financial budgets, final account reports of the Company;
- (v) annual report of our Company;
- (vi) appointment or dismissal of accounting firms by the Company;
- (vii) matters other than those prescribed by law, administrative regulations, the regulatory authorities of the place where the Company's securities are listed, *the Hong Kong Listing Rules* or these Articles of Association which shall be passed by special resolution.

The following issues shall be approved by way of special resolutions at a Shareholders' general meeting:

- (i) increase or reduction in the share capital of the Company;
- (ii) any division, split, merger, dissolution, liquidation or change in the form of the Company;
- (iii) any amendment to the Company's Articles of Association;
- (iv) any purchase or sale of major assets or any provision of guarantee within any one year in an amount in excess of 30% of the Company's total assets as audited in the latest period;
- (v) any equity incentive scheme;
- (vi) any other matter to be identified by an ordinary resolution of the shareholders' general meeting as having a significant impact on the Company that shall be passed by a special resolution of the shareholders' general meeting;
- (vii) other matters required by law, administrative regulations, the regulatory authority of the place where the company's securities are listed, *the Hong Kong Listing Rules* or the Articles of Association to be passed by special resolution.

Shareholders (including their proxies) exercise voting power at the Shareholders' general meeting with respect to the number of voting shares represented by them, and each share has one vote. When voting at a Shareholders' general meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor with all of their votes.

Where material issues affecting the interests of minority investors are being considered at the Shareholders' general meeting, the votes by minority investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.

The shares held by the Company do not have voting power, and such shares are not counted in the total number of voting shares upon attendance at a Shareholders' general meeting.

When a related transaction is considered at a Shareholders' general meeting, the related shareholders who has a material interest in the relevant connected transaction or arrangement shall not vote, and the voting shares represented by them shall not be counted in the total number of valid voting shares. The announcement of the resolution made at the Shareholders' general meeting shall adequately disclose information relating to voting by non-related shareholders.

Other than the cumulative voting system, the Shareholders' general meeting shall vote on all proposals one by one. For different proposals on the same matter, voting shall be proceeded according to the time order of these proposals. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to a resolution, the Shareholders' general meeting shall not put aside the proposals or withhold from voting.

Shareholders' general meeting adopt vote by registered ballot, unless the chairman of the meeting decides on the principle of good faith to allow resolutions purely related to procedures or administrative matters to be voted by shows of hands. When voting at a Shareholders' general meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor with all of their votes.

When Shareholders' general meeting is voting on any proposals, lawyers, Shareholders' representatives and Supervisors' representatives shall be jointly responsible for vote counting and scrutinizing, and the voting results shall be announced in the meeting and recorded in the minutes.

## DIRECTORS AND THE BOARD OF DIRECTORS

### Directors

Any natural person may not serve as a director of the Company if he/she:

- (i) has no civil capacity or has limited civil capacity;
- (ii) has been subject to criminal penalties due to corruption, bribery, embezzlement or misappropriation of property or sabotaging the socialist market economic order, or has been deprived of his/her political rights due to any crime conviction, where no more than five years have elapsed since the date of completion of the execution of such penalty or deprivation;
- (iii) has served as a former director, the factory chief, or the manager of a company or enterprise bankrupt or liquidated, and was held personally liable for the bankruptcy, and three years have not elapsed since the date of completion of the bankruptcy or liquidation of such company or enterprise;
- (iv) has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and was held personally liable for the revocation, and three years have not elapsed since the date of;
- (v) has defaulted on a personal debt in a significant amount;
- (vi) has been banned from entering the securities market by the relevant regulatory authority and the period has not elapsed; or
- (vii) is banned from doing so as prescribed by laws, administrative regulations, departmental rules, regulatory authorities of the place where the Company's securities are listed or *the Hong Kong Listing Rules*.

If a director is elected or appointed in violation of the provisions of the preceding paragraph, such election, appointment or employment shall be null and void. The Company shall dismiss a director from office if the circumstances of this Article arise during his or her term of office.

Directors shall be elected or replaced by the Shareholders' general meetings. The General Meeting of Shareholders may, subject to the provisions of relevant laws and administrative regulations, by ordinary resolution remove any Director whose term of office has not expired (provided that any claim for damages by such Director pursuant to any contract shall not be affected thereby). The term of office of a Director shall be three years. Upon the expiration of the term of office, a Director shall be eligible to offer himself for re-election and reappointment.

The term of office of a Director shall commence from the date on which the said Director assumes office to the expiry of the current session of the Board. If the term of office of a Director expires but re-election is not made correspondingly on a timely basis, resulting in less than a quorum of the Board of Directors, the original director shall still perform his or her duties as a director in accordance with the laws, administrative regulations, departmental rules and regulations and the Articles of Association until the re-elected director assumes office.

A Director shall comply with the laws, administrative regulations, the regulatory rules of the place where the Company's securities are listed and the Articles of Association and has the following fiduciary obligations to the Company:

- (i) not to exploit his/her position to accept bribes or to obtain other illegal income, and not to expropriate the Company's property;
- (ii) not to misappropriate the Company's funds;
- (iii) not to open any account in his own name or in other's own name for the deposit of the Company's assets or funds;
- (iv) not to violate the provisions of the Articles of Association by lending the Company's funds to others or using the Company's assets to provide guarantee for others without the consent of the Shareholders' general meeting or the Board;
- (v) not to enter into a contract or transaction with the Company in violation of the provisions of the Articles of Association or without the consent of the Shareholders' general meeting;
- (vi) not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business without the consent of the Shareholders' general meeting;
- (vii) not to accept commissions in connection with the Company's transactions;
- (viii) not to disclose the secrets of the Company without consent;
- (ix) not to use their connections to harm the interests of the Company;
- (x) to be bound by other fiduciary obligations stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association.

Any gain arising from the breach of the preceding paragraphs by the Director shall belong to the Company. He/she shall be liable for compensation for any loss of the Company arising therefrom.

A director shall comply with the laws, administrative regulations, departmental rules, the regulatory rules of the place where the Company's securities are listed and the Articles of Association and shall diligently perform the following obligations to the Company:

- (i) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure the Company's commercial acts in compliance with the State laws, administrative regulations, departmental rules and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;
- (ii) to treat all Shareholders equally;
- (iii) to understand the business operation and management of the Company in a timely manner;
- (iv) to sign written confirmation on regular reports of the Company and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;
- (v) to provide relevant conditions and information to the Board of Supervisors truthfully and shall not intervene the performance of the Board of Supervisors or Supervisors of their functions and powers;
- (vi) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules, *the Hong Kong listing rules* and the Articles of Association.

If any Director fails to attend in person or appoint other Directors as his/her representative to attend meetings of the Board for two consecutive times, such Director shall be deemed as unable to perform his duties, and the Board shall propose to replace such Director at the Shareholders' general meeting.

A director may submit his/her resignation before the expiry of his/her term of office. Where a director resigns, he/she shall submit a written resignation report to the board of directors. The board of directors shall disclose the relevant information within two days.

When a director's resignation becomes effective or his or her term of office expires, he or she shall complete all procedures for transfer to the Board of Directors. His or her obligation to keep the Company's trade secrets confidential shall remain in effect after the end of his or her term of office until such secrets become public information.

No Director shall act in his/her own name for the Company or the Board without authorization by the Board or unless otherwise provided in the Article of Association. Where a Director acts in his/her own name in a situation where a third party may reasonably believe that such director is acting for the Company or the Board, such Director shall declare in advance his/her stance and identity.

### **The Board of Directors**

The Company shall have a board accountable to the Shareholders' general meeting. The Board shall consist of nine Directors, and have a chairman. Independent non-executive Directors should account for at least one-third of the number of the Directors of the Board, and consist of no less than three members.

The Board shall perform the following duties:

- (i) to convene Shareholders' general meetings and report to Shareholders' general meetings;
- (ii) to implement the resolutions of the Shareholders' general meetings;

- (iii) to determine business operation plans and investment plans of the Company;
- (iv) to formulate annual preliminary and final financial budgets of the Company;
- (v) to formulate the profit distribution plans and plans for recovery of losses of the Company;
- (vi) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- (vii) to formulate plans for major acquisitions of our Company, the purchase of Shares of our Company, merger, division, dissolution or change in the form of our Company;
- (viii) to determine such matters as our Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction and external donation within the scope authorized by the Shareholders' general meeting and the Articles of Association;
- (ix) to decide on the setup of the Company's internal management organization;
- (x) to determine appointment or dismissal of the Company's General Manager and secretary to the Board of Directors and other senior management as well as determine their remuneration matters and disciplinary matters and, based on the nominations of the General Manager, to appoint or dismiss vice general manager, financial controller and other senior management and to determine their remuneration, rewards and punishments;
- (xi) to formulate the basic management systems of the Company;
- (xii) to formulate plans for any amendments to the Articles of Association;
- (xiii) to manage the disclosure of information of the Company;
- (xiv) to propose at the Shareholders' general meeting the appointment or replacement of the accounting firm that performs audits for our Company;
- (xv) to receive the work report of the General Manager of the Company and examine on the General Manager's work;
- (xvi) formulation and implementation of the Company's equity incentive plan;
- (xvii) other duties and powers that should be exercised by the Board stipulated by the laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's Shares are listed or the Articles of Association.

The above resolutions adopted by the Board of Directors, except items (vi), (vii) and (xii) which must be approved by not less than a two-thirds vote of the Directors, may be approved by more than half of the votes by the Directors.

The Board shall make an explanation at the Shareholders' general meeting for the non-standard audit opinions on the financial report of the Company issued by the certified public accountant.

The Board shall formulate the rules of procedures of the Board meeting to ensure the implementation of resolutions of the Shareholders' general meeting, enhance the working efficiency and ensure the scientific decision making.

The Board of Directors shall hold regular meetings, and regular meetings of the Board of Directors shall be held at least four times a year, approximately once a quarter, convened by the Chairman of the Board of Directors, with written notice to all Directors and Supervisors and, if necessary, to the General Manager and other senior management, fourteen days prior to the meeting.

Meetings of the Board shall be held in the presence of a majority of the Directors. Except as otherwise provided in the Articles of Association, resolutions made by the Board of Directors shall be adopted by a majority of all Directors. Voting on resolutions of the Board shall be conducted on a one-person-one-vote basis.

A Director who is connected to the enterprises involved in a resolution of the meeting of the Board shall neither exercise his/her voting rights nor exercise another Director's voting rights as a proxy. Such meeting of the Board shall be held only when more than half of the disinterested Directors, and the resolution of the meeting of the Board shall be approved by more than half of such disinterested Directors. In case of less than three disinterested Directors present at the meeting, such matter shall be submitted to the Shareholders' general meeting for deliberation.

A Director shall attend the meeting of the Board in person. If a Director is unable to attend a meeting of the Board, he/she may appoint another Director by a written power of attorney to attend on his/her behalf. Such a power of attorney shall specify the name of the proxy, the matters for entrustment, the scope of authorization and validity period, and shall be signed or sealed by the principal. A director who attends a meeting on behalf of a director shall exercise the rights of a director within the scope of the authorization. A director who is not present at a meeting of the Board of Directors and who does not attend by proxy shall be deemed to have abstained from voting at such meeting.

#### **THE GENERAL MANAGER AND OTHER SENIOR EXECUTIVES**

The Company shall have one general manager, who shall be appointed or dismissed by the board of directors. The Company has a number of senior management personnel, who are appointed or dismissed by the Board of Directors. The general manager, deputy general manager, secretary of the board of directors, head of finance and other management personnel other than the securities representative appointed by the board of directors are senior management personnel of the Company.

The provisions of the Articles of Association regarding the circumstances under which a director may not serve as a director shall also apply to the general manager and other senior management. The provisions of the Articles of Association concerning the duties of fidelity and diligence of directors shall also apply to the general manager and other senior management personnel.

The term of office of the general manager is three years and may be renewed upon reappointment. The General Manager of the Company shall be responsible to the Board and exercise the following functions and powers:

- (i) to be in charge of the Company's production operation and management, to organize the implementation of the board's resolutions and to report his/her work to the board of directors;
- (ii) to organize the implementation of the Company's annual operating plans and investment programs;
- (iii) to draft the plan for establishing the Company's internal management body;
- (iv) to develop the Company's basic management system;

- (v) to develop the Company's specific rules;
- (vi) to suggests to the board of directors on the appointment or removal of any deputy manager and the financial controller;
- (vii) to appoint or dismiss officers other than those to be appointed or dismissed by the board of directors; and
- (viii) to exercises any other duties authority granted by the Articles of Association and the board of directors.

General Manager of the Company shall attend meetings of the Board of the Directors.

The Company shall have a secretary to the board of directors, who shall be responsible for, among others, the preparation of general meetings and board meeting, the retention of documents, the management of shareholders' information and the disclosure of information.

The senior executives of the Company shall faithfully perform their duties and act in the best interests of the Company and all shareholders. Where any senior executive fails to perform his/her duties faithfully or breaches his/her obligation of good faith, and thereby causes damage to the Company's interests or the shareholders of public shares, he/she shall be liable for compensation according to the law.

## **SUPERVISORS AND THE BOARD OF SUPERVISORS**

### **Supervisors**

The circumstances regarding disqualification for the position of director of the Articles of Association shall also apply to supervisors. No director, general manager and any other senior executive may concurrently serve as a supervisor.

Supervisors shall comply with laws, administrative regulations and the Articles of Association, and shall bear the obligations of loyalty and diligence to the Company. They shall not take any bribe or other illegal gains by taking advantage of their authority, nor shall they misappropriate company property.

The term of office of a supervisor shall be three years. Upon expiration of a supervisor's term of office, the supervisor may serve another term of office if re-elected. Where a new supervisor has not yet been elected upon the expiration of a supervisor's term of office, or the number of supervisors on the board falls below the quorum due to the resignation of a supervisor during his/her term of office, the said supervisor shall continue to perform his/her duties in accordance with laws, administrative regulations and the Articles of Association before the newly elected supervisor takes his/her office.

No supervisor may take advantage of his/her connected relationships to damage the Company's interests and, where any loss is incurred as a result of any such violation, shall be liable for compensation.

### **The Board of Supervisors**

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of three supervisors, including a chairman. The chairman of the Board of Supervisors shall be elected and dismissed by a majority of all supervisors. The board of supervisors shall be composed of shareholder representatives and Company staff representatives. The number of staff representatives shall be no less than one third of all supervisors.

The Board of Supervisors shall exercises the following powers:

- (i) to review the periodical reports of the Company prepared by the Board and to provide comments in writing;
- (ii) to inspect the financial position of the Company;
- (iii) to supervise the performance of the Directors and senior management and to advise the dismissal of any Directors or senior management who violate the laws, administrative regulations, the Articles of Association or resolutions of the Shareholders' general meetings;
- (iv) to demand rectification of the Directors and senior management where their conducts are detrimental to the interests of the Company;
- (v) to propose to convene an extraordinary general meeting and to convene and preside over the Shareholders' general meeting if the Board fails to do so as required by the Company Law;
- (vi) to submit proposals at a Shareholders' general meeting;
- (vii) to institute proceedings against directors and senior management in accordance with the provisions of the Company Law;
- (viii) to investigate if there is any abnormal condition of the Company's operation; and if necessary, to engage on accounting firm, law firm or other professional institution to assist in its works at the expenses of the Company; and
- (ix) other powers granted by laws, administrative regulations, departmental rules and regulations, the listing rules of the place where the Company's shares are listed or the Articles of Association.

The meetings of the Supervisory Board are divided into regular meetings and ad hoc meetings. Regular meetings of the Supervisory Board are held at least once every six months. Supervisors may propose to convene a temporary meeting of the Supervisory Committee. Notice of regular and temporary meetings of the Supervisory Board shall be sent to all Supervisors 10 days and 5 days in advance respectively.

## **FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDIT**

### **Finance and Accounting Systems**

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the requirements of the relevant governmental authorities.

The Company's accounting year is based on the calendar year system. The Company shall prepare a financial accounting report at the end of each fiscal year, which shall be audited by an accounting firm in accordance with the law. The financial accounting report shall be prepared in accordance with the provisions of relevant laws, administrative regulations and departmental regulations.

The Company publishes two results announcements per fiscal year, that is, within 60 days after the end of the first six months of each fiscal year, and within three months after the end of the fiscal year. Where the above announcement is otherwise provided by relevant laws, administrative regulations, the securities regulatory authority of the place where the company's shares are listed and the Hong Kong Stock Exchange, those provisions shall prevail.

The Company shall not keep accounts other than those required by laws. The assets of the Company shall not be kept under the name of any individuals.

### **Reserves**

In the distribution of the profit after tax of the year, 10% of the profit shall be contributed to statutory reserve of the Company. When the aggregate statutory reserve of the Company has reached 50% or more of the registered capital, the Company may cease to make further contribution.

Where the statutory reserve is insufficient to recover the losses for the previous year, the losses shall be made up by the profits of that year before contributing to the statutory reserves as stipulated above.

Subject to the resolution of Shareholders' general meeting, the Company may also appropriate funds to discretionary surplus reserve from profit after tax upon the appropriate of fund to statutory reserve.

The Company may distribute profits after tax in accordance with the proportion of shareholdings after making up for losses and making allocations to reserves, except where the distribution is not proportionate according to laws and regulations, the regulatory rules of the place where the company's securities are listed, *the Hong Kong Listing Rules* or the Articles of Association.

If the Shareholders' general meeting violates the above provisions and profits are distributed to the Shareholders before the Company making up for losses and making allocations to the statutory reserve, the profits distributed in violation of the provisions shall be returned to our Company by such Shareholders.

The shares held by our Company itself shall not be subject to profit distribution.

Our Company's reserves must be used only for offsetting losses of our Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of our Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

### **Dividends and Other Methods of Profit Distribution**

The Company may distribute dividends in cash, in Shares or in combination of cash and Shares.

The payment of cash dividends and other payments by the Company to the shareholders of domestic shares shall be paid in Renminbi. The payment of cash dividends and other payments by the Company to shareholders of unlisted foreign shares shall be denominated and declared in RMB and paid in foreign currencies. Cash dividends and other payments by the Company to shareholders of overseas listed shares are denominated and declared in RMB and paid in Hong Kong dollars. The foreign currency required for the payment of cash dividends and other payments by the Company to shareholders of overseas listed shares shall be handled in accordance with the relevant national regulations on foreign exchange management.

### **Internal Audits**

The Company shall adopt an internal audit system and designate auditors to supervise the internal audits of incomes and expenses as well as the business activities of the Company.

The internal audit system of the Company and the duties of auditors shall come into effect upon the approval of the Board of Directors. The person in charge of audits shall be accountable to and report to the Board of Directors.

#### **Appointment of Accounting Firm**

The Company shall engage an accounting firm that meets the requirements of laws and regulations and the regulatory rules of the place where the Company's securities are listed and has a good reputation to conduct the audit of accounting statements, verification of net assets and other related consulting services for a period of one year, which may be renewed.

The hiring, dismissal or non-renewal of the accounting firm by the Company must be decided by the general meeting of shareholders. The remuneration of an accounting firm shall be determined by the Shareholders' general meeting.

A prior 20 days in advance notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is voted at the Shareholders' general meeting.

If the position of an appointed accounting firm is vacant, the Board of Directors may appoint an accounting firm and determine its remuneration before the start of Shareholders' general meeting, provided that such appointment shall be confirmed by the next Shareholders' general meeting. However, if during the vacant period, our Company has other incumbent accounting firm, such accounting firm may still perform.

If the accounting firm resigns, it shall explain to the shareholders' meeting whether the Company has any improper circumstances.

### **MERGERS, DIVISIONS, CAPITAL INCREASES AND REDUCTIONS, DISSOLUTIONS AND LIQUIDATIONS**

#### **Mergers, Divisions, Capital Increases and Reductions**

Companies may be merged by way of absorption or by consolidation. In a merger of companies, all parties to the merger shall conclude a merger agreement and prepare their respective balance sheets and checklists of assets. The companies shall, within ten days of adopting the merger resolution, notify their creditors and make an announcement within 30 days. The creditors may, within 30 days of the receipt of the notice or within 45 days as of the issuance of the announcement if they do not receive the notice, require the Company to pay off debts or provide corresponding security.

Where a company is divided, its assets shall be divided accordingly. Where a company is divided, a balance sheet and a checklist of assets shall be prepared. The Company shall notify the creditors within ten days of the date when the division resolution is made and make an announcement within 30 days.

Where a Company needs to reduce its registered capital, a balance sheet and a checklist of assets must be prepared. The Company shall notify its creditors within ten days of making the resolution to reduce its registered capital and shall make an announcement within 30 days. The creditors shall, within thirty days of the receipt of the notice or within 45 days of the issuance of the announcement if they do not receive the notice, require the Company to pay off debts or to provide corresponding security.

The Company's registered capital shall not be lower than the statutory minimum level required by law after capital reduction.

Where a Company increases or reduces its registered capital, it shall go through registration amendments with the company registration authority in accordance with the law.

### **Dissolutions and Liquidations**

The Company shall be dissolved for the following reasons:

- (i) the expiration of the business period or other reasons for dissolution specified in the Articles of Association;
- (ii) the shareholders' general meeting adopts a resolution to dissolve the Company;
- (iii) dissolution is required due to the merger or division of the Company;
- (iv) the Company's business license is revoked, or it is ordered to close down or wind up in accordance with the laws;
- (v) where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss in Shareholders' interests, and no solution can be found through any other channel, Shareholders holding more than 10% of the total voting rights of the Company may request the People's Court to dissolve the Company.

The voluntary dissolution of the Company shall be adopted by a special resolution of the general meeting of shareholders. If otherwise agreed by laws, regulations or regulatory rules of the place where the Company's securities are listed, the agreement shall be observed at the same time.

Upon the occurrence of the first situation described above, the Company may continue to exist by amending the Articles of Association. Amendments to the Articles of Association in accordance with the provisions of the preceding paragraph shall be approved by more than two-thirds of the voting rights held by the shareholders attending the general meeting.

If the Company is being dissolved under the first, second, fourth or fifth circumstance described above, a liquidation group shall be set up within 15 days from the date of the cause of dissolution occurred to carry out the liquidation. The liquidation group consists of the personnel determined by the Directors or by the Shareholders' general meeting. If a liquidation group is not set up within the specified period, the creditors may apply to the People's Court for appointment of relevant persons to form a liquidation group to carry out the liquidation.

The liquidation group shall perform the following duties during the liquidation:

- (i) to check the assets of the Company and prepare a balance sheet and an inventory of assets;
- (ii) to notify the creditors by notice or announcement;
- (iii) to deal with the outstanding affairs of the Company connected with the liquidation;
- (iv) to settle outstanding taxes as well as taxes arising in the course of liquidation;
- (v) to settle all creditors' rights and debts;

- (vi) to dispose of the remaining assets of the Company after the settlement of debts;
- (vii) to represent the Company in any civil proceedings.

The liquidation group shall notify the creditors within 10 days from the date of its establishment and make public announcement within 60 days of its establishment. Creditors shall report their claims to the liquidation group within 30 days after receipt of the notice, or within 45 days from the date of the announcement if they do not receive the notice.

Creditors shall provide explanation for the relevant particulars and evidence of the claims upon declaration of such claims. The liquidation group shall register the creditors' claims. During the period for declaration of claims the liquidation group shall not make any repayment to creditors.

After checking the assets of the Company and preparing a balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan for the confirmation of Shareholders' general meetings or the People's Court.

The remaining assets of the Company, after payment of liquidation expenses, wages, social insurance contribution and statutory compensation, and taxes and debts of the Company, shall be distributed to Shareholders according to the proportion of their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities not relating to liquidation. The assets of the Company shall not be distributed to shareholders before the settlement of debts in accordance with the preceding paragraph.

If the liquidation group, after checking the assets of the Company and preparing a balance sheet and an inventory of assets, discovers that the Company's assets are insufficient to settle its debts, it shall immediately apply to the People's Court for a declaration of bankruptcy. After our Company is declared bankrupt by ruling of the people's court, the liquidation group shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation, the liquidation group shall prepare a liquidation report, report it to the general meeting of shareholders or the people's court for confirmation, and submit it to the Company registration authority to apply for deregistration of the Company and announce the termination of the Company.

### **AMENDMENTS OF THE ARTICLES OF ASSOCIATION**

In any of the following circumstances, our Company shall amend the Articles of Association:

- (i) if upon amendments to the Company Law, administrative regulations, departmental rules, regulatory documents or listing rules of the stock exchange of the place where the Company's Shares are listed, any terms contained in the Articles of Association become inconsistent with the provisions abovementioned;
- (ii) a change in our Company causes inconsistency with those contained in the Articles of Association; or
- (iii) a resolution being passed by the Shareholders' general meeting to amend our Articles of Association.

Amending the Articles of Association shall be in accordance with the following procedures:

- (i) the Board of Directors shall first adopt a resolution to amend the Articles of Association and draw up a proposal for amending the Articles of Association;
- (ii) the Board of Directors shall convene a general meeting of shareholders to vote on the proposal to amend the Articles of Association by the general meeting;
- (iii) the shareholders' meeting adopts the amendment to the Articles of Association by special resolution;
- (iv) the Company files the amended Articles of Association with the competent market supervision and management authorities of the Company.

Where the amendments to the Articles of Association passed by the Shareholders' general meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

## A. FURTHER INFORMATION ABOUT OUR COMPANY

### 1. Incorporation

The predecessor of our Company was incorporated under the laws of the PRC as a limited liability company on October 31, 2014 and named as Xiamen Yan Palace Biological Engineering Development Co., Ltd. (廈門燕之屋生物工程發展有限公司). On December 23, 2020, for the purpose of our initial listing, we were converted from a limited liability company into a joint stock limited liability company in accordance with applicable PRC laws and regulations under the name of Xiamen Yan Palace Bioengineering Co., Ltd. (廈門燕之屋生物工程股份有限公司). In November 2023, we were renamed as Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (廈門燕之屋燕窩產業股份有限公司). Our registered address is at Unit 4, Unit 102, No. 3, Xiangming Road, Xiamen Torch High-tech Zone (Xiang'an) Industrial Zone, Xiamen City, Fujian Province, the PRC. A summary of our Articles is set out in "Appendix III—Summary of Articles of Association of the Company" to this prospectus. As at the date of this prospectus, our Company's head office is located at 22/F Caizhui, No. 188 Qianpu Road, Siming District, Xiamen City, Fujian Province, the PRC.

Our Company has established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 7, 2023. Ms. Leung Kwan Wai, one of our joint company secretaries, has been appointed as our authorized representatives for the acceptance of service of process and notices in Hong Kong. Her address for acceptance of service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

The Company has applied for the Conversion of Unlisted Shares into H Shares, which involves 296,919,300 Unlisted Shares. The Conversion of Unlisted Shares into H shares has been registered with the CSRC on September 25, 2023 and is still subject to approval by the Stock Exchange.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the Articles of Association and the relevant aspects of laws and regulations of the PRC is set out in Appendix III and "Regulatory Overview" section, respectively, to this prospectus.

### 2. Changes in Share Capital of Our Company

The following sets forth changes in our share capital within two years immediately preceding the date of this document.

(1) On June 21, 2021, the registered capital of our Company was increased from RMB84.98 million to RMB86.70 million by way of capital injection.

(2) As approved by our Shareholders' general meeting on May 25, 2023, immediately upon the Listing, one Share of RMB1 will each subdivide into five Shares of RMB0.2 each. After the Share Subdivision, the number of our issued Shares was 433,500,000.

Upon completion of the Global Offering and Conversion of Unlisted Shares into H Shares, the registered share capital of our Company will increase to (i) RMB93,100,000, comprising 328,919,300 H Shares and 136,580,700 Unlisted Shares, assuming the Over-Allotment Option is not exercised; and (ii) RMB94,060,000 comprising 333,719,300 H shares and 136,580,700 Unlisted Shares, assuming the Over-Allotment Option is exercised.

Save as disclosed above and in "—4. Resolutions of Our Shareholders in Relation to the Global Offering" herein, there has been no alteration in our share capital and no redemption, repurchase or sale of any of our share capital since our incorporation.

### 3. Changes in the Share Capital of Our Subsidiary

A summary of the corporate information and the particulars of our principal subsidiaries are set out in Note 1 to the Accountant's Report as set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus:

**(a) Beijing Shengzhiyan Trading Co., Ltd. (北京盛之燕商貿有限公司)**

On January 20, 2022, Beijing Shengzhiyan Trading Co., Ltd. was incorporated with an authorized share capital of RMB500,000.

**(b) Beijing Yixin Trading Co., Ltd. (北京亦忻商貿有限公司)**

On August 16, 2022, Beijing Yixin Trading Co., Ltd. was incorporated with an authorized share capital of RMB5,000,000.

On October 11, 2022, the share capital of Beijing Yixin Trading Co., Ltd. was decreased from RMB5,000,000 to RMB500,000.

**(c) Changchun Jinyange Trading Co., Ltd. (長春市金燕閣商貿有限公司)**

On March 9, 2022, Changchun Jinyange Trading Co., Ltd. was incorporated with an authorized share capital of RMB300,000.

**(d) Taiyuan Mingyan Trading Co., Ltd. (太原市名燕商貿有限公司)**

On August 25, 2022, Taiyuan Mingyan Trading Co., Ltd. was incorporated with an authorized share capital of RMB1,000,000.

**(e) Harbin Zunyan Trading Co., Ltd. (哈爾濱市尊燕商貿有限公司)**

On April 23, 2023, Harbin Zunyan Trading Co., Ltd. was incorporated with an authorized share capital of RMB500,000.

**(f) Changchun Yuyanfu Trading Co., Ltd. (長春市御燕府商貿有限公司)**

On April 12, 2023, Changchun Yuyanfu Trading Co., Ltd. was incorporated with an authorized share capital of RMB300,000.

**(g) Taiyuan Shengyan Trading Co., Ltd. (太原市盛燕商貿有限公司)**

On October 20, 2023, Taiyuan Shengyan Trading Co., Ltd. was incorporated with an authorized share capital of RMB1,000,000.

**(h) Xiamen Yan Palace Silon Biotechnology Co., Ltd. (廈門市燕之屋絲濃生物科技有限公司)**

On October 26, 2023, Xiamen Yan Palace Silon Biotechnology Co., Ltd. was incorporated with an authorized share capital of RMB100,000,000.

Save as disclosed above, there has been no alteration in the share capital of any of the principal operating entities of the Company within the two years immediately preceding the date of this prospectus.

#### **4. Resolutions of Our Shareholders in Relation to the Global Offering**

At the extraordinary general meeting of the Shareholders held on May 25, 2023, the following resolutions, among other things, were duly passed:

- (a) subject to the relevant regulatory approval and registration, the sub-division of the Shares with nominal value of RMB1.0 each on the basis of 1:5, after which, the nominal value of the Shares will be RMB0.2 each and the number of Shares will be 433,500,000;
- (b) the issue by the Company of H shares with a nominal value of RMB0.2 each and such H Shares be listed on the Stock Exchange;
- (c) the number of H Shares to be issued shall be up to 25% of the number of total issued Shares upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option, and the grant of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued pursuant to the Global Offering;
- (d) subject to the filing with CSRC is completed, upon completion of the Global Offering, 296,919,300 Unlisted Shares will be converted into H Shares on a one-for-one basis;
- (e) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and the Listing; and
- (f) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date; and the authorization of the Board to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

### **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

#### **1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

- (a) the cornerstone investment agreement dated November 23, 2023 entered into among our Company, PT. Anugerah Citra Walet Indonesia, China International Capital Corporation Hong Kong Securities Limited, GF Capital (Hong Kong) Limited and GF Securities (Hong Kong) Brokerage Limited, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (b) the cornerstone investment agreement dated November 27, 2023 entered into among our Company, PT Niaga Cakrawala Sukses, China International Capital Corporation Hong Kong Securities Limited, GF Capital (Hong Kong) Limited and GF Securities (Hong Kong) Brokerage Limited, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (c) the cornerstone investment agreement dated November 26, 2023 entered into among our Company, PT Esta Indonesia, China International Capital Corporation Hong Kong Securities Limited, GF Capital (Hong Kong) Limited and GF Securities (Hong Kong) Brokerage Limited, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;

- (d) the cornerstone investment agreement dated November 28, 2023 entered into among our Company, Value Partners Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, GF Capital (Hong Kong) Limited and GF Securities (Hong Kong) Brokerage Limited, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (e) the cornerstone investment agreement dated November 28, 2023 entered into among our Company, Value Partners Limited, China International Capital Corporation Hong Kong Securities Limited, GF Capital (Hong Kong) Limited and GF Securities (Hong Kong) Brokerage Limited, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (f) the cornerstone investment agreement dated November 27, 2023 entered into among our Company, WU Chen (吳琛), China International Capital Corporation Hong Kong Securities Limited, GF Capital (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and Valuable Capital Limited (華盛資本證券有限公司), details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (g) the cornerstone investment agreement dated November 27, 2023 entered into among our Company, WONG Sing Kwong Cyrus (黃成光), China International Capital Corporation Hong Kong Securities Limited, GF Capital (Hong Kong) Limited and GF Securities (Hong Kong) Brokerage Limited, details of which are set out in the section headed “Cornerstone Investors” in this prospectus; and
- (h) the underwriting agreement dated November 29, 2023 relating to the Hong Kong Public Offering entered into by our Company, China International Capital Corporation Hong Kong Securities Limited, GF Capital (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited, Hong Kong Underwriters, HUANG Jian, ZHENG Wenbin, LI Youquan, XUE Fengying, Xiamen Shuangdanma Industrial Development Co., Ltd. (廈門市雙丹馬實業發展有限公司) and Xiamen Jinyan Tengfei Equity Investment Partnership (Limited Partnership) (廈門金燕騰飛股權投資合夥企業(有限合夥)), as further described in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering”.

## 2. Intellectual Property Rights of Our Group

### (a) Trademarks

#### (i) Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration No.	Registration Owner	Class	Expiry Date
1	藜花燕	PRC	60924741	The Company	30	2032.05.13
2	品燕阁	PRC	59740377	The Company	29	2032.06.27
3	禧孕碗燕	PRC	58995800	The Company	30	2032.03.06
4	 燕之屋 YAN PALACE	PRC	58276334	The Company	29	2032.02.27
5	 燕之屋 YAN PALACE	PRC	58276322	The Company	30	2032.03.06
6		PRC	53280763	The Company	30	2031.12.20
7	小燕浓	PRC	38314709	The Company	30	2030.03.27
8	藜花燕	PRC	38292869	The Company	30	2030.01.13
9	YAN PALACE	PRC	38121422	The Company	3	2030.02.27
10	YAN PALACE	PRC	38121404	The Company	29	2030.02.06
11	碗燕	PRC	38119941	The Company	32	2031.03.06
12	碗燕	PRC	38119897	The Company	30	2031.06.06
13	YAN PALACE	PRC	38118834	The Company	32	2030.02.06
14	燕之屋	PRC	38117080	The Company	3	2030.04.20
15	燕之屋	PRC	38108364	The Company	32	2030.04.20
16	燕之屋	PRC	38107129	The Company	29	2031.04.27
17	碗燕	PRC	38107117	The Company	29	2031.03.06
18	YAN PALACE	PRC	38105458	The Company	30	2030.02.20
19	燕之屋	PRC	38099866	The Company	30	2030.06.20

No.	Trademark	Place of Registration	Registration No.	Registration Owner	Class	Expiry Date
20		PRC	35388910	The Company	3	2029.10.20
21	YAN PALACE	PRC	34218697	The Company	30	2029.06.20
22	ONE NEST	PRC	34218543	The Company	29	2029.09.06
23		PRC	26465917	The Company	29	2029.01.20
24		PRC	26465890	The Company	30	2028.12.06
25		PRC	26463057	The Company	30	2029.01.20
26		PRC	26457735	The Company	29	2028.10.06
27		PRC	20728783	The Company	32	2027.09.13
28	YAN PALACE	PRC	20728677	The Company	32	2027.09.13
29		PRC	20381266	The Company	32	2027.08.06
30	YAN PALACE	PRC	19219707	The Company	3	2027.04.13
31		PRC	19219574	The Company	3	2027.06.20
32		PRC	17869893	The Company	32	2026.12.27
33	YAN PALACE	PRC	17869743	The Company	32	2026.12.27
34		PRC	16738916	The Company	30	2026.06.06
35		PRC	16738819	The Company	29	2026.06.06
36	ONE NEST	PRC	16738775	The Company	29	2026.06.06
37		PRC	16285420	The Company	32	2026.04.20
38		PRC	14676945	The Company	29	2025.06.20
39	YAN PALACE	PRC	14676927	The Company	29	2025.06.20

No.	Trademark	Place of Registration	Registration No.	Registration Owner	Class	Expiry Date
40	YAN PALACE	PRC	14676912	The Company	30	2025.06.20
41	燕之屋	PRC	14676896	The Company	30	2025.06.20
42		PRC	14676876	The Company	30	2025.06.20
43		PRC	14676765	The Company	29	2025.06.20
44	碗燕	PRC	11241617	The Company	30	2033.12.13
45	碗燕	PRC	11241517	The Company	29	2033.12.13
46	燕之屋	PRC	5554880	The Company	3	2029.10.20
47	燕之屋	PRC	5164671	The Company	32	2029.03.20
48	品燕閣	PRC	4678286	The Company	29	2028.03.06
49	燕之屋	PRC	3311492	The Company	30	2033.12.20
50	燕宝诗	PRC	62770652	The Company	3	2032.08.13
51	碗燕	Hong Kong	303151782	The Company	29 and 30	2024.09.28
52	ONE NEST	Hong Kong	303151647	The Company	29 and 30	2024.09.28
53	 燕之屋 YAN PALACE	Hong Kong	303151764	The Company	29, 30 and 35	2024.09.28

## (ii) Trademark under application

As of the Latest Practicable Date, we had not applied for the registration of the trademark which we consider to be or maybe material to our business.

*(b) Patents**Registered patents*

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
1	A kind of production method of instant stewed bird's nest without picking and soaking (一種免挑免泡即燉燕盞的生產方法)	Yan Sinong	PRC	ZL201410393347.7	2014.08.12	2034.08.11
2	A kind of preparation method of instant bird's nest soft can (一種速食燕窩軟罐頭的製作方法)	Yan Sinong	PRC	ZL201410393800.4	2014.08.12	2034.08.11
3	A method for identifying the authenticity of bird's nest using LC-Q-TOF combined with statistical analysis (一種利用LC-Q-TOF結合統計分析鑒別燕窩真偽的方法)	Yan Sinong	PRC	ZL201410766745.9	2014.12.12	2034.12.12
4	Bowl (Instant Bird's Nest Bowl XMSN-108-2) (碗(即食燕窩碗 XMSN-108-2))	Yan Sinong	PRC	ZL201530502373.4	2015.12.04	2030.12.03
5	A kind of sealing cover of bowl swallow container and the bowl swallow container matched with it (一種碗燕容器封口蓋及配合其的碗燕容器)	Yan Sinong	PRC	ZL202121927944.5	2021.08.17	2031.08.16
6	Packaging bottle (original design of fresh stewed bird's nest) (包裝瓶(鮮燉燕窩獨創設計))	Yan Sinong	PRC	ZL202130553631.7	2021.08.24	2036.08.23
7	A kind of food processing technology of packaging container with easy tear-off lid (一種易撕蓋包裝容器的食品加工工藝)	Yan Sinong	PRC	ZL202111218644.4	2021.10.20	2041.10.19
8	A continuous multi-stage linkage supercritical drying device (一種連續式多級聯動超臨界乾燥裝置)	Yan Sinong	PRC	ZL202220955597.5	2022.04.24	2032.04.23

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Expiry Date
9	A 360° all-round microwave radio frequency sterilization device for fresh stewed bird's nest (一種鮮燉燕窩的360°全方位微波射頻殺菌裝置)	Yan Sinong	PRC	ZL202221008704.X	2022.04.24	2032.04.23
10	Packaging lining (environmentally friendly and degradable fresh stewed bird's nest packaging design) (包裝內襯(環保可降解型鮮燉燕窩包裝設計))	Yan Sinong	PRC	ZL202230613382.0	2022.09.16	2037.09.15
11	Packaging lining (environmentally friendly and degradable fresh stewed bird's nest packaging design) (包裝內襯(環保可降解型鮮燉燕窩包裝設計))	Yan Sinong	PRC	ZL202230613381.6	2022.09.16	2037.09.15
12	A home-style dried bird's nest stew process (一種家庭式乾燕窩燉煮工藝)	Yan Sinong	PRC	ZL202111049947.8	2021.09.08	2041.09.07
13	Processing method of instant rock sugar bird's nest product (一種即食冰糖燕窩產品的加工方法)	Yan Sinong	PRC	ZL202111050007.0	2021.09.08	2041.09.07
14	Bird's nest automation weighing process (一種燕窩自動化稱量工藝)	Yan Sinong	PRC	ZL202110227265.5	2021.03.01	2041.02.28
15	Instant bird's nest powder for brewing and its preparation method (一種沖泡型即食燕窩粉及其製備方法)	Yan Sinong	PRC	ZL202010911895.X	2020.09.02	2040.09.01
16	High sialic acid instant bird's nest product and its sterilization and preparation method (一種高唾液酸即食燕窩產品及其殺菌、製備方法)	Yan Sinong	PRC	ZL202010344982.1	2020.04.27	2040.04.26
17	Application of bird's nest in the preparation of drugs for the treatment of ulcerative colitis (燕窩在製備治療潰瘍性結腸炎藥物中的應用)	Yan Sinong	PRC	ZL202110362817.3	2021.04.02	2041.04.01

*Pending Patents*

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent Title	Applicant	Place of Registration	Applicant Number	Application Date
1	Detection model construction and non-destructive testing method of dried bird's nest based on near-infrared spectroscopy technology (基於近紅外光譜技術的乾燕窩主要成分檢測模型構建與無損檢測方法)	Yan Sinong	PRC	CN202310142372.7	2023.02.21
2	Preparation method and application of bird's nest peptide with cell repair and high moisturizing whitening effects (一種具有促進細胞修復、高保濕美白功效的燕窩肽製備方法及應用)	Yan Sinong	PRC	CN202211398048.3	2022.11.09
3	Evaluation method for the suitability of instant bird's nest storage conditions based on SPME.GC.MS/MS (一種基於SPME.GC.MS/MS的即食燕窩儲存條件適宜性評估方法)	Yan Sinong	PRC	CN202211149417.5	2022.09.21
4	Rapid assessment method for the suitability of instant bird's nest storage conditions based on flavor substance analysis (一種基於風味物質差異分析的即食燕窩儲存條件適宜性快速評估方法)	Yan Sinong	PRC	CN202211307184.7	2022.10.24
5	Automatic selective device and method for bird's nest based on visual recognition technology (一種基於視覺識別技術的燕窩自動精挑裝置及方法)	Yan Sinong	PRC	CN202210698456.4	2022.06.20
6	Steam jet sealing device (一種蒸汽噴射封口裝置)	Yan Sinong	PRC	CN202210802925.2	2022.07.07
7	Preparation method of bird's nest standard material for detecting nitrite in bird's nest (一種用於檢測燕窩中亞硝酸鹽的燕窩標準物的製備方法)	Yan Sinong and Xiamen Customs Technology Center (廈門海關技術中心)	PRC	CN202210703504.4	2022.06.21

No.	Patent Title	Applicant	Place of Registration	Applicant Number	Application Date
8	Preparation method of bird's nest standard material for detection (一種檢測用的燕窩標準物的製備方法)	Yan Sinong and Xiamen Customs Technology Center (廈門海關技術中心)	PRC	CN202210704823.7	2022.06.21
9	Application of small molecule bird's nest peptide for prevention and improvement of skin inflammation (用於預防、改善皮膚炎症的小分子燕窩肽的應用)	Yan Sinong	PRC	CN202210414117.9	2022.04.20
10	Sensory quality evaluation method for high-quality bowl-packaged bird's nest (一種高品質碗裝燕窩的感官品質評價方法)	Yan Sinong	PRC	CN202210249530.4	2022.03.14
11	Supercritical drying bird's nest instant soluble powder and its preparation method (一種超臨界乾燥燕窩口溶粉及其製備方法)	Yan Sinong	PRC	CN202111368632.X	2021.11.18
12	Small molecule bird's nest bubble water with beauty and nourishing effects and its preparation method (一種具有美容養顏功效的小分子燕窩氣泡水及其製備方法)	Yan Sinong	PRC	CN202111444485.X	2021.11.30
13	Bird's nest oral quick-dissolving film and its preparation method (燕窩口腔速溶膜及其製備方法)	Yan Sinong	PRC	CN202111397343.2	2021.11.23
14	Intelligent automatic soaking device for bird's nest (一種燕窩的智能自動浸泡裝置)	Yan Sinong	PRC	CN202111174486.7	2021.10.09
15	Automatic pre-processing device for bird's nest and its method (一種燕窩的自動前處理裝置及其方法)	Yan Sinong	PRC	CN202111078640.0	2021.09.15
16	Instant bird's nest product suitable for middle-aged and elderly consumption and its preparation method (一種適合中老年食用的即食燕窩產品及其製備方法)	Yan Sinong	PRC	CN202111142687.9	2021.09.28

No.	Patent Title	Applicant	Place of Registration	Applicant Number	Application Date
17	Ultrahigh performance liquid chromatography-tandem mass spectrometry method for determination of amino acids in bird's nest (燕窩中氨基酸的超高效液相色譜-串聯質譜測定方法)	Yan Sinong	PRC	CN202111222555.7	2021.10.20
18	Fresh stewed beverage order management method (一種鮮燉飲品訂單管理方法)	The Company	PRC	CN202110868218.9	2021.07.30
19	Whitening active small molecule bird's nest peptide and its preparation method (一種美白活性小分子燕窩肽及其製備方法)	Yan Sinong	PRC	CN202110938306.1	2021.08.16
20	Instant bird's nest product suitable for pregnant women consumption and its preparation method (一種適合孕婦食用的即食燕窩產品及其製備方法)	Yan Sinong	PRC	CN202110762816.8	2021.07.06
21	Method and application for improving sensory quality of instant bird's nest product (一種改善即食燕窩產品感官品質的方法與應用)	Yan Sinong	PRC	CN202011053987.5	2020.09.29
22	Bird's nest concentrate and its preparation method and application (一種燕窩濃縮液及其製備方法與應用)	Yan Sinong	PRC	CN202010940669.4	2020.09.09

(c) **Copyrights**

*Registered copyrights*

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following copyrights which we consider to be or may be material to our business:

No.	Name	Copyright Owner	Place of Registration	Registration No.	Date of Registration	Date of Publication
1	Rock Sugar Bird's Nest Gift Box (燕之屋冰糖燕窩禮盒)	The Company	PRC	Minzuo Registration-2018-F-00066891 (閩作登字-2018-F-00066891)	2018.09.30	2017.07.20
2	Silky and Rich Logo (絲濃標誌Logo)	The Company	PRC	Minzuo Registration-2018-F-00083978 (閩作登字-2018-F-00083978)	2018.11.20	2017.08.10
3	Goddess of Bird's Nest (燕窩女神)	The Company	PRC	Guozuo Registration-2021-F-00074666 (國作登字-2021-F-00074666)	2021.03.31	2019.12.05

No.	Name	Copyright Owner	Place of Registration	Registration No.	Date of Registration	Date of Publication
4	Classic Bowl Bird's Nest (Upgraded Version) (碗燕經典款(升級版))	The Company	PRC	Guozuo Registration-2021-F-00159563 (國作登字-2021-F-00159563)	2021.07.14	2017.08.10
5	Premium Bowl Bird's Nest (尊享款碗燕)	The Company	PRC	Guozuo Registration-2021-F-00249739 (國作登字-2021-F-00249739)	2021.10.29	2014.04.30
6	Yan Bioinformatics Platform v0.0.0.1 (燕生物信息平台v0.0.0.1)	The Company	PRC	2018SR041076	2021.03.23	2017.09.04
7	Intelligent Coding System for Production Line v1.0 (產線智能賦碼系統v1.0)	The Company	PRC	2021SR0539979	2021.04.14	2020.12.01
8	Mobile Intelligent Cashier System v1.0 (手機移動智能收銀系統v1.0)	The Company	PRC	2021SR0960403	2021.06.29	2020.12.01
9	Fresh Stew Self-Service Modification Cycle Program v1.0 (鮮燉自助修改週期小程序v1.0)	The Company	PRC	2021SR0960404	2021.06.29	2020.12.01
10	Yanzhiwu e-commerce CRM member management system v1.0 (燕之屋電商CRM會員管理系統v1.0)	The Company	PRC	2023SR0385007	2023.03.23	2022.07.01

**(d) Domain Names**

As of the Latest Practicable Date, we have registered the following domain name that we consider to be or may be material to our business:

No.	Domain Name	Registrant	Expiry Date
1.	yanzhiwu.com	the Company	2024.10.20

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS****1. Particulars of Directors' and Supervisors' Service Contracts and Letters of Appointment****(a) Executive Directors**

Each of Mr. Huang, Mr. Zheng, Mr. Li and Huang Danyan, being our executive Directors, has entered into a service contract with our Company on November 28, 2023. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

**(b) Non-executive Director and Independent non-executive Directors**

Each of Liu Zhen and Wang Yalong, being our non-executive Directors, Xiao Wei, Chen Aihua and Lam Yiu Por, being our independent non-executive Directors, has entered into a letter of appointment with our Company on November 28, 2023. The letters of appointment may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

**(c) Supervisors**

Each of Zhang Ning, Zheng Feng and Wei Wei, being our Supervisors, has entered into a service contract with our Company on November 28, 2023. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

**2. Remuneration of Directors and Supervisors**

The aggregate remuneration (including fees, salaries, contribution to pension schemes, housing allowances, other allowances and benefits-in-kind and discretionary bonuses) paid to our Directors and Supervisors for the three years ended December 31, 2020, 2021, 2022 and the five months ended May 31, 2023, were approximately RMB10.1 million, RMB10.7 million, RMB11.8 million and RMB4.9 million, respectively.

Based on the arrangements in force as of the Latest Practicable Date, it is estimated that the total remuneration paid to the Directors and Supervisors for the year ending December 31, 2023 will be approximately RMB13.0 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group. Furthermore, none of the Directors or Supervisors had waived agreed to waive any emoluments during the same periods.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended December 31, 2020, 2021 and 2022 and the five months ended May 31, 2023, by any member of our Group to any of our Directors.

## 3. Disclosure of interests

*Disclosure of interests of Directors, Supervisors and chief executive of our Company*

Immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised), the interest or short position of our Directors, Supervisors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are listed will be as follows:

(i) *Interests in our Company*

Name of Shareholder	Nature of interest	Description of Shares	Shares held immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised)		
			Number of Shares <sup>(1)</sup>	Percentage of shareholding in our Unlisted Shares/H Shares	Percentage of shareholding in our total issued share capital <sup>(7)</sup>
Mr. Huang . . . . .	Beneficial owner	Unlisted Shares	—	—	—
		H Shares	4,335,000	1.32%	0.93%
	Interest held jointly with another person <sup>(2)</sup>	Unlisted Shares	33,261,090	24.35%	7.15%
		H Shares	41,886,095	12.73%	9.00%
	Interest in a controlled corporation <sup>(3)</sup>	Unlisted Shares	45,892,780	33.60%	9.86%
		H Shares	45,892,780	13.95%	9.86%
Interest in a controlled corporation <sup>(4)</sup>	Unlisted Shares	—	—	—	
	H Shares	8,208,320	2.50%	1.76%	
Mr. Zheng . . . . .	Beneficial owner	Unlisted Shares	16,636,520	12.18%	3.57%
		H Shares	16,636,520	5.06%	3.57%
	Interest held jointly with another person <sup>(2)</sup>	Unlisted Shares	62,517,350	45.77%	13.43%
		H Shares	75,060,675	22.82%	1.62%
	Interest of spouse <sup>(5)</sup>	Unlisted Shares	—	—	—
H Shares		8,625,000	2.62%	1.85%	
Mr. Li . . . . .	Beneficial owner	Unlisted Shares	16,624,570	12.17%	3.57%
		H Shares	16,624,575	5.05%	3.57%
	Interest held jointly with another person <sup>(2)</sup>	Unlisted Shares	62,529,300	45.78%	13.43%
		H Shares	83,697,620	25.45%	17.98%
Liu Zhen (劉震) . . . . .	Beneficial owner	Unlisted Shares	—	—	—
		H Shares	12,020,475	3.65%	2.58%
	Interest in a controlled corporation <sup>(6)</sup>	Unlisted Shares	30,000,000	21.97%	6.44%
		H Shares	30,000,000	9.12%	6.44%
Wang Yalong (王亞龍) . . . . .	Interest in a controlled corporation <sup>(7)</sup>	Unlisted Shares	—	—	—
		H Shares	38,857,460	11.81%	8.35%

- (1) All interests stated are long positions.
- (2) See “History, Development and Corporate Structure—Concert Party Arrangement” for more information.
- (3) Xiamen Suntama is controlled by Mr. Huang as of the Latest Practicable Date. Mr. Huang is therefore deemed to be interested in the Shares held by Xiamen Suntama under the SFO.
- (4) As of the Latest Practicable Date, Mr. Huang was the sole general partner of Jinyan Tengfei LP. Mr. Huang is deemed to be interested in the Shares in which Jinyan Tengfei LP is interested in.
- (5) Ms. Xue is the spouse of Mr. Zheng. Accordingly, Mr. Zheng is deemed to be interested in the same number of Shares of Ms. Xue is interested in for the purpose of the SFO.
- (6) Xiamen Guangyao Tianxiang Investment Co., Ltd. is the sole general partner of Guangyao Tianxiang and is therefore deemed to be interest in the Shares held by Guangyao Tianxiang LP under the SFO. LIU Zhen held approximately 80% of the limited partnership interests of Guangyao Tianxiang LP and controls Xiamen Guangyao Tianxiang Investment Co., Ltd. as of the Latest Practicable Date. LIU Zhen is therefore deemed to be interested in the Shares held by Guangyao Tianxiang LP under the SFO.
- (7) WANG Yalong held approximately 45% of Beijing Yanshi Investment Management Center Limited Partnership (北京焰石投資管理中心(有限合夥)) as of the Latest Practicable Date, which is the general partner of Hongyan Investment LP. WANG Yalong is therefore deemed to be interested in the Shares held by Hongyan Investment LP under the SFO.
- (8) The number of Shares were presented based on the assumption that the Share Subdivision is completed.

***Disclosure of interests of substantial shareholders***

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares have an interest or short position in the Shares or the underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% of more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

#### 4. Agency Fees or Commissions Received

Save as disclosed in the section headed “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital or security of any member of our Group.

#### 5. Disclaimers

- (a) save as disclosed in the sections headed “Substantial Shareholders” and “—C. Further Information about our Directors, Supervisors and Substantial Shareholders—3. Disclosure of interests—Disclosure of interests of Directors, Supervisors and chief executive of our Company”, none of our Directors, Supervisors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are listed;
- (b) none of our Directors, Supervisors or any of the experts referred to under paragraph headed “D. Other Information—11. Qualification of Experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) save as disclosed in the section headed “Connected Transactions”, none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (d) save as disclosed in the sections headed “Directors, Supervisors and Senior Management—Compensation of Directors, Supervisors and Senior Management” and “—C. Further Information about our Directors, Supervisors and Substantial Shareholders—1. Particulars of Directors’ and Supervisors’ Service Contracts and Letters of Appointment”, none of our Directors or Supervisors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) save as disclosed in the sections headed “Substantial Shareholders” and “—C. Further Information about our Directors, Supervisors and Substantial Shareholders—3. Disclosure of interests—Disclosure of interests of Directors, Supervisors and chief executive of our Company”, so far as is known to our Directors, Supervisors or the chief executive of our Company, no person (not being a Director, Supervisors or chief executive of our Company) will, immediately following the completion of the Global Offering and Conversion of Unlisted Shares into H Shares, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) save as disclosed in the sections headed “Business—Our Customers—Major Customers” and “Business—Raw Materials, Packaging Materials and Suppliers—Our Suppliers—Major Suppliers”, none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

## 6. Employee Incentive Scheme

The following is a summary of the principal terms of the employee incentive scheme (“Employee Incentive Scheme”) approved and adopted by our Company on December 26, 2020 for the purpose of attracting and retaining talents for our Group. Under the Employee Incentive Scheme, eligible participants as approved by the Company may subscribe for the limited partnership interests in Jinyan Tengfei LP (“Restricted Shares”), our employee incentive platform. As of the Latest Practicable Date, Jinyan Tengfei LP held an aggregate of 8,208,320 Unlisted Shares (assuming the Share Subdivision is completed and the nominal value is RMB0.20 each), representing approximately 1.89% of our total issued Shares. The incentive Shares under the Employee Incentive Scheme are existing Shares of the Company and does not involve the grant of options by our Company to subscribe for new Shares.

### *(a) Purpose*

The purpose of the Employee Incentive Scheme is to attract and retain talents for our Group. The Employee Incentive Scheme fosters shared interests between shareholders of our Company and our management team, thereby furthering our Company’s focus on long-term development.

### *(b) Eligible participants*

Eligible participants must be formal employee of the Company and shall be core management personnel and technical backbones who work in key positions of the Company or its subsidiaries with a direct or relatively material impact on the company’s operating performance and sustainable development. Eligible participants need to meet the following criteria (1) senior management; (2) department managers with one year working experience; or (3) department deputy managers with 10 years working experience.

### *(c) Scheme administration*

A management committee has been authorized to act as the scheme administrator to manage the scheme and the related shareholding platform, including but not limited to, formulating and amending detailed implementation documents for the scheme, managing the daily operation of the scheme and related shares, approving the exit and share transfer, determining and explaining terms of the scheme and related matters thereunder and other work as otherwise authorized by the Company. The management committee shall consist of eight members including one team leader who is the chairman of the Company, three deputy team leaders who are the Company’s vice chairman, general manager, and chairman of the board of Supervisors, and four team members who are the Company’s chief financial officer, board secretary, human resources director and manager of the legal department.

*(d) Number of Shares Subject to the Employee Incentive Scheme*

A total number of 8,208,320 Shares (assuming the Share Subdivision is completed and the nominal value is RMB0.20 each) underlying the Employee Incentive Scheme were issued to Jinyan Tengfei LP for the purpose of the Employee Incentive Scheme, representing approximately 1.89% of the total issued share capital of the Company immediately prior to the completion of the Global Offering and approximately 1.76% of the total issued share capital of the Company immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming that the Over Allotment is not exercised). As of the Latest Practicable Date, all Shares subject to the Employee Incentive Scheme have been granted to and subscribed by 43 Participants, and no further Shares will be granted under such scheme following the Listing. All such Unlisted Shares will be converted into H Shares, subject to relevant regulatory approval and registration.

*(e) Rights and Restrictions Attached to the Restricted Shares*

The Company shall establish a limited partnership entity as an employee shareholding platform to hold and manage the Shares under the scheme. The general partner of such entity shall be the person representing and responsible for the management of such entity, including exercising the voting rights attached to the Shares held by Jinyan Tengfei LP, and the limited partners shall not participate in the management. Accordingly, the Company established Jinyan Tengfei LP as the employee shareholding platform, the general partner of which is Mr. Huang and the limited partners of which are grantees under the scheme.

All the grantee, shall be entitled to all the economic interests relating to their respective Restricted Shares, except that the Restricted Shares shall be subject to certain transfer and disposal restrictions, including: (i) the completion of a qualified listing; (ii) the expiry of the lock-up period as required by the CSRC (where applicable); and (iii) 36 months commencing from the date of implementation of the scheme. In addition, each grantee who is Director, Supervisor or senior management of the Company shall retain at least 10% of the total Shares subscribed by him/her under the scheme during his/her term of employment, to avoid short selling and control the risk.

In the event that the corresponding employment contract or consultancy agreement of the grantee is terminated due to retirement, disability, death or other similar reasons that are considered by the management committee as not adversely affect the Group prior to the expiry of relevant lock-up period of the Restricted Shares or the listing, whichever is earlier, such Restricted Shares shall be unconditionally sold to other limited partners or third parties designated by the scheme administrator at the price calculated based on the following calculation methods, whichever is higher and after deducting the taxes and administrative expenses accrued per share: (a) the actual grant price + interest calculated on the bank deposit rate for the same period; (b) the most recent and valid fair value assessed.

In the event that the relevant grantees conduct material malfeasance, violate the lock-up requirements, take action materially adversely affect the Group or conduct competitive business without the approval of the Company, such Restricted Shares shall be unconditionally sold to other limited partners or third parties designated by the scheme administrator at the price calculated based on the following calculation methods, whichever is lower and deducting the taxes and administrative expenses accrued per share: (a) the actual subscription price paid by such grantee; or (b) the most recent and valid fair value assessed.

In the other events, the sales price shall be determined with reference to the principal above and such shall not be higher than the price calculated based on the following calculation methods, whichever is higher and deducting the taxes and administrative expenses accrued per share: (a) the actual subscription price paid by such grantee plus interests of commercial banks in the same period; or (b) the most recent and valid fair value assessed or the market trading price.

*(f) Details of the Awards granted*

Below is the list of the grantees under the Employee Incentive Scheme that are entitled to the Restricted Shares as of the Latest Practicable Date :

Name	Address	Position held in our Group	Date of Grant	Number of Shares underlying the Employee Incentive Scheme <sup>(1)(2)</sup>	Approximate percentage of shareholding immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares	
					Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised
<i>Directors, Supervisors, Senior Management and Other Connected Persons</i>						
Weng Huizhen (翁惠貞)	Room 2803, No. 188 Jiahe Road, Siming District, Xiamen City, Fujian Province, the PRC	Deputy general manager	December 26, 2020	425,191	0.09%	0.09%
Chen Zhigao (陳志高)	Room 202, No. 71, Xiangxiu Li, Siming District, Xiamen City, Fujian Province, the PRC	Chief financial officer	December 26, 2020	425,191	0.09%	0.09%
Huang Danyan (黃丹艷)	Room 104, No. 311, Lianqian West Road, Siming District, Xiamen City, Fujian Province, the PRC	Executive Director and deputy general manager	December 26, 2020	425,191	0.09%	0.09%
Li Liangjie (李良杰)	No. 124, Gukeng Village, Jinpi Village Committee, Yaoshan Town, Nanxiong City, Guangdong Province, the PRC	Deputy general manager	December 26, 2020	425,191	0.09%	0.09%
Fan Qunyan (范群艷)	Room 701, No. 41, Xiangwuliuli, Xindian Town, Xiang'an District, Xiamen City, Fujian Province, the PRC	Deputy general manager	December 26, 2020	425,191	0.09%	0.09%

Name	Address	Position held in our Group	Date of Grant	Number of Shares underlying the Employee Incentive Scheme <sup>(1)(2)</sup>	Approximate percentage of shareholding immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares	
					Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised
Wei Wei (魏激)	No. 94, Houputong Erli Huli District, Xiamen City, Fujian Province, the PRC	Supervisor	December 26, 2020	299,604	0.06%	0.06%
Zhang Ning (張寧)	No. 299, Xiang Xi Road, Ma Xiang Town, Xiang'an District, Xiamen City, Fujian Province, the PRC	Supervisor	December 26, 2020	174,837	0.04%	0.04%
Xiong Ting (熊婷)	Room 706, No. 18, Meiren New Village, Siming District, Xiamen City, Fujian Province, the PRC	Board secretary and joint company Secretary	December 26, 2020	174,837	0.04%	0.04%
Mr. Huang	Room 1201, No. 297-1, Jiahe Road, Siming District, Xiamen City, Fujian Province, the PRC	Executive Director and chairman of the Board of Directors	December 26, 2020	3,283	0.001%	0.001%
<b>Subtotal</b>				2,778,516	0.60%	0.59%
<i>Other Grantees</i>						
34 grantees	22/F, Caizihui No. 188, Qianpu Road, Siming District, Xiamen City, Fujian Province, the PRC	Employees	December 26, 2020	5,429,804	1.17%	1.16%

*Notes:*

- (1) For illustrating the indirect interests of grantees in our Company, the number of Shares are presented and calculated by multiplying their respective percentage of limited partnership interests in Jinyan Tengfei LP by the total number of Shares held by Jinyan Tengfei LP, and assuming the Share Subdivision is completed.
- (2) All the Unlisted Shares held by Jinyan Tengfei LP will be converted into H Shares, subject to the relevant regulatory approvals and registration.

All the Restricted Shares granted under the Employee Incentive Scheme are subject to certain transfer and disposal restrictions set out above. No grant of Restricted Shares under the Employee Incentive Scheme will cause any dilution of the shareholding of our Shareholders after the Listing.

## **D. OTHER INFORMATION**

### **1. Estate Duty**

We have been advised that no material liability for estate duty under PRC law is likely to fall upon the Group.

### **2. Litigation**

During the Track Record Period and up to the Latest Practicable Date, so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

### **3. Joint Sponsors**

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The sponsor fee payable to the Joint Sponsors in connection with the Listing payable by our Company is US\$1.05 million in aggregate.

### **4. Compliance Advisor**

Our Company has appointed Ping An of China Capital (Hong Kong) Company Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

### **5. Preliminary Expenses**

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

### **6. Promoters**

The promoters of our Company are Xiamen Suntama, Guangyao Tianxiang LP, Xiamen Jinyanlai LP, Hongyan Investment LP, Mr. Zheng, Fu Yu (付煜), Mr. Li, Yangming Kangyi LP, Zeng Huanrong (曾煥容), Liu Zhen (劉震), Huang Jincheng (黃進成), Huang Wenxiao (黃文小), Shi Tao (師濤), Torch Investment, Tianyi Tongchuang LP, Jinjun Hongyan LP, Zhang Qing (張青), Wu Junjie (吳俊傑) and Xiao Wen (肖雯).

Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters in connection with the Global Offering or related transactions in this prospectus within the two years immediately preceding the date of this prospectus.

## 7. Consents of Experts

Each of the experts as referred to in “—11. Qualification of Experts” in this appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

Save as disclosed in the section headed “Underwriting” in this prospectus, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

## 8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## 9. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## 10. Taxation of Holders of H Shares

### *(a) Hong Kong*

The sale, purchase and transfer of H Shares is subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

### *(b) Consultation with Professional Advisors*

Intending holders of the H Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasized that none of our Company, our Directors, Supervisors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares or exercise of any rights attaching to them.

**11. Qualification of Experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
GF Capital (Hong Kong) Limited	A licenced corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Hylands Law Firm	PRC Legal Advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

**12. Miscellaneous**

- (a) within the two years immediately preceding the date of this prospectus:
- (i) save as disclosed in the section headed “History, Development and Corporate Structure” in this prospectus, no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) save as disclosed in the section headed “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
  - (iii) save as disclosed in the section headed “Underwriting” in this prospectus, no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in the section headed “History, Development and Corporate Structure” in this prospectus, no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;
- (c) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;

- (d) save as disclosed in the section headed “Underwriting” in this prospectus, none of the persons named in the sub-paragraph headed “D. Other Information—11. Qualification of Experts” in this appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (e) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since May 31, 2023 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (f) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and
- (g) no company within our Group is listed on any stock exchange or traded on any trading system and at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and there is no arrangement under which future dividends are waived or agreed to be waived.

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (b) the written consents referred to in the sub-section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix IV to this prospectus.

**2. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <http://www.yanzhiwu.com> during a period of 14 days from the date of this prospectus:

- (a) the Articles of Association of the Company;
- (b) the Accountants’ Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company for the three years ended December 31, 2022 and the five months ended May 31, 2023;
- (d) the report from KPMG on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the PRC legal opinion issued by Hylands Law Firm, our PRC Legal Advisor, in respect of certain aspects of our Group;
- (f) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (g) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix IV to this prospectus;
- (h) the service contracts and the letters of appointment referred to in the sub-section headed “Statutory and General Information—C. Further Information about Our Directors, Supervisors and Substantial Shareholders—1. Particulars of Directors’ and Supervisors’ Service Contracts and Letters of Appointment” in Appendix IV to this prospectus;
- (i) F&S Report;
- (j) the PRC Company Law and the PRC Securities Law together with their unofficial English translations; and
- (k) the terms of the employee incentive scheme adopted on December 26, 2020.



燕之屋  
YAN PALACE