

SUMMARY

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

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 raising 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

SUMMARY

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, RMB806.6 million, RMB1,057.0 million and RMB499.7 million, respectively, representing an average purchase amount per registered paying customer of approximately RMB4,280, RMB4,790, RMB5,150 and RMB4,240, respectively.

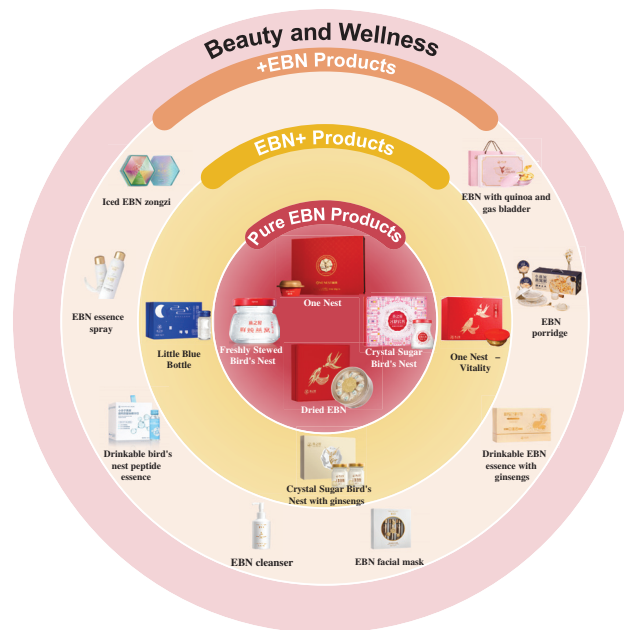
Our philosophy and primary focus are bringing people beauty and wellness, quality and heritage of EBN products. We collaborate with upstream suppliers to ensure strict control over raw material procurement, implement stringent supplier selection process, and source natural, high-quality and cruelty-free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

SUMMARY

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 ⁽¹⁾	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 ⁽²⁾	4,206	0.3	7,931	0.5	18,715	1.1	3,096	0.5	6,726	0.9
Total revenue	1,301,157	100.0	1,506,997	100.0	1,729,945	100.0	696,876	100.0	782,576	100.0

(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.

SUMMARY

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 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 ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾
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) ⁽²⁾	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

(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.

SUMMARY

+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, hand cream and facial cleansing wipes.

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 ⁽¹⁾	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 ⁽²⁾	(3,702)	(88.0)%	(4,947)	(62.4)%	(3,344)	(17.9)%	(2,715)	(87.7)%	(1,948)	(29.0)%
Total	555,709	42.7%	726,783	48.2%	878,252	50.8%	359,563	51.6%	406,011	51.9%

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

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

SUMMARY

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. 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
Offline stores				
Self-operated stores	40	89	89	91
Distributor-operated stores	483	544	615	614
Total	523	633	704	705

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
Online stores				
Self-operated stores	12	18	23	23
Distributor-operated stores	6	8	13	13
Total	18	26	36	36

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 ⁽¹⁾	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
Total	1,301,157	100.0	1,506,997	100.0	1,729,945	100.0	696,876	100.0	782,576	100.0

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

SUMMARY

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 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. 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.

SUMMARY

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 [REDACTED] involve certain risks, which are set out in the section headed “Risk Factors” in this document. 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 [REDACTED] 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 [REDACTED] in our [REDACTED].

SUMMARY

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 document. The summary below should be read in conjunction with the consolidated financial information in Appendix I to this document, including the accompanying notes, and the information set forth in the section headed “Financial Information” in this document. Our consolidated financial information was prepared in accordance with IFRSs.

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
				(Unaudited)	
	(RMB in thousands)				
Revenue	1,301,157	1,506,997	1,729,945	696,876	782,576
Cost of sales	(745,448)	(780,214)	(851,693)	(337,313)	(376,565)
Gross profit	555,709	726,783	878,252	359,563	406,011
Profit before taxation	159,826	230,173	264,566	107,851	129,528
Profit and total comprehensive income for the year/period	123,425	172,359	205,878	83,755	100,497
Attributable to:					
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
Profit and total comprehensive income for the year/period	123,425	172,359	205,878	83,755	100,497

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 [REDACTED] 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.

SUMMARY

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

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.

SUMMARY

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 document.

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
	(Unaudited)				
	(RMB in thousands)				
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)				
Profitability ratios					
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%
Liquidity ratios					
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.

SUMMARY

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 [REDACTED], 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.

[REDACTED] INVESTMENTS

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

APPLICATION FOR [REDACTED] ON THE [REDACTED]

We have applied to the [REDACTED] of the Stock Exchange for the grant of the [REDACTED] of, and permission to [REDACTED] in, our [REDACTED] pursuant to the [REDACTED] (including any [REDACTED] which may be [REDACTED] pursuant to the exercise of the [REDACTED]) and the [REDACTED], on the basis that, among other things, we satisfy [REDACTED] of the Listing Rules.

[REDACTED] EXPENSES

We expect to incur a total of RMB[REDACTED] of [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED]. We recognized [REDACTED] of RMB[REDACTED] in our consolidated statement of profit or loss and other comprehensive income for the five months ended May 31, 2023. We estimate that RMB[REDACTED] of [REDACTED] will be charged to our consolidated statement of profit or loss and other comprehensive income after the Track Record Period. The remaining RMB[REDACTED] is directly attributable to [REDACTED] and is expected to be deducted from equity.

SUMMARY

[REDACTED] include RMB[REDACTED] of fees for [REDACTED], RMB[REDACTED] of other fees unrelated to the [REDACTED], and RMB[REDACTED] of [REDACTED] payable to the [REDACTED] and transaction fees (including SFC transaction levy, AFRC transaction levy, and Stock Exchange trading fee) in connection with the [REDACTED] of [REDACTED] under the [REDACTED]. The [REDACTED] above represent approximately [REDACTED]% of our [REDACTED] from the [REDACTED] and were our best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

[REDACTED]

SUMMARY

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 [REDACTED], 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 document.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the date of this document, 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 221 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 93 and 631 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 document, (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 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 document materially and adversely.

REGULATORY DEVELOPMENTS

Regulation on Overseas [REDACTED]

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 [REDACTED] of PRC domestic companies’ securities and regulate both direct and indirect overseas offering and [REDACTED] of PRC domestic companies’ securities.

Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company submits an application for [REDACTED] to competent overseas regulators or overseas stock exchanges, such [REDACTED].

SUMMARY

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 [REDACTED], 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, 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 [REDACTED].”

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.”

SUMMARY

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.”