

INDUSTRY OVERVIEW

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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⁽¹⁾; *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⁽²⁾; *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⁽³⁾; *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⁽⁴⁾; *Edible Bird’s Nest Extract Inhibits Influenza Virus Infection* published in *Antiviral Research* shows that consuming edible bird’s nests can prevent

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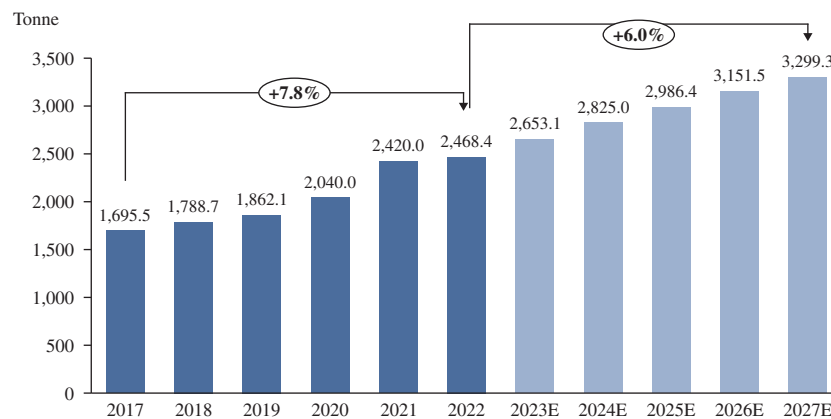
infection by influenza virus⁽⁵⁾; and *Complete Digestion of Edible Bird’s Nest Releases Free N-acetylneuraminic Acid and Small Peptides: An Efficient Method to Improve Functional Properties* published in *Food & Function* suggests that EBN peptides have significant effects on improving the skin tone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

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



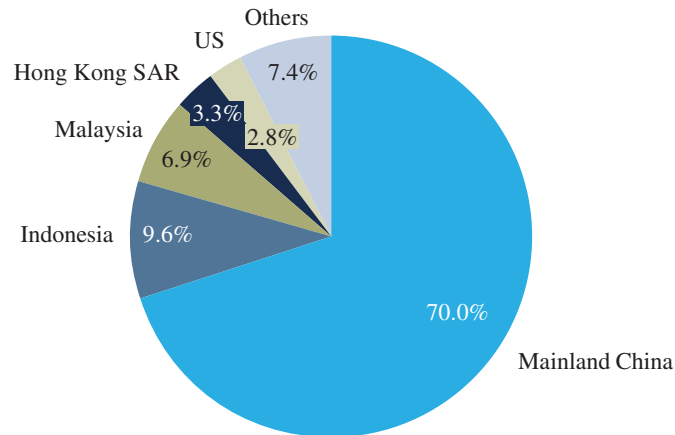
Sources: Royal Malaysian Customs Department, Statistics Indonesia, Frost & Sullivan

- (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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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



Sources: Frost & Sullivan

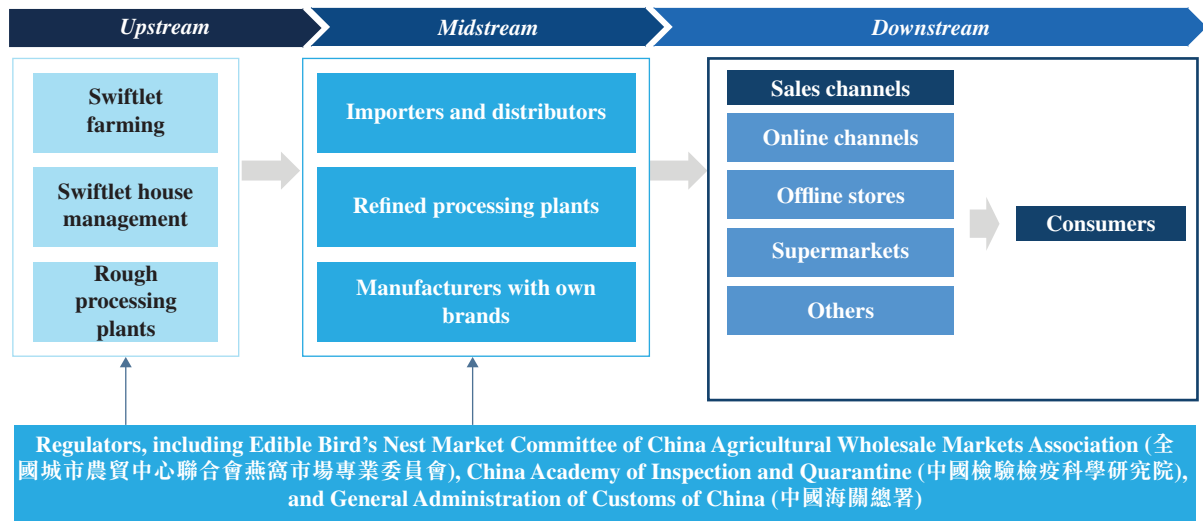
Value Chain of Global EBN Industry

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.

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Value Chain of Global Edible Bird’s Nest Industry



Sources: Frost & Sullivan

Total Addressable Market of China’s EBN Industry

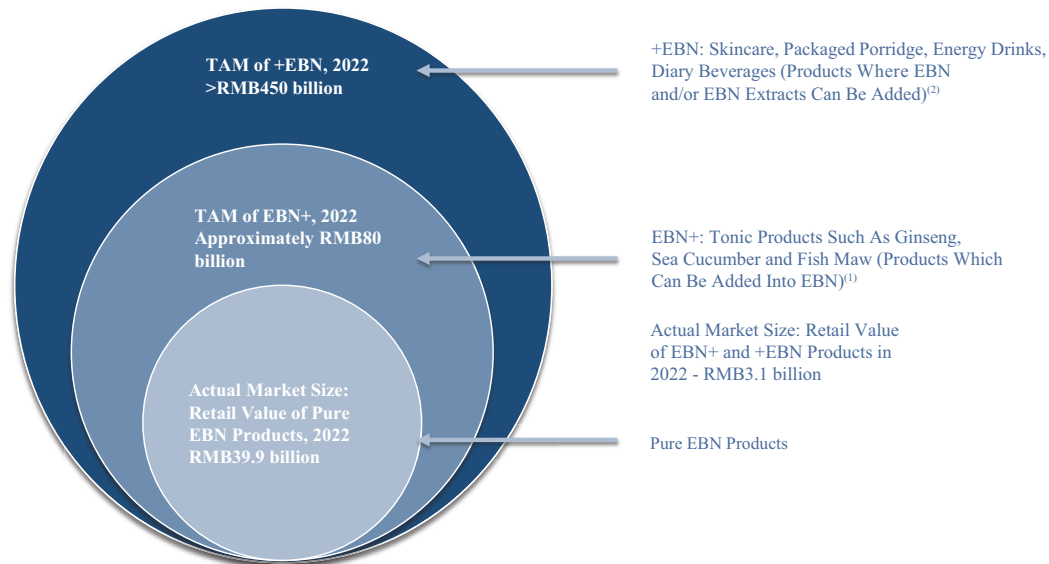
Traditionally, raw nests were primarily utilized for the production of pure EBN products, which include dried EBN and products made from EBN and water, with or without crystal sugar or sugar substitutes. Pure EBN products accounted for a market size of RMB39.9 billion in China in 2022. However, in recent 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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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

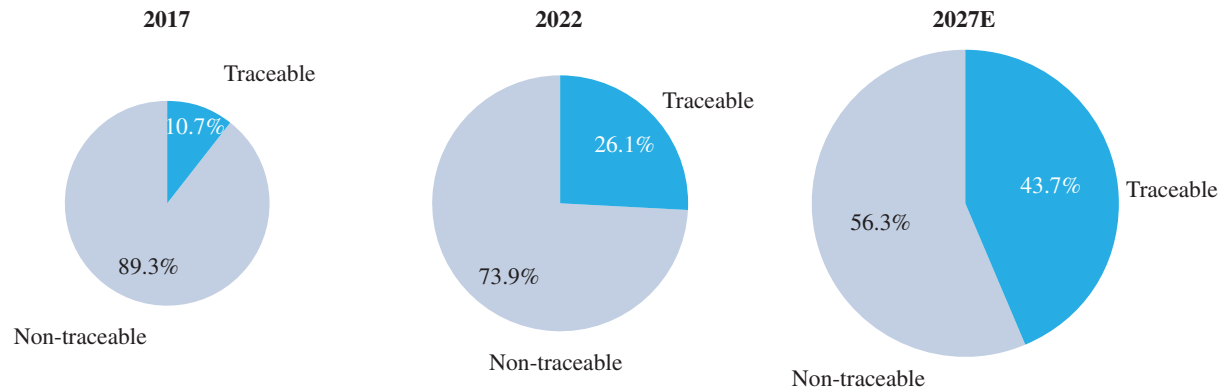
China is a major consumer of EBN as a traditional Chinese delicacy. However, the production of raw nests is predominantly located in Southeast Asian countries. In 2022, China alone accounted for 70.0% of the global EBN consumption in terms of consumption volume, making it the largest consumer of EBN 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.

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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**



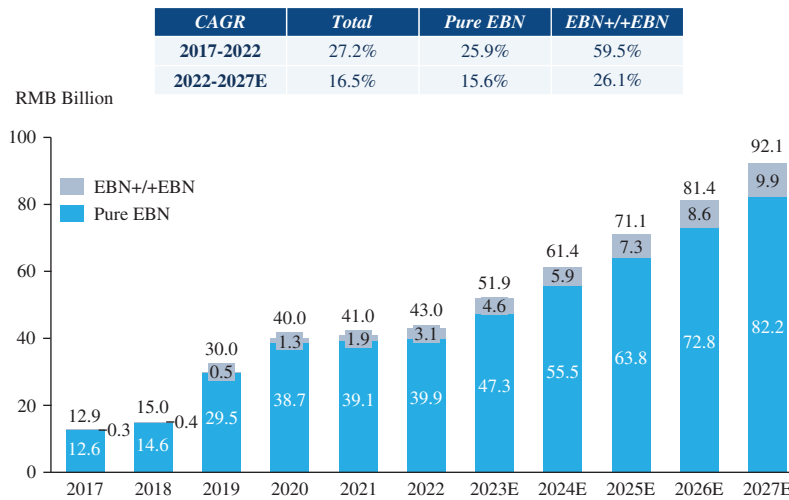
Sources: CAIQ; Frost & Sullivan

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.

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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.

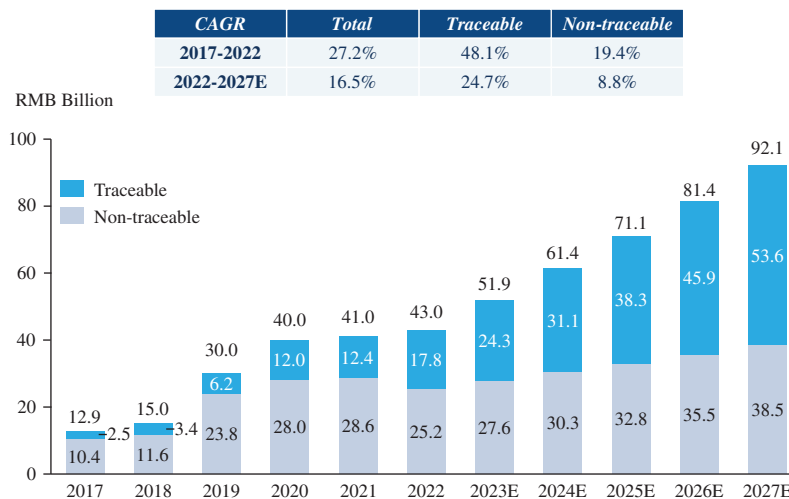
Market Size of China EBN Market (Retail Value), Breakdown by Pure EBN, EBN+EBN, 2017-2027E



Sources: Frost & Sullivan

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

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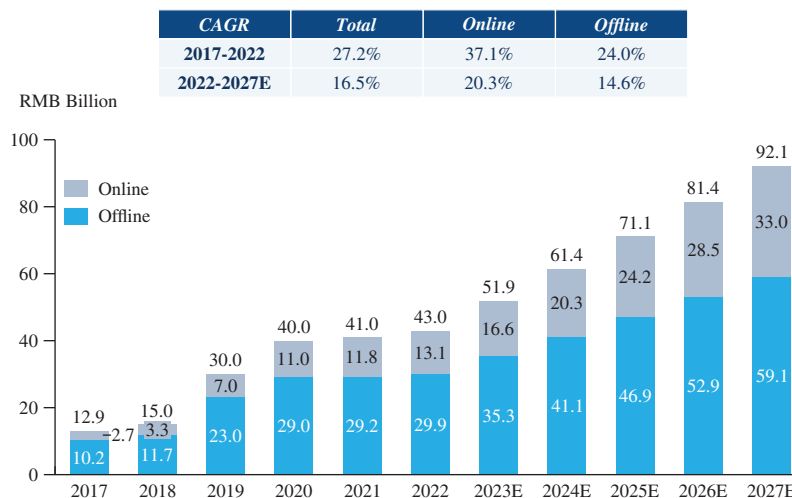
The growth of China’s EBN industry was driven, in part, by the increase in the average selling prices of EBN products. From 2017 to 2022, the price of EBN products increased from RMB16.9 per gram to RMB24.9 per gram as a result of (1) diversified EBN product offerings and (2) the increase in the penetration 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.

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



Sources: Frost & Sullivan

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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., *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.

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- 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.

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 ⁽¹⁾	2.4%	2.4%	2.6%	~8.0%
3	Company B ⁽²⁾	3.3%	2.7%	2.3%	~10.0%
4	Company C ⁽³⁾	0.8%	1.0%	0.9%	~9.0%
5	Company D ⁽⁴⁾	0.3%	0.2%	0.3%	~10.0%

Sources: Company data; Frost & Sullivan

- 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.
- 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.
- 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.
- 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.

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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.

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.

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- *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 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

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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

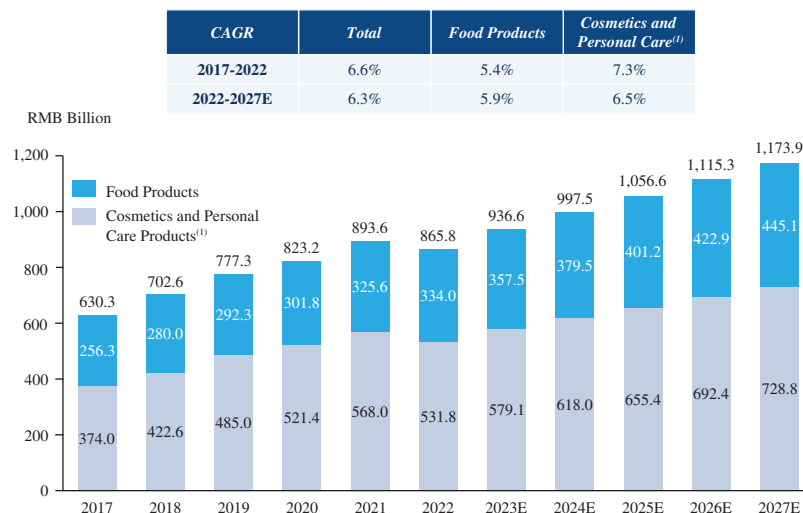
	2017	2018	2019	2020	2021	2022
Corrugated cardboard (RMB/tonne)	4,132.7	4,312.3	3,538.3	3,556.8	4,132.0	3,869.7
Glass container (RMB/tonne).	1,592.0	1,651.7	1,611.1	1,765.3	2,572.2	1,890.5

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.

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.

INDUSTRY OVERVIEW

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 document 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 document.