

## FINANCIAL INFORMATION

*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, including the notes thereto, as set forth in the Accountants’ Report in Appendix I to this document. You should read the entire Accountants’ Report in Appendix I to this document 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 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 document.*

*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 the EBN product market globally, dedicated to the development, production and marketing of high-quality modern EBN products. 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, 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, an innovative product portfolio, a robust quality assurance scheme, and an extensive omni-channel sales network, which has allowed us to prevail in the market competition. We ranked No. 1 in terms of top-of-mind awareness among all EBN brands in China, according to the F&S Report.

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). 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 innovative EBN products, including EBN+ products (which are products based on EBN as a core ingredient or component), 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 core ingredients.

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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 RMB1,507.0 million in 2021 and further to RMB1,729.9 million in 2022, at a CAGR of 15.3% from 2020 to 2022. Our net profit increased from RMB123.4 million in 2020 to RMB172.4 million in 2021 and further to RMB205.9 million in 2022, at a CAGR of 29.2% from 2020 to 2022. Our net profit margin was 9.5%, 11.4% and 11.9% for 2020, 2021 and 2022, respectively. 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 years.

### 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 both globally and 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 leading industry position, we believe we will continue to benefit from the rising consumer demand for quality EBN products in China and globally.

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 the 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%, 43.9% and 38.9% of our total revenue in 2020, 2021 and 2022, respectively. Freshly Stewed Bird’s Nest experienced the highest growth rate during the Track Record Period, from RMB321.1 million in 2020 to RMB485.4 million in 2022 at a CAGR of 22.9%. *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. Any significant change in our product offering and mix will likely have an impact on our revenue growth and profitability.

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### 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 December 31, 2022, we had a nationwide offline sales network, consisting of 89 self-operated stores and 225 offline distributors covering 615 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, accounting for 44.5%, 49.0% and 45.8% 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%. The table below sets forth the number of our offline stores by type as of the dates indicated.

	As of December 31,		
	2020	2021	2022
<b>Offline stores</b>			
Self-operated stores . . . . .	40	89	89
Distributor-operated stores . . . . .	483	544	615
<b>Total . . . . .</b>	<b>523</b>	<b>633</b>	<b>704</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 offline customers through self-operated online stores accounted for 44.2%, 37.5% and 40.2% of our total revenues in 2020, 2021 and 2022, 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%. 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.

### 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% and 77.3% of our total cost of sales in 2020, 2021, 2022, 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, according to the F&S Report. 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 and 2022, our purchase for raw nests was RMB770.1 million, RMB603.5 million and RMB617.0 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.

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### 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 and 2022, our selling and distribution expenses were RMB317.8 million, RMB399.0 million and RMB503.9 million, respectively, accounting for 24.4%, 26.5% and 29.1% of our total revenues for the same years, 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% and 64.8% of the total selling and distribution expenses in 2020, 2021 and 2022, 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.

### 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 document.

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 document.

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All effective standards, amendments to standards and interpretation, which are mandatory for the financial year beginning on January 1, 2022, are consistently applied to us for the Track Record Period.

### **SIGNIFICANT ACCOUNTING POLICIES 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 significant accounting policies 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 document. 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 significant 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.

#### ***Direct sales to customers***

We recognize 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. Points are redeemable against any future purchases of our products or other offerings provided by us. We allocate a portion of the consideration 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.

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### *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 cash rewards 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 cash rewards and returns which are estimated and updated at each reporting date.

### *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 platform can return unsold products to us. We also provide 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. 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.

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### *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 document 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.

### **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 document.

#### *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(l)(i) to the Accountants' Report in Appendix I to this document for details.

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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 document.

### **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 document 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 document 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 document 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 document 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.



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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.

#### *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 years indicated.

	Year ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
<b>Revenue</b> . . . . .	<b>1,301,157</b>	<b>1,506,997</b>	<b>1,729,945</b>
Cost of sales . . . . .	(745,448)	(780,214)	(851,693)
<b>Gross profit</b> . . . . .	<b>555,709</b>	<b>726,783</b>	<b>878,252</b>
Other net income . . . . .	20,714	32,680	27,692
Selling and distribution expenses . . . . .	(317,762)	(398,951)	(503,879)
Administrative expenses . . . . .	(76,060)	(108,020)	(111,543)
Research and development expenses . . . . .	(17,679)	(18,982)	(24,320)
<b>Profit from operations</b> . . . . .	<b>164,922</b>	<b>233,510</b>	<b>266,202</b>
Finance costs . . . . .	(4,882)	(3,337)	(1,636)
Share of loss of an associate . . . . .	(214)	—	—
<b>Profit before taxation</b> . . . . .	<b>159,826</b>	<b>230,173</b>	<b>264,566</b>
Income tax . . . . .	(36,401)	(57,814)	(58,688)
<b>Profit and total comprehensive income for the year</b> . . . . .	<b>123,425</b>	<b>172,359</b>	<b>205,878</b>

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	Year ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
<b>Attributable to:</b>			
Equity shareholders of the Company . . . . .	122,017	167,353	191,840
Non-controlling interests . . . . .	1,408	5,006	14,038
<b>Profit and total comprehensive income</b>			
<b>for the year . . . . .</b>	<b>123,425</b>	<b>172,359</b>	<b>205,878</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 for the year, adjusted to add back share-based payment 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. 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,		
	2020	2021	2022
	(RMB in thousands)		
Profit for the year . . . . .	123,425	172,359	205,878
Add:			
Share-based payment expenses . . . . .	438	21,813	5,253
<b>Adjusted net profit (non-IFRS measure) . . . . .</b>	<b>123,863</b>	<b>194,172</b>	<b>211,131</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 RMB1,507.0 million in 2021 and further to RMB1,729.9 million in 2022.

#### 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% and 94.7% of our total revenue in 2020, 2021 and 2022, 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 years indicated.

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	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue
	(RMB in thousands except for percentages)					
Pure EBN products . . . . .	1,253,900	96.4	1,442,951	95.8	1,638,127	94.7
— One Nest . . . . .	559,288	43.0	661,412	44.0	672,640	38.9
— Freshly Stewed Bird’s Nest . . . . .	321,144	24.7	423,264	28.1	485,372	28.1
— Other bottle-canned bird’s nest <sup>(1)</sup> . . . . .	201,298	15.5	193,318	12.8	305,105	17.6
— Dried EBN . . . . .	172,170	13.2	164,957	10.9	175,010	10.1
EBN+ and +EBN products . .	43,051	3.3	56,115	3.7	73,103	4.2
Others <sup>(2)</sup> . . . . .	4,206	0.3	7,931	0.5	18,715	1.1
<b>Total revenue . . . . .</b>	<b><u>1,301,157</u></b>	<b><u>100.0</u></b>	<b><u>1,506,997</u></b>	<b><u>100.0</u></b>	<b><u>1,729,945</u></b>	<b><u>100.0</u></b>

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

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

## FINANCIAL INFORMATION

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 years indicated.

	Year ended December 31,					
	2020		2021		2022	
	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
	bowls	per bowl	bowls	per bowl	bowls	per bowl
Freshly Stewed Bird’s Nest . . .	5,943,315	RMB54 per	8,116,586	RMB52 per	8,941,642	RMB54 per
	bottles	bottle	bottles	bottle	bottles	bottle
Other bottle-canned bird’s nest (pure EBN) <sup>(2)</sup> . . . . .	5,162,726	RMB39 per	4,366,735	RMB44 per	7,162,425	RMB43 per
	bottles	bottle	bottles	bottle	bottles	bottle
Dried EBN . . . . .	6,064	RMB28 per	5,949	RMB28 per	6,497	RMB27 per
	kilograms	gram	kilograms	gram	kilograms	gram

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

### *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 years indicated.

	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage of total revenue	RMB	Percentage of total revenue	RMB	Percentage of total revenue
	(RMB in thousands except for percentages)					
Offline channels . . . . .	578,506	44.5	738,711	49.0	791,991	45.8
— Sales to offline distributors . . . . .	409,777	31.5	509,917	33.8	477,525	27.6
— Direct sales to offline customers . . . . .	168,729	13.0	228,794	15.2	314,466	18.2
Online channels . . . . .	722,651	55.5	768,286	51.0	937,954	54.2
— Direct sales to online customers . . . . .	575,220	44.1	564,587	37.4	695,265	40.2
— Direct sales to e-commerce platforms <sup>(1)</sup> . . . . .	137,545	10.6	189,196	12.6	227,071	13.1
— Sales to online distributors . . . . .	9,886	0.8	14,503	1.0	15,618	0.9
<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>

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

## FINANCIAL INFORMATION

### 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, according to the F&S Report. 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 and 2022, our cost of sales was RMB745.4 million, RMB780.2 million and RMB851.7 million, respectively, accounting for 57.3%, 51.8% and 49.2% of our total revenue for the same years, respectively. The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(RMB in thousands except for percentages)					
Cost of raw materials . . . . .	571,875	76.7	618,780	79.3	658,101	77.3
Employee benefits expenses . . . . .	72,654	9.7	69,400	8.9	86,373	10.1
Production costs . . . . .	23,284	3.1	20,674	2.6	23,318	2.7
Courier fees . . . . .	38,834	5.2	36,970	4.7	40,035	4.7
Others <sup>(1)</sup> . . . . .	38,801	5.3	34,390	4.5	43,866	5.2
<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>

(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 years indicated.

	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(RMB in thousands except for percentages)					
Pure EBN products . . . . .	709,009	95.1	736,576	94.4	792,700	93.1
— One Nest . . . . .	248,388	33.3	276,006	35.4	258,445	30.3
— Freshly Stewed Bird’s Nest . . . . .	237,546	31.9	267,055	34.2	282,555	33.2
— Other bottle-canned bird’s nest <sup>(1)</sup> . . . . .	114,634	15.4	94,585	12.1	146,275	17.2
— Dried EBN . . . . .	108,441	14.5	98,930	12.7	105,425	12.4
EBN+ and +EBN products . . . . .	28,531	3.8	30,760	3.9	36,934	4.3
Others <sup>(2)</sup> . . . . .	7,908	1.1	12,878	1.7	22,059	2.6
<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>

## FINANCIAL INFORMATION

- (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 years indicated.

	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage of total cost of sales	RMB	Percentage of total cost of sales	RMB	Percentage of total cost of sales
	(RMB in thousands except for percentages)					
Offline channels . . . . .	286,160	38.4	340,740	43.7	342,823	40.3
— Sales to offline distributors . . . . .	218,382	29.3	263,150	33.7	240,550	28.2
— Direct sales to offline customers . . . . .	67,778	9.1	77,590	9.9	102,273	12.0
Online channels . . . . .	459,288	61.6	439,474	56.3	508,870	59.7
— Direct sales to online customers . . . . .	383,500	51.4	341,349	43.8	389,770	45.8
— Direct sales to e-commerce platforms <sup>(1)</sup> . . . . .	70,188	9.4	89,418	11.5	110,151	12.9
— Sales to online distributors . . . . .	5,600	0.8	8,707	1.1	8,949	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>

- (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 and 2022, our gross profit was RMB555.7 million, RMB726.8 million and RMB878.3 million, respectively. In the same years, our gross profit margin was 42.7%, 48.2% and 50.8%, 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 years indicated.

	Year ended December 31,					
	2020		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB in thousands except for percentages)					
Pure EBN products . . . . .	544,891	43.5	706,375	49.0	845,427	51.6
— One Nest . . . . .	310,900	55.6	385,406	58.3	414,195	61.6
— Freshly Stewed Bird’s Nest . . . . .	83,598	26.0	156,209	36.9	202,817	41.8
— Other bottle-canned bird’s nest <sup>(1)</sup> . . . . .	86,664	43.1	98,733	51.1	158,830	52.1
— Dried EBN . . . . .	63,729	37.0	66,027	40.0	69,585	39.8
EBN+ and +EBN products . . . . .	14,520	33.7	25,355	45.2	36,169	49.5
Others <sup>(2)</sup> . . . . .	(3,702)	(88.0)	(4,947)	(62.4)	(3,344)	(17.9)
<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>

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- (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 years indicated.

	Year ended December 31,					
	2020		2021		2022	
	RMB	Gross profit margin	RMB	Gross profit margin	RMB	Gross profit margin
	(RMB in thousands except for percentages)					
Offline channels . . . . .	292,346	50.5	397,971	53.9	449,168	56.7
— Sales to offline distributors . . . . .	191,395	46.7	246,767	48.4	236,975	49.6
— Direct sales to offline customers . . . . .	100,951	59.8	151,204	66.1	212,193	67.5
Online channels . . . . .	263,363	36.4	328,812	42.8	429,084	45.7
— Direct sales to online customers . . . . .	191,720	33.3	223,238	39.5	305,495	43.9
— Direct sales to e-commerce platforms <sup>(1)</sup> . . . . .	67,357	49.0	99,778	52.7	116,920	51.5
— Sales to online distributors . . . . .	4,286	43.4	5,796	40.0	6,669	42.7
<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>

- (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 and RMB503.9 million in 2020, 2021 and 2022, respectively, accounting for 24.4%, 26.5% and 29.1% of our total revenue for the same years, respectively. The following table sets forth a breakdown of our selling and distribution expenses for the years indicated.

## FINANCIAL INFORMATION

	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(RMB in thousands except for percentages)					
Advertising and promotion fees . . . . .	235,952	74.3	269,011	67.4	326,325	64.8
Employee benefits expenses . . . . .	47,386	14.9	71,728	18.0	106,601	21.2
Sample and gift costs . . . . .	7,459	2.3	12,928	3.2	14,941	3.0
Technical service fees . . . . .	6,490	2.0	5,292	1.3	3,109	0.6
Rent . . . . .	5,107	1.6	10,364	2.6	16,937	3.3
Depreciation and amortization . . . . .	5,432	1.7	12,031	3.1	13,376	2.7
Others <sup>(1)</sup> . . . . .	9,936	3.2	17,597	4.4	22,590	4.4
<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>

(1) Include primarily design fees, conference fees, property utilities, office expenses, business hospitality, travel expenses and decoration and maintenance costs.

### 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 our previous A-share 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 and RMB111.5 million in 2020, 2021 and 2022, respectively, accounting for 5.8%, 7.2% and 6.4% of our total revenue for the same years, respectively. The following table sets forth a breakdown of our administrative expenses for the years indicated.

	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(RMB in thousands except for percentages)					
Employee benefits expenses . . . . .	44,323	58.3	72,318	66.9	65,444	58.7
Consulting service fee . . . . .	13,601	17.9	8,792	8.1	14,862	13.3
Office expenses . . . . .	4,828	6.3	9,426	8.7	9,015	8.1
Travel and business reception expenses . . . . .	3,927	5.1	5,718	5.3	5,158	4.7
Depreciation and amortization . . . . .	4,556	6.0	5,397	5.0	9,142	8.2
Property utilities . . . . .	904	1.2	2,741	2.5	3,967	3.6
Credit impairment loss <sup>(1)</sup> . . . . .	977	1.3	1,859	1.7	2,205	2.0
Others <sup>(2)</sup> . . . . .	2,944	3.9	1,769	1.8	1,750	1.4
<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>

(1) Represent the provision for impairment of certain receivables.

(2) Include primarily cost of low-value consumables and notary fees.



## FINANCIAL INFORMATION

### 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 and RMB24.3 million in 2020, 2021 and 2022, respectively, accounting for 1.4%, 1.3% and 1.4% of our total revenue for the same years, respectively. The following table sets forth a breakdown of our research and development expenses for the years indicated.

	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(RMB in thousands except for percentages)					
Employee benefits expenses . . . . .	7,186	40.6	7,818	41.2	10,386	42.7
Research and development materials and process development costs . . . . .	5,948	33.6	5,584	29.4	7,624	31.3
Depreciation and amortization . . . . .	3,740	21.2	3,986	21.0	4,198	17.3
Others <sup>(1)</sup> . . . . .	805	4.6	1,594	8.4	2,112	8.7
<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>

(1) Include primarily expenses in connection with our research and development cooperation with third parties and travel expenses for research and development staff.

### 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 and RMB27.7 million in 2020, 2021 and 2022, respectively. The following table sets forth a breakdown of our other income for the years indicated.

	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(RMB in thousands except for percentages)					
Government grants . . . . .	17,156	82.8	36,507	111.7	24,553	88.7
Interest income . . . . .	4,276	20.6	1,884	5.8	1,950	7.0
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
Gain on disposal of investments in a subsidiary . . . . .	—	—	—	—	380	1.4

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	Year ended December 31,					
	2020		2021		2022	
	RMB	Percentage	RMB	Percentage	RMB	Percentage
	(RMB in thousands except for percentages)					
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)
Other expense . . . . .	(1,817)	(8.7)	(8,232)	(25.2)	(586)	(2.2)
<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>

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. Our management is of the view that there are no significant unfulfilled conditions or other contingencies attached to these subsidies.

### 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 and RMB1.6 million in 2020, 2021 and 2022, respectively.

### Income Tax

We incurred income tax of RMB36.4 million, RMB57.8 million and RMB58.7 million in 2020, 2021 and 2022, respectively. The effective tax rate for the same years was 22.8%, 25.1% and 22.2%, respectively, calculated by dividing the income tax in a given year by the profit before taxation in that year.

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 Year

Our profit for the year increased from RMB123.4 million in 2020 to RMB172.4 million in 2021 and further to RMB205.9 million in 2022.

## FINANCIAL INFORMATION

### YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

#### 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.

##### *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.

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## FINANCIAL INFORMATION

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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, 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) remained stable at 51.1% and 52.1% in 2021 and 2022, respectively.
- *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.

### *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.

### *Income Tax*

Our income tax remained stable at RMB57.8 million and RMB58.7 million in 2021 and 2022, respectively.

### *Profit for the Year*

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.

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## FINANCIAL INFORMATION

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### 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.

#### *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 we adjusted our sales strategies for *One Nest* by reducing promotional activities, which increased the average selling prices of *One Nest* products from RMB163 per bowl in 2020 to RMB172 per bowl 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 promotional campaign scale 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.

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## FINANCIAL INFORMATION

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- *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 we reduced promotional activities 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. Additionally, we undertook a large customized product order from a corporate client, whose relatively lower margin 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.

### *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.

### *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.

## FINANCIAL INFORMATION

### *Profit for the Year*

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,		
	2020	2021	2022
	(RMB in thousands)		
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	62,462	91,934	87,782
Intangible assets . . . . .	704	873	1,275
Goodwill . . . . .	—	75,165	75,165
Interest in an associate . . . . .	2,067	—	—
Deferred tax assets . . . . .	4,342	16,313	36,130
Other non-current assets . . . . .	1,264	6,862	4,679
<b>Total non-current assets . . . . .</b>	<b>70,839</b>	<b>191,147</b>	<b>205,031</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
Trade and other receivables . . . . .	70,537	87,583	89,459
Prepayments . . . . .	33,353	66,759	54,655
Restricted bank deposits . . . . .	1,202	2,000	1,600
Cash and cash equivalents . . . . .	150,573	169,495	350,818
<b>Total current assets . . . . .</b>	<b>578,935</b>	<b>605,579</b>	<b>773,323</b>
<b>Current liabilities</b>			
Trade and other payables . . . . .	213,699	204,794	239,673
Contract liabilities . . . . .	102,084	138,789	176,450
Bank loans . . . . .	66,097	—	—
Lease liabilities . . . . .	7,697	15,644	15,657
Other current liabilities . . . . .	12,849	17,897	23,274
Current taxation . . . . .	16,391	47,133	38,091
<b>Total current liabilities . . . . .</b>	<b>418,817</b>	<b>424,257</b>	<b>493,145</b>
<b>Net current assets . . . . .</b>	<b>160,118</b>	<b>181,322</b>	<b>280,178</b>
<b>Total assets less current liabilities . . . . .</b>	<b>230,957</b>	<b>372,469</b>	<b>485,209</b>
<b>Non-current liabilities</b>			
Bank loans . . . . .	8,597	—	—
Lease liabilities . . . . .	7,793	17,047	11,264
Deferred tax liabilities . . . . .	2,802	2,285	1,935
<b>Total non-current liabilities . . . . .</b>	<b>19,192</b>	<b>19,332</b>	<b>13,199</b>
<b>Net assets . . . . .</b>	<b>211,765</b>	<b>353,137</b>	<b>472,010</b>

## FINANCIAL INFORMATION

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
<b>Capital and reserves</b>			
Share capital . . . . .	83,333	86,700	86,700
Reserves . . . . .	124,054	250,253	367,696
<b>Total equity attributable to equity shareholders of the Company . . . . .</b>	<b>207,387</b>	<b>336,953</b>	<b>454,396</b>
<b>Non-controlling interests . . . . .</b>	<b>4,378</b>	<b>16,184</b>	<b>17,614</b>
<b>Total equity . . . . .</b>	<b>211,765</b>	<b>353,137</b>	<b>472,010</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 and RMB87.8 million as of December 31, 2020, 2021 and 2022, 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.

As of December 31, 2020, 2021 and 2022, our property, plant and equipment of RMB14.7 million, 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 document.

### Intangible Assets

Our intangible assets consisted primarily of computer software. We had intangible assets of RMB0.7 million, RMB0.9 million and RMB1.3 million as of December 31, 2020, 2021 and 2022. The increase in our intangible assets in 2022 was primarily due to the purchase of software for our daily operations.

### Goodwill

As of December 31, 2020, 2021 and 2022, we recorded goodwill of nil, 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.



## FINANCIAL INFORMATION

### Interest in An Associate

We had interest in an associate of RMB2.1 million, nil and nil as of December 31, 2020, 2021 and 2022, 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 and RMB5.0 million as of December 31, 2020, 2021 and 2022, 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, we had inventories of RMB277.0 million, RMB279.7 million and RMB271.8 million, respectively. As of the same dates, the percentage of raw materials to inventories was 62.8%, 58.6% and 46.3%, respectively. The following table sets forth a breakdown of our inventory balances as of the dates indicated.

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Raw materials . . . . .	174,103	163,851	125,926
Work in progress . . . . .	41,092	33,360	36,467
Finished goods . . . . .	42,071	65,189	81,504
Goods in transit . . . . .	6,739	4,743	13,295
Packaging . . . . .	12,981	12,498	14,370
Right to recover returned goods. . . . .	59	101	233
<b>Total . . . . .</b>	<b>277,045</b>	<b>279,742</b>	<b>271,795</b>

Our inventories of raw materials primarily included raw nests. 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.

The following table sets forth our inventory turnover days for the years indicated.

	Year ended December 31,		
	2020	2021	2022
Inventory turnover days <sup>(1)</sup> . . . . .	91.2	130.2	118.2

(1) Calculated based on the average of the beginning and ending balances of inventory for that year divided by cost of sales for that year and multiplied by 365 days.

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.

As of April 30, 2023, approximately RMB259.6 million, or 95.5%, of our total inventories as of December 31, 2022 were utilized or sold.

## FINANCIAL INFORMATION

### 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 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.

The following table sets forth the details of our trade and other receivables as of the dates indicated.

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Trade receivables, net of loss allowance. . . . .			
— Third parties . . . . .	23,340	38,442	62,834
— Related parties. . . . .	135	—	—
Deposits. . . . .	6,157	9,416	9,282
Amounts due from related parties <sup>(1)</sup> . . . . .	1,827	1,015	1,900
VAT recoverable. . . . .	27,905	14,769	13,956
Government grants receivables . . . . .	10,067	22,242	—
Other receivables . . . . .	1,106	1,699	1,487
<b>Total</b> . . . . .	<b>70,537</b>	<b>87,583</b>	<b>89,459</b>

(1) See Note 33 to the Accountants’ Report in Appendix I to this document.

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.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Current (not past due). . . . .	21,275	38,038	62,643
Less than three months past due . . . . .	2,200	404	191
<b>Total</b> . . . . .	<b>23,475</b>	<b>38,442</b>	<b>62,834</b>

The following table sets forth the number of our trade receivable turnover days for the years indicated.

	Year ended December 31,		
	2020	2021	2022
Trade receivable turnover days <sup>(1)</sup> . . . . .	6.1	7.5	10.7

(1) Calculated based on the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 365 days.

## FINANCIAL INFORMATION

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 April 30, 2023, approximately RMB65.4 million, or 97.7%, of our trade receivables as of December 31, 2022 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, our prepayments were RMB33.4 million, RMB66.8 million and RMB54.7 million, respectively. 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 [REDACTED] application.

### 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,		
	2020	2021	2022
	(RMB in thousands)		
Trade payables . . . . .	44,240	62,467	64,087
Receipts in advance . . . . .	51,989	24,929	22,035
Salary and welfare payables . . . . .	39,872	43,900	53,210
Dividends payable . . . . .	—	—	7,200
Other payables and accruals . . . . .	17,984	23,050	25,442
Financial liabilities measured at amortized cost . . . . .	154,085	154,346	171,974
Other tax payables . . . . .	22,174	11,766	18,222
Refund liabilities <sup>(1)</sup> . . . . .			
— arising from right of return . . . . .	113	192	478
— arising from sales rebates . . . . .	37,327	38,490	48,999
<b>Total</b> . . . . .	<b>213,699</b>	<b>204,794</b>	<b>239,673</b>

(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 document. The costs to recover the products are not material because the product returned are usually in a saleable condition.

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.

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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,		
	2020	2021	2022
	(RMB in thousands)		
Within three months . . . . .	42,968	59,969	63,301
Over three months but within six months . . . . .	26	132	204
Over six months but within nine months . . . . .	—	9	13
Over nine months but within one year . . . . .	785	—	—
Over one year but within two years . . . . .	461	2,357	569
<b>Total . . . . .</b>	<b>44,240</b>	<b>62,467</b>	<b>64,087</b>

The following table sets forth the number of our trade payable turnover days for the years indicated.

	Year ended December 31,		
	2020	2021	2022
Trade payable turnover days <sup>(1)</sup> . . . . .	19.0	25.0	27.1

(1) Calculated based on the average of opening and closing balance of trade payables for the relevant year, divided by the cost of sales for the same year, and multiplied by 365 days.

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.

As of April 30, 2023, approximately RMB63.7 million, or 99.5%, of our trade payables as of December 31, 2022 had been settled.

### Contract Liabilities

Our contract liabilities primarily represented advance payments received from our customers. As of December 31, 2020, 2021 and 2022, our contract liabilities was RMB102.1 million, RMB138.8 million and RMB176.5 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.

As of April 30, 2023, approximately RMB124.0 million, or 70.3%, of our contract liabilities as of December 31, 2022 were recognized as revenue.

### Bank Loans

Our bank loans consisted primarily of bank loans that are either secured or unsecured. As of December 31, 2020, 2021 and 2022, our bank loans were RMB74.7 million, 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.

## FINANCIAL INFORMATION

### 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,		
	2020	2021	2022
	(RMB in thousands)		
Within one year . . . . .	7,697	15,644	15,657
After one year but within two years. . . . .	3,006	10,106	7,970
After two years but within five years. . . . .	3,328	6,428	3,294
After five years . . . . .	1,459	513	—
	7,793	17,047	11,264
<b>Total . . . . .</b>	<b>15,490</b>	<b>32,691</b>	<b>26,921</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.

### 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, [REDACTED] from the [REDACTED] and other funds raised from the capital markets from time to time. As of December 31, 2020, 2021 and 2022, we had cash and cash equivalents of RMB150.6 million, RMB169.5 million and RMB350.8 million, respectively.

#### Cash Flows

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

	Year ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Operating cash flows before movements in working capital <sup>(1)</sup> . . . . .	179,339	281,488	308,089
Adjusted for:			
Changes in working capital <sup>(2)</sup> . . . . .	(110,295)	(28,074)	(85,862)
Income tax paid . . . . .	(20,031)	(39,642)	(88,072)
Net cash generated from operating activities . . .	49,013	213,772	305,879
Net cash generated from/(used in) investing activities. . . . .	60,085	(46,450)	(21,024)

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	Year ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Net cash used in financing activities . . . . .	(54,166)	(148,400)	(103,532)
Net change in cash and cash equivalents . . . . .	54,932	18,922	181,323
Cash and cash equivalents at beginning of the year . . . . .	95,641	150,573	169,495
Cash and cash equivalents at end of the year . . .	150,573	169,495	350,818

- (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 RMB394.0 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 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 RMB253.4 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 RMB69.0 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 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.

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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.

### *Financing Activities*

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.

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
	2020	2021	2022	April 30, 2023
				(Unaudited)
	(RMB in thousands)			
<b>Current assets</b>				
Financial assets measured at fair value through profit or loss . . . . .	46,225	—	4,996	40,000
Inventories and other contract costs . . . . .	277,045	279,742	271,795	247,925
Trade and other receivables . . . . .	70,537	87,583	89,459	63,491
Prepayments . . . . .	33,353	66,759	54,655	50,040
Restricted bank deposits . . . . .	1,202	2,000	1,600	1,600
Cash and cash equivalents . . . . .	150,573	169,495	350,818	212,207
<b>Total current assets . . . . .</b>	<b>578,935</b>	<b>605,579</b>	<b>773,323</b>	<b>615,263</b>
<b>Current liabilities</b>				
Trade and other payables . . . . .	213,699	204,794	239,673	138,590
Contract liabilities . . . . .	102,084	138,789	176,450	198,101
Bank loans . . . . .	66,097	—	—	—
Lease liabilities . . . . .	7,697	15,644	15,657	16,270
Other current liabilities . . . . .	12,849	17,897	23,274	19,116
Current taxation . . . . .	16,391	47,133	38,091	20,932
<b>Total current liabilities . . . . .</b>	<b>418,817</b>	<b>424,257</b>	<b>493,145</b>	<b>393,009</b>
<b>Net current assets . . . . .</b>	<b>160,118</b>	<b>181,322</b>	<b>280,178</b>	<b>222,254</b>

Our net current asset decreased from RMB280.2 million as of December 31, 2022 to RMB222.3 million as of April 30, 2023, primarily due to (1) a decrease of RMB23.9 million in inventories and other contract costs, and (2) an increase of RMB21.7 million in contract liabilities, partially offset by (i) an increase of RMB35.0 million in financial assets measured at fair value through profit or loss, and (ii) a decrease of RMB101.1 million in trade and other payables.

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.

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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, [REDACTED] from the [REDACTED] 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 [REDACTED] from the [REDACTED], will be sufficient to meet our present and anticipated cash requirements and for at least the next 12 months from the date of this document.

### 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 [REDACTED], 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 and RMB22.5 million in 2020, 2021 and 2022, 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 [REDACTED] received from the [REDACTED].

### 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,		
	2020	2021	2022
	(RMB in thousands)		
Contracted for new short-term leases . . . . .	1,749	3,809	3,327



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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 April 30,
	2020	2021	2022	2023
				(Unaudited)
	(RMB in thousands)			
<b>Current indebtedness</b>				
Bank loans . . . . .	66,097	—	—	—
Lease liabilities . . . . .	7,697	15,644	15,657	16,270
<b>Subtotal</b> . . . . .	<b>73,794</b>	<b>15,644</b>	<b>15,657</b>	<b>16,270</b>
<b>Non-current indebtedness</b>				
Bank loans . . . . .	8,597	—	—	—
Lease liabilities . . . . .	7,793	17,047	11,264	22,079
<b>Subtotal</b> . . . . .	<b>16,390</b>	<b>17,047</b>	<b>11,264</b>	<b>22,079</b>
<b>Total</b> . . . . .	<b>90,184</b>	<b>32,691</b>	<b>26,921</b>	<b>38,349</b>

As of April 30, 2023, being the latest practicable date for determining our indebtedness, we had RMB34.8 million of unutilized and unrestricted bank loans.

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 April 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.

[REDACTED]

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 did not recognize [REDACTED] in our consolidated statement of comprehensive income during the Track Record Period. We estimate that RMB[REDACTED] of [REDACTED] will be charged to our consolidated statement of comprehensive income for the year ending December 31, 2023. The remaining RMB[REDACTED] is directly attributable to the issue of our Shares to the public and is expected to be deducted from equity.

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[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.

### KEY FINANCIAL RATIOS

	As of/for the year ended December 31,		
	2020	2021	2022
<b>Profitability ratios</b>			
Gross profit margin <sup>(1)</sup> . . . . .	42.7%	48.2%	50.8%
Net profit margin <sup>(2)</sup> . . . . .	9.5%	11.4%	11.9%
Return on equity <sup>(3)</sup> . . . . .	59.2%	61.0%	49.9%
Return on total assets <sup>(4)</sup> . . . . .	22.3%	23.8%	23.2%
<b>Liquidity ratios</b>			
Current ratio <sup>(5)</sup> . . . . .	1.4x	1.4x	1.6x
Gearing ratio <sup>(6)</sup> . . . . .	42.6%	9.3%	5.7%

- (1) The calculation of gross profit margin is based on gross profit for the year divided by revenue for the respective year and multiplied by 100%.
- (2) The calculation of net profit margin is based on profit for the year divided by revenue for the respective year and multiplied by 100%.
- (3) The calculation of return on equity is based on profit or loss for the year divided by average total equity as of the beginning and end of the year and multiplied by 100%.
- (4) The calculation of return on total assets is based on profit for the year divided by the average of opening and closing balance of total assets of the same year and multiplied by 100%.
- (5) The calculation of current ratio is based on current assets divided by current liabilities as of year 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 “—Year to Year 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.

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## FINANCIAL INFORMATION

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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.

### *Current Ratio and Gearing Ratio*

Our current ratio was 1.4x, 1.4x and 1.6x as of December 31, 2020, 2021 and 2022, 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 gearing ratio was 42.6%, 9.3% and 5.7% as of December 31, 2020, 2021 and 2022. 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.

## RELATED PARTY TRANSACTIONS

For details of our related party transactions, see Note 33 to the Accountants' Report in Appendix I to this document. 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 December 31, 2022, our Company had no distributable reserves.

## 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.

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During the Track Record Period, we declared dividends to our then Shareholders of RMB120.0 million, RMB100.0 million and RMB80.0 million in 2020, 2021 and 2022, respectively, in light of our cumulative business growth. As of December 31, 2022, all of such dividends declared during the Track Record Period had been fully settled by bank transfer to our then Shareholders. On March 31, 2023, we declared dividends of RMB160.0 million, which was fully settled by bank transfer in April 2023. See also Notes 30(b) and 36 to the Accountants’ Report in Appendix I to this document.

### 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.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2022 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there has been no event since December 31, 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report in Appendix I to this document.

### 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, 17.9%, 51.6% and 81.7% of the total trade receivables were due from our largest customer, respectively, and 64.7%, 59.0% and 85.5% of the total trade receivables were due from our five largest customers, respectively. For further details, see Note 31(a) to the Accountants’ Report in Appendix I to this document.

#### 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

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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 document.

	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)					
<b><i>As of December 31, 2020</i></b>					
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>
<b><i>As of December 31, 2021</i></b>					
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>
<b><i>As of December 31, 2022</i></b>					
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>200,685</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,		
	2020	2021	2022
(RMB in thousands)			
<b>Fixed rate instruments</b>			
Restricted bank deposits . . . . .	1,202	2,000	1,600
Lease liabilities . . . . .	15,490	32,691	26,921
Bank loans . . . . .	74,694	—	—
<b>Total</b> . . . . .	<b>91,386</b>	<b>34,691</b>	<b>28,521</b>
<b>Variable rate instruments</b>			
Cash at bank and on hand . . . . .	143,239	163,503	338,398
Cash balances with payment platforms . . . . .	7,334	5,992	12,420
<b>Total</b> . . . . .	<b>150,573</b>	<b>169,495</b>	<b>350,818</b>

### [REDACTED] ADJUSTED [REDACTED]

The following [REDACTED] statement of adjusted consolidated [REDACTED] 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 [REDACTED] on the consolidated [REDACTED] of the Group attributable to equity shareholders of the Company as if the [REDACTED] had taken place on December 31, 2022.

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This [REDACTED] statement of adjusted consolidated [REDACTED] 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 [REDACTED] been completed as of December 31, 2022 or at any future dates.

[REDACTED]