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**燕之屋**  
YAN PALACE

**XIAMEN YAN PALACE BIRD'S NEST INDUSTRY CO., LTD.**

**廈門燕之屋燕窩產業股份有限公司**

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

**(Stock Code: 1497)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Xiamen Yan Palace Bird’s Nest Industry Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2024, together with the comparative figures for the year ended December 31, 2023, as follows:

**FINANCIAL HIGHLIGHTS**

- Our revenue increased by 4.37% from RMB1,964.2 million for the year ended December 31, 2023 to RMB2,050.0 million for the year ended December 31, 2024.
- Our gross profit increased by 1.79% from RMB994.9 million for the year ended December 31, 2023 to RMB1,012.8 million for the year ended December 31, 2024.
- Our profit decreased by 24.18% from RMB211.6 million for the year ended December 31, 2023 to RMB160.4 million for the year ended December 31, 2024.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

for the year ended 31 December 2024

*(Expressed in Renminbi)*

	<i>Note</i>	<b>2024</b> <b>RMB'000</b>	2023 RMB'000
<b>Revenue</b>	2	<b>2,050,000</b>	1,964,237
Cost of sales		<u>(1,037,238)</u>	<u>(969,321)</u>
<b>Gross profit</b>		<b>1,012,762</b>	994,916
Other net income	3	<b>39,462</b>	30,502
Selling and distribution expenses		<b>(670,774)</b>	(563,283)
Administrative expenses		<b>(139,343)</b>	(159,506)
Research and development expenses		<u><b>(28,544)</b></u>	<u>(26,384)</u>
<b>Profit from operations</b>		<b>213,563</b>	276,245
Finance costs	4(a)	<u><b>(6,950)</b></u>	<u>(2,919)</u>
<b>Profit before taxation</b>	4	<b>206,613</b>	273,326
Income tax	5	<u><b>(46,183)</b></u>	<u>(61,738)</u>
<b>Profit for the year</b>		<u><b>160,430</b></u>	<u>211,588</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>156,295</b>	201,218
Non-controlling interests		<u><b>4,135</b></u>	<u>10,370</u>
<b>Profit for the year</b>		<u><b>160,430</b></u>	<u>211,588</u>
<b>Earnings per share</b>			
Basic and diluted (RMB)	6	<u><b>0.34</b></u>	<u>0.46</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2024

(Expressed in Renminbi)

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>Profit for the year</b>	<b>160,430</b>	211,588
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income (“FVOCI”) – net movement in fair value reserves (non-recycling)	13,933	–
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Chinese Mainland	(13)	–
<b>Other comprehensive income for the year</b>	<b>13,920</b>	–
<b>Total comprehensive income for the year</b>	<b>174,350</b>	211,588
<b>Attributable to:</b>		
Equity shareholders of the Company	170,221	201,218
Non-controlling interests	4,129	10,370
<b>Total comprehensive income for the year</b>	<b>174,350</b>	211,588

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2024

(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		282,421	189,972
Intangible assets		1,982	1,280
Goodwill		77,165	75,165
Equity securities designated at FVOCI		35,948	–
Financial assets measured at fair value through profit or loss (“FVPL”)		991	–
Deferred tax assets		51,227	34,371
Other non-current assets		23,365	14,698
		<u>473,099</u>	<u>315,486</u>
<b>Current assets</b>			
Inventories		353,198	360,362
Trade and other receivables	7	163,656	120,297
Prepayments		75,996	118,168
Prepaid taxes		157	10,513
Restricted bank deposits		–	8,074
Cash and cash equivalents		420,508	537,093
		<u>1,013,515</u>	<u>1,154,507</u>
<b>Current liabilities</b>			
Trade and other payables	8	271,050	260,107
Contract liabilities		254,075	225,303
Other current liabilities		32,348	28,381
Lease liabilities		25,267	26,391
Current taxation		28,732	19,938
		<u>611,472</u>	<u>560,120</u>
<b>Net current assets</b>		<u>402,043</u>	<u>594,387</u>
<b>Total assets less current liabilities</b>		<u>875,142</u>	<u>909,873</u>
<b>Non-current liabilities</b>			
Lease liabilities		105,048	111,287
Deferred tax liabilities		1,850	1,659
		<u>106,898</u>	<u>112,946</u>
<b>NET ASSETS</b>		<u>768,244</u>	<u>796,927</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

at 31 December 2024

*(Expressed in Renminbi)*

	<i>Note</i>	<b>2024</b> <b><i>RMB'000</i></b>	2023 <i>RMB'000</i>
<b>CAPITAL AND RESERVES</b>			
Share capital	9(b)	<b>93,100</b>	93,100
Reserves		<b>652,642</b>	676,571
<b>Total equity attributable to equity shareholders of the Company</b>		<b>745,742</b>	769,671
<b>Non-controlling interests</b>		<b>22,502</b>	27,256
<b>TOTAL EQUITY</b>		<b>768,244</b>	796,927

## NOTES

*(Expressed in Renminbi unless otherwise indicated)*

### 1 Base of preparation

#### *(a) Statement of compliance*

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

#### *(b) Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2024 comprise Xiamen Yan Palace Bird’s Nest Industry Co., Ltd. (the “Company”) and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial assets measured at their fair value.

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand. Most of the companies comprising the Group are operating in the People’s Republic of China (“PRC”) and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) **Changes in accounting policies**

The IASB has issued the following amendments to IFRS Accounting Standards that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“2020 amendments”) and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**2 Revenue and segment reporting**

(a) **Revenue**

The principal activities of the Group are the development, production and sale of edible bird's nest products. Further details regarding the Group's principal activities are disclosed in note 2(b).

Disaggregation of revenue from contracts with customers by sales channel is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Offline channels		
– Sales to offline distributors	486,074	509,035
– Direct sales to offline customers	321,796	351,170
Online channels		
– Direct sales to online customers	911,729	824,397
– Direct sales to E-commerce platforms	294,612	262,886
– Sales to online distributors	35,789	16,749
	<u>2,050,000</u>	<u>1,964,237</u>

The revenue of the Group is mainly generated from sales of edible bird's nest products, which is recognised at a point in time.

The Group's customer base is diversified and includes one customer with whom transactions have exceeded 10% of the Group's revenues. In 2024 revenues from sales of edible bird's nest products to the customer, including sales to entities which are known to the Group to be under common control with the customer, amounted to approximately RMB243,241,000 (2023: RMB212,051,000).

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for edible bird's nest products that had an original expected duration of one year or less and does not disclose the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations.

**(b) Segment reporting**

The Group manages its businesses by sales channel categories. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Direct sales to online customers: this segment engaged in sales of edible bird's nest products to retail customers through online platform.
- Direct sales to offline customers: this segment engaged in sales of edible bird's nest products to retail customers in brick-and-mortar stores.
- Sales to offline distributors: this segment engaged in sales of edible bird's nest products to offline distributors.
- Direct sales to E-commerce platforms: this segment engaged in sales of edible bird's nest products to online platforms.
- Sales to online distributors: this segment engaged in sales of edible bird's nest products to online distributors.

**(i) Segment results**

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and direct expenses incurred by those segments respectively. The measure used for reporting segment result is gross profit which is calculated based on revenue less cost of sales for the relevant segment. No inter-segment sales have occurred during the year. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other net income, selling and distribution expenses, administrative expenses, research and development expenses, finance costs, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, other operating income and expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

	2024					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platforms	Sales to online distributors	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<u>911,729</u>	<u>321,796</u>	<u>486,074</u>	<u>294,612</u>	<u>35,789</u>	<u>2,050,000</u>
Gross profit	<u>409,911</u>	<u>213,980</u>	<u>235,955</u>	<u>139,819</u>	<u>13,097</u>	<u>1,012,762</u>



	2023					Total RMB'000
	Direct sales to online customers RMB'000	Direct sales to offline customers RMB'000	Sales to offline distributors RMB'000	Direct sales to E-commerce platforms RMB'000	Sales to online distributors RMB'000	
Revenue	<u>824,397</u>	<u>351,170</u>	<u>509,035</u>	<u>262,886</u>	<u>16,749</u>	<u>1,964,237</u>
Gross profit	<u>370,891</u>	<u>234,178</u>	<u>250,434</u>	<u>132,386</u>	<u>7,027</u>	<u>994,916</u>

(ii) Reconciliation of reportable segment profit or loss

	2024 RMB'000	2023 RMB'000
Total reportable segment gross profit	1,012,762	994,916
Other net income	39,462	30,502
Selling and distribution expenses	(670,774)	(563,283)
Administrative expenses	(139,343)	(159,506)
Research and development expenses	(28,544)	(26,384)
Finance costs	(6,950)	(2,919)
Consolidated profit before taxation	<u>206,613</u>	<u>273,326</u>

(iii) Geographic information

The Group generated all of its revenue in Chinese Mainland and its non-current assets are all located in Chinese Mainland, and accordingly, no analysis of geographic information is presented.

### 3 Other net income

	2024 RMB'000	2023 RMB'000
Net fair value changes on financial assets measured at FVPL	2,810	1,937
Interest income	4,601	3,390
Government grants (note (i))	32,518	27,243
Net gain on disposal of property, plant and equipment	314	186
Foreign exchange loss	(214)	(1,668)
Others	(567)	(586)
	<u>39,462</u>	<u>30,502</u>

- (i) Government grants were received or receivable from several local government authorities as a recognition of the Group's contribution towards the local economic development.

#### 4 Profit before taxation

Profit before taxation is arrived at after charging:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>(a) Finance costs</b>		
Interest on bank loans	–	–*
Interest on lease liabilities	<u>6,950</u>	<u>2,919</u>
	<u><b>6,950</b></u>	<u><b>2,919</b></u>

\* This amount represents amount less than RMB500.

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>(b) Staff costs<sup>#</sup></b>		
Salaries, wages and other benefits	277,596	274,965
Contributions to defined contribution retirement plan	15,219	13,754
Equity-settled share-based payment expenses	<u>–</u>	<u>4,816</u>
	<u><b>292,815</b></u>	<u><b>293,535</b></u>

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>(c) Other items</b>		
Amortisation of intangible assets	546	653
Depreciation charge <sup>#</sup>		
– owned property, plant and equipment	24,888	18,770
– right-of-use assets	30,982	21,394
Impairment loss of trade receivables	1,026	625
Impairment loss of other receivables	2,038	1,361
Auditors' remuneration		
– Audit services		
KPMG	2,300	2,150
Other auditors	27	622
– Other services		
KPMG	915	5,050
Listing expenses	–	37,323
Cost of inventories <sup>#</sup>	<u><b>937,133</b></u>	<u><b>887,341</b></u>

<sup>#</sup> Cost of inventories includes RMB107,563,000 (2023: RMB101,778,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or notes 4(b) for each of these types of expenses.

## 5 Income tax in the consolidated statement of profit or loss

### (a) Taxation in the consolidated statement of profit or loss represents:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>Current tax</b>		
PRC Corporate Income Tax (“CIT”) and income taxes of other tax jurisdictions	66,602	60,307
Under/(over)-provision in respect of prior years	890	(52)
	<u>67,492</u>	<u>60,255</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(21,309)	1,483
	<u>46,183</u>	<u>61,738</u>

- (i) In accordance with relevant rules and regulations of CIT in Chinese Mainland, a subsidiary of the Group, Guanghe Yan Palace Biotechnology Development Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the years ended 31 December 2024 and 2023.

According to the PRC Corporate Income Tax Law and its implementation regulations, certain subsidiaries of the Group were qualified as “Small Low-profit Enterprise” and enjoyed a reduced corporate income tax rate of 20%. All of the other Chinese Mainland subsidiaries of the Group and the Company are subject to CIT at a statutory rate of 25% for the years ended 31 December 2024 and 2023.

According to the relevant tax rules in Chinese Mainland, qualified research and development expenses are allowed for bonus deduction for income tax purpose, as a result, an additional 100% of the qualified research and development expenses could be deemed as deductible expenses for the years ended 31 December 2024 and 2023.

- (ii) According to the two-tiered profits tax rate regime introduced under the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “Ordinance”), the first HK\$2 million of assessable profits earned by a company will be taxed at 8.25% whilst the remaining assessable profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. The Ordinance was first effective from the year of assessment 2018/2019.

Accordingly, the provision for Hong Kong Profits Tax for Yan Palace Bio Health (International) Co., Limited for the year ended 31 December 2024 is calculated in accordance with the two-tiered profits tax rate regime, under which Profits Tax for the first HK\$2 million of assessable profits is calculated at 8.25% while the remaining is calculated at 16.5%.

The provision for Hong Kong Profits Tax for 2024 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2023/2024 subject to a maximum reduction of HK\$3,000 for each business.

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Profit before taxation	<b>206,613</b>	273,326
Notional tax on profit before taxation, calculated at the applicable rates in the jurisdictions concerned	<b>51,036</b>	68,332
Tax effect of non-deductible expenses	<b>2,822</b>	4,274
Tax effect of non-taxable income	<b>(419)</b>	–
Tax effect of additional deduction for qualified research and development expenses	<b>(5,300)</b>	(4,584)
Utilisation of previously unrecognised tax losses	<b>(9)</b>	(159)
Tax effect of unused tax losses not recognised	<b>2,172</b>	79
Statutory tax concession	<b>(5,009)</b>	(6,152)
Under/(over)-provision in respect of prior years	<b>890</b>	(52)
Actual tax expense	<b>46,183</b>	61,738

**6 Earnings per share**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the following profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

*(i) Profit attributable to ordinary equity shareholders of the Company*

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Profit for the year attributable to ordinary equity shareholders of the Company	<b>156,295</b>	201,218
Allocation of profit for the year attributable to unvested shares held for employee incentive scheme	<b>–</b>	(3,733)
Profit for the year attributable to ordinary equity shareholders of the Company	<b>156,295</b>	197,485

(ii) *Weighted average number of ordinary shares*

	2024 '000	2023 '000
Ordinary shares in issue at 1 January	465,500	86,700
Effect of shares held for H Share Incentive Scheme (note 9(c))	(4,488)	–
Effect of unvested shares held for employee incentive scheme	–	(8,075)
Effect of share subdivision	–	346,800
Effect of shares issued by initial public offering	–	1,753
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<b>461,012</b>	<b>427,178</b>

(b) *Diluted earnings per share*

For the year ended 31 December 2024, the effects of unvested shares held for H Share Incentive Scheme were not included in the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. The Company did not have other potential ordinary shares and therefore the amounts of diluted earnings per share were the same as basic earnings per share for the year.

For the year ended 31 December 2023, there are no dilutive potential ordinary shares, and therefore, the amounts of diluted earnings per share are the same as basic earnings per share for the year.

7 **Trade and other receivables**

	2024 RMB'000	2023 RMB'000
Trade receivables, net of loss allowance – third parties	92,367	83,298
Deposits	4,102	13,735
Amounts due from related parties	1,900	1,800
VAT recoverable	36,496	19,603
Government grants receivables	27,026	–
Other receivables	1,765	1,861
	<hr/>	<hr/>
	<b>163,656</b>	<b>120,297</b>

As at 31 December 2024, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

*Ageing analysis*

As of the end of the reporting period, the ageing analysis of trade receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Current (not past due)	92,070	83,298
Over 3 months past due	297	–
	<hr/>	<hr/>
	<b>92,367</b>	<b>83,298</b>

Trade debtors are due within 30 to 90 days from the date of billing.

## 8 Trade and other payables

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables	66,895	62,525
Receipts in advance	47,404	31,981
Salary and welfare payables	51,579	60,811
Other payables and accruals	42,086	38,182
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	207,964	193,499
Other tax payables	9,061	12,834
Refund liabilities:		
– arising from right of return	428	159
– arising from sales rebates	53,597	53,615
	<hr/>	<hr/>
	<b>271,050</b>	<b>260,107</b>
	<hr/> <hr/>	<hr/> <hr/>

All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 3 months	65,191	61,183
Over 3 months but within 6 months	790	794
Over 6 months but within 9 months	914	106
Over 9 months but within 1 year	–	244
Over 1 year but within 2 years	–	198
	<hr/>	<hr/>
	<b>66,895</b>	<b>62,525</b>
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## 9 Capital, reserves and dividends

### (a) Dividends

#### (i) Dividends payable to equity shareholders of the Company attributable to the year

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB21.5 cents per ordinary share (2023: RMB21.5 cents per ordinary share)	100,083	100,083
Less: dividend for shares held for employee incentive scheme	(1,998)	–
	<hr/>	<hr/>
	<b>98,085</b>	<b>100,083</b>
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The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB21.5 cents per ordinary share (2023: RMB184.5 cents per share (before share subdivision)/equivalent to RMB36.9 cents per ordinary share (after share subdivision))	<u>100,077</u>	<u>160,000</u>

**(b) Share capital**

	2024		2023	
	No. of shares ( <i>'000</i> )	RMB'000	No. of shares ( <i>'000</i> )	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	465,500	93,100	86,700	86,700
Subdivision of ordinary shares ( <i>note (i)</i> )	–	–	346,800	–
Shares issued by initial public offering ( <i>note (ii)</i> )	–	–	32,000	6,400
At 31 December	<u>465,500</u>	<u>93,100</u>	<u>465,500</u>	<u>93,100</u>

*Notes:*

- (i) As approved by the shareholders' general meeting of the Company on 25 May 2023, immediately upon the initial public offering of the Company, each of issued ordinary share of RMB1 will subdivide into five ordinary shares of RMB0.2 each. After the share subdivision, the number of the issued ordinary shares was 433,500,000.
- (ii) 32,000,000 ordinary shares of par value of RMB0.2 each were issued at a price of HK\$9.7 per ordinary share upon the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited. The gross proceeds raised from the offering was HK\$310,400,000 (equivalent to approximately RMB283,029,000). Net proceeds from the offering were RMB269,241,000 (after offsetting costs directly attributable to the issuance of shares of approximately RMB13,788,000), of which RMB6,400,000 was credited to the Company's share capital account and the remaining RMB262,841,000 was credited to the Company's share premium account.

As disclosed in the Company's announcements dated 20 December 2024 in relation to the completion of the H share full circulation, 136,580,700 unlisted shares of the Company were converted to H share and was listed on the Stock Exchange on 23 December 2024.

**(c) Purchase of own shares under employee incentive scheme**

On 25 March 2024, the H share employee incentive scheme (the "H Share Incentive Scheme") was approved by the extraordinary general meeting of the Company. Following the implementation of the H Share Incentive Scheme, the Company has appointed a third-party trustee to constitute a trust plan under the trust management agreement for repurchasing, holding, and administrating the Company's shares under H Share Incentive Scheme. During the year ended 31 December 2024, 9,294,400 H shares were purchased on The Stock Exchange by the Share Scheme Trust at a total consideration of approximately HK\$103,028,000 (equivalent to approximately RMB94,073,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Over the past year, the volatile external environment, increasingly differentiated consumer demand and intensified competition in the industry undoubtedly contributed to an extremely challenging year in the development of the Group. Under such complicated circumstances, we made every effort to promote the strategy of high-end branding, actively explored new channel layout, innovated and enriched our product portfolio, and maintained the largest market share in China's EBN market for eight consecutive years, which in turn, lead to a continuous and steady growth in the sales revenue and greater brand influence.

#### 1. Brand Management

In 2024, the Group continued to consolidate its leading position in the industry and achieved breakthroughs in both brand influence and commercial value. On the China Brand Power Index SM (C-BPI®) EBN brand ranking, the Company has been ranked the first in the industry for five consecutive years, leading the industry in terms of brand power.

##### ***Dual Ambassador Strategy: Building Cross-generational Influence***

The Company used the dual ambassador matrix of “international movie star + youth idol” to accurately cover diverse consumer groups:

In January 2024, Ms. Gong Li (鞏俐) became the global brand ambassador of the Group. Her international reputation and high-end image strengthened the brand's “superior quality” mindset, rapidly increased the brand awareness through official publicity, and significantly attracted the attention of high-end customers. In December 2024, we worked with Ms. Gong Li (鞏俐) to hold a new product launch conference “The Gift of Time” in Shanghai, strengthening the stickiness of high-net-worth customers through immersive experience and high-end customized products, thereby further consolidating the brand's high-end positioning.

In May 2024, Mr. Wang Yibo (王一博) became the global brand ambassador of the Group. He interacted deeply with young groups through trendy content, successfully expanding the consumer market of Generation Z and the new middle class, promoting the brand's penetration into young generation and stimulating the consumption vitality.

##### ***Full-scenario Brand Communication: Strengthening High-end Mindshare and Driving Consumption***

By exposing the brand image in high-quality media such as airport hubs, China National Radio, and Focus Media, we continued to strengthen the mental awareness of premium EBN. We focused on business elites and high-net-worth families, accurately targeted household consumption decision-making scenarios, and activated holiday gift demand through high-frequency community reach, promoting gift box products to become the preferred choice for household consumption, and further expanding the brand's share advantage in the traditional festival market.



## ***The World’s Largest EBN Factory: Trust Endorsement and Brand Potential Upgrade***

Relying on the world’s largest transparent and smart EBN factory, the Company created the “cultural center visit + production line traceability” model and made the factory open to consumers and enterprises for visits, strengthening brand trust endorsement through visual production processes and third-party certification. The closed-loop layout from production to dissemination transforms the hard power of “World No. 1” into brand trust and market potential, consolidating the brand’s position as a benchmark in the industry.

## ***Introducing Hua & Hua Strategic Consulting (華與華戰略諮詢): Driving Systematic Brand Upgrade***

The Company introduced Hua & Hua Strategic Consulting to reconstruct the brand’s super symbol “Yan Palace EBN” to unify the outlet visual system, optimize the store display logic and consumer flow design, and facilitate the systematic upgrade of the brand from visual symbols to content communication.

## **2. Channel Management**

In 2024, with steady development of traditional channels and active exploration of new channels, we continued to implement operating strategy of synergistic development across all channels.

### ***(i) E-commerce Channel***

Our online sales network consists of self-operated online stores, distributor-operated online stores and e-commerce platforms. As of December 31, 2024, we had 39 self-operated online stores and 52 distributor-operated online stores on mainstream e-commerce or social media platforms such as JD, Tmall and Douyin. As of December 31, 2024, we had 26 e-commerce platforms as our customers, including JD, Vipshop and Tmall Supermarket, among others. For the year ended December 31, 2024, our total revenue from e-commerce business was RMB1.24 billion, accounting for 60.6% of the total revenue of our Group during the year and representing an increase of 12.5% compared to the same period in 2023.

The online business maintained strong growth momentum, and the platform operation data hit a new high. The total number of online visitors in 2024 exceeded 340 million, representing a significant year-on-year increase of 47.9%, and the scale of user reach achieved a leapfrog increase. On the basis of expanded traffic scale, the conversion efficiency of the platform was simultaneously optimized, and the total annual orders in 2024 reached 1.389 million, representing a year-on-year increase of 36.2%. After refined membership operation, the cumulative number of registered members on the platform in 2024 has exceeded 8.3 million, and the solid private domain traffic pool has laid an important foundation for precision marketing and deep cultivation of user value.

We used AI technology to reshape the operational chain, which has been fully implemented in the online business and achieved great results. For example, the launch of digital character live streaming on JD.com has increased sales conversion during non-prime time. Our intelligent customer service system identifies 98% of common inquiries through natural language processing, increasing the conversion rate of late-night order inquiries by 40%. The AI creative middle platform enables generation of marketing materials in batches. By inputting keywords, design proposals can be output in minutes, greatly improving the efficiency of the marketing department.

Both the full-area live streaming and content seeding operation of Xiaohongshu have achieved outstanding results. The live streaming with the theme of smart factory traceability had a total exposure of over 200 million times and created a gross merchandise value of over RMB80 million, becoming a self-livestreaming benchmark for top brands in the food and health category. By developing a key opinion leader evaluation algorithm, we selected bloggers with high-quality fans and strong content matching on content platforms such as Xiaohongshu, launched targeted content and interactive tools, and collaborated with nutritionists to use clinical data to prove the nourishing effects. The continuous enrichment of note content has greatly increased the reading volume, gradually shifting customers' consumption motivation from "following the trend" to "recognizing the efficacy".

**(ii) Offline Channels**

For the year ended December 31, 2024, our total revenue from the offline business was RMB808 million, accounting for 39.4% of the Group's total revenue during the year and representing a decrease of 6.1% compared with 2023. As of December 31, 2024, we have established a nationwide offline sales network consisting of 108 self-operated stores and 251 offline distributors covering 650 distributor-operated stores in China. The following table sets forth the number of our offline stores by type as of the date indicated.

	<b>2024</b>	2023
<b>Offline stores</b>		
Self-operated stores	<b>108</b>	96
Distributor-operated stores	<b>650</b>	647
<b>Total</b>	<b><u>758</u></b>	<b><u>743</u></b>

By entering diversified platforms such as Youzan Private Domain Mall, mini program-based live streaming, Meituan, Dianping, Maps, JD.com Instant Delivery and Douyin Local Life, the traffic and brand exposure of offline stores increased significantly. At the same time, we actively expanded overseas markets and successfully opened our first store in Flushing, New York, the United States during the Chinese New Year in 2025. Our products were simultaneously available for sale in Chinese supermarket chains in California and Costco supermarket chains, further expanding the brand's international influence. In addition, the first self-operated store in Singapore is under decoration and design, which marks our first step in global layout.

In order to improve customer experience and operational efficiency, we have launched the strategy of integrating online and offline channels to fully connect our product lines. For example, the *One Nest* product series were available for online sale, and freshly stewed products were available for sale in offline stores nationwide, which not only improved the efficiency of product promotion, but also accurately met the diversified needs of customers. At the same time, by organizing cross-industry alliance membership activities such as black diamond member tasting salons in high-end shopping malls and special concert box activities, more vitality and warmth are injected into the brand. The number of offline Golden Yan Club registered members reached 510,000, and customer stickiness and repurchase rate were further enhanced.

### ***(iii) New Channel Layout***

We actively explored various channels and created bird's nest derivative products that are more suitable for the characteristics of different channels. Bazhen freeze-dried bird's nest was developed offline and was available for sale in more than 300 Freshippo boutique supermarkets and bird's nest porridge nourishing gift boxes were available for sale in boutique supermarkets such as Sungiven and Ole. We are promoting customized products such as bird's nest light bowls for sale in Sam's Club.

## **3. Products and R&D**

We have always adhered to the core philosophy of "Customer First". Leveraging modern technology, we have continually promoted the basic research in the EBN industry and the innovation and upgrading of EBN products. We have joined hands with the National Research and Innovation Agency of Indonesia to carry out scientific research on the natural ecology of swiftlets and the scientific management system of swiftlet houses, in order to promote the sustainable development of the EBN industry. Based on the research on the natural ecology of swiftlets, the Company constructed a multi-dimensional production area assessment system and outputted the Yan Palace's Rating Report for EBN Production Areas in Indonesia V2.0. In April 2024, Yan Palace took the lead in drafting the Edible Bird's Nest Products, China's first industry standard for EBN products in the light industry, which laid a normative foundation for the healthy development of the industry.

The Company is committed to demonstrating the value of its products through scientific evidence. In collaboration with the Joint Laboratory of Collaborative Innovation on EBN Nutrition and Health of Peking University Health Science Center, we conducted a population-based intervention study on the health effects of *One Nest*. Through a randomized controlled trial design, it was confirmed that continuous consumption of Yan Palace's *One Nest* can produce significant positive effects on amino acid metabolism and glucose metabolism in human beings. These landmark studies have provided strong scientific evidence for the nutritional value of *One Nest* and provided reliable reference for consumers to choose high-quality EBN products.

The Company also cooperated with Jiangnan University to conduct a study on the bioactivity of Freshly Stewed Bird's Nest. The results showed that the amount and activity of active peptides in Freshly Stewed Bird's Nest under Yan Palace's proprietary production process increased after digestion. Meanwhile, a 28-day human feeding trial of Freshly Stewed Bird's Nest was further conducted. The results of the study showed that after consuming Yan Palace's Freshly Stewed Bird's Nest for 28 consecutive days, the subjects showed significant improvement in a number of key indicators such as skin elasticity, skin melanin content, skin radiance and skin moisturizing and repairing ability. Based on the results of this rigorous and scientific human feeding trial research, the Company was awarded the authoritative certification by Sullivan, an internationally renowned consulting organization, and was recognized as "the first brand in China to conduct a human feeding trial on the effects of freshly stewed bird's nest".

In 2024, the revenue generated from the pure EBN product series was RMB1.80 billion, representing an increase of 0.1% compared with 2023 and accounting for 87.6% of our total revenue in 2024.

### ***EBN+ and +EBN Products***

By scientifically combining EBN with new food raw materials and ingredients with medicinal and food properties, the consumption scenarios and flavors of our EBN have been further expanded and enriched.

Combining ingredients with medicinal and food properties, we launched *One Nest – Orange Sincerity* (碗燕•橙意款) (EBN with raw coconut and peach gum) to meet the demand of the gift market in the RMB1,000 price range, and *One Nest – President* (碗燕•總裁款), which is designed to cater to the extensive men's nutrition market. Meanwhile, Yan Palace actively promoted co-branded product cooperation by co-launching E-Jiao bird's nest with Dong-E-E-Jiao, and created the product concept of "red E-Jiao integrating with white bird's nest, nourishing ruddy complexion and good condition" (膠燕相融白裡紅、潤養紅潤好狀態), which has helped our EBN become an instant hit and reach more consumers.

While refining the existing flavor formula, we continued to develop new flavors of EBN porridge, adding new flavors such as EBN porridge with milk and black rice and EBN porridge with thick taro puree and milk, to satisfy the needs of more diversified consumer groups and scenarios. In 2024, the cumulative sales of EBN porridge has exceeded 7,358 thousand bowls across all platforms, with a revenue of RMB90.7 million, which has become a new growth point contributing to our performance.

The Company actively expanded the boundaries of scientific research on EBN and continued to deepen the innovative research on EBN peptide. In 2024, the Company made significant progress in the production process of EBN peptide, and was granted an invention patent (Patent No.: ZL 2022 1 1398048.3) by the National Intellectual Property Administration for "A kind of bird's nest peptides preparation method and application with the efficacy of promoting cellular repair and high moisturization and whitening", Yan Palace's core patent on EBN peptide. This marks that Yan Palace has reached a new height in the field of EBN peptide technology, which has effectively promoted the recognition of the scientific value of EBN peptide in the whole industry, and continued to lead the technological innovation and development direction in the field of EBN deep-processing.

#### **4. Supply Chain Management**

In May 2024, Yan Palace Intelligent Manufacturing Industrial Park completed its intelligent transformation and officially commenced operation. The new factory pioneered the “Intelligent EBN Sorting Production Line System”, integrating automatic soaking machines, cleaning machines and AI-powered sorting machines, as well as innovating and developing a number of core processes to realize a fully automated workflow for pre-processing of EBN. We deployed automatic bottle unloading system, robot loading and unloading of sterilization baskets, and 360° intelligent water spray retorts, which increased the production efficiency by over 30% compared with the traditional mode. We also completed the industry’s first “intelligent low-temperature CTU stereoscopic warehouse for EBN materials”, which, complemented by the intelligent stereoscopic warehouse for finished products, can realize unmanned operation of the whole storage process through the cooperative operation of three-way forklift and AGV stacker.

The new factory’s park management platform integrates energy consumption monitoring, intelligent security, fire warning and other sub-systems, significantly improving management response efficiency. The self-developed water recycling system realizes tertiary reuse of production water and effectively reduces water consumption per unit of product. Meanwhile, it integrates SCM (supply chain management), MES (manufacturing execution system), WMS (warehouse management system) and other systems, and connects with the traceability system of the CAIQ to build a digital management platform covering the whole chain from raw material procurement, production and manufacturing to end service, realizing visualized control of the supply chain.

In 2024, our Shanghai production base achieved a breakthrough in production capacity through lean production management, with a 23% year-on-year increase in the annual shipment volume, which effectively lowered the unit production cost of freshly stewed products at our Shanghai factory, and achieved the planning objectives of our Shanghai production base. We plan to replicate the system and management experience of our new Xiamen factory to our Shanghai and Guanghe production bases to enhance the synergy of the production bases and further improve the production efficiency of the overall supply chain.

#### **Outlook**

Against the backdrop of fluctuations in global economy and the trend of consumption stratification, the stability and rebound of Hong Kong’s capital markets, coupled with the continuous expansion of new consumption scenarios in China have provided dual support for the Company’s performance growth. From high-end nutrition to daily wellness, we remain positive about the long-term development prospects of China’s health food industry. In particular, as the core carrier of Chinese nutrition culture, bird’s nest continues to occupy the core area of consumption upgrade by virtue of its extensibility of consumption scenarios and cultural identity. The structural growth of the demand for health management among silver-haired consumers, the growing trend of light health

care among urban white-collar workers, the popularization of the concept of “self-care through tonic foods” among young people, and the continuous expansion of the maternal nutrition market are all contributing to the high-frequency and scenic penetration of universal health consumption. In view of the above, the Company will accelerate the upgrading from individual products to composite nourishment solutions with the core strategy of “tapping deeper into the value of bird’s nests and expanding the health ecosystem”, striving to achieve the strategic goal of “doubling revenue in five years” and building the second growth curve of the Group. In order to realize this strategic goal, the Group plans to take the following measures:

## **1. Upgrading the product matrix and focusing on the growth of single product**

Under the trend of stratified consumer demand and diversified scenarios, the Company will precisely cover core scenarios such as business gifting, family nourishment and light meal replacements through the three-dimensional product matrix of “pure EBN, EBN+ and +EBN”. For pure EBN products, we have put forward the core strategy of “high-end positioning, ingenious quality, and technological empowerment” to maintain and consolidate our brand’s leadership in the bird’s nest market. By infusing cultural narratives and emotional values into the products, we deepen our brand moat among consumers. With the combination of traditional craftsmanship and modern scientific research and innovation, we ensure the products’ leading position in quality, experience and safety, making them the first choice of consumers in purchasing bird’s nest products.

Strengthening the super single product of EBN porridge, we combine it with breakfast and other scenes to strengthen the attributes of high-frequency consumption and construct the omni-regional growth model of “online marketing campaign + B-end distribution penetration + penetration of distribution channels”. We entered the wedding gift market segment with bird’s nest lava chocolate, and launched limited-edition gift boxes in collaboration with high-end consumer brands to build up consumer’s mindset of emotional consumption. At the same time, the bird’s nest peptide division was set up to develop complex formulations of bird’s nest peptide products and to expand the growth curve of technical bird’s nest.

## **2. Optimizing channel structure to penetrate the mass market**

The Company will implement a channel optimization strategy that matches market demand and consumer preferences, enhancing the efficiency of existing channels with differentiated layouts. The third-generation iconic concept stores were launched in first-tier commercial centers in core cities, integrating brand culture display, immersive experience and digital interaction functions. Priority will be given to expanding the top 100 counties with strong consumption power in market penetration. By 2025, the target is to complete the market layout in key counties, initially establishing a county-level grid coverage system through the standardization of store types and the asset-light cooperation model.

We continue to make breakthroughs in innovative channels, planning to enter membership warehousing channels such as Sam’s Club and Costco with customized products, penetrating the convenience store network with lightweight products such as bird’s nest thick drink, bird’s nest lava chocolate, and ready-to-eat freeze-dried products, and simultaneously consolidating the strategic cooperation with high-end superstores such as Ole and Freshippo.

Taking bird’s nest derivatives as the breakthrough point of online ready-to-eat retail channel, we will anchor on three high-frequency consumption scenarios, namely breakfast meal replacement, afternoon tea light snack and snack-oriented scenario, focus on breakthroughs in core cities, and achieve breakthroughs in key cities through the model of “trending products testing – data feedback – regional replication”. Targeting at potential online distribution channels, the Company will develop high-potential new products and cultivate high-quality benchmark customers to promote their long-term stable growth.

### **3. Expanding overseas presence and accelerating regional penetration**

Leveraging on the overseas Chinese community’s understanding of the EBN products, the Company has formally initiated its overseas expansion. In 2025, we plan to successively open offline stores in New York and Singapore, and simultaneously launch cross-border e-commerce business in the United States and Southeast Asia, exploring Yan Palace’s overseas expansion path from “China’s leading EBN brand” to “global provider of nourishing products”.

### **4. Enhancing content operation to improve marketing efficiency**

Through the refined operation of high-quality content such as short videos for science popularization and key opinion leader’s scene-based product recommendation, we can achieve an integration of brand building, marketing effectiveness conversion and sales and improve the marketing efficiency; taking Yan Palace Business School courses, the traceability experience in transparent factory and EBN culture as vehicles, we offer customized health benefits solutions for corporate customers.

2025 is the strategic breakthrough year for the Company’s “second venture”. Faced with the uncertainty of the market environment, we will adhere to the corporate vision of “leading the global bird’s nest industry and building a century-old national brand” (引領全球燕窩行業, 打造百年民族品牌) by driving product innovation through creativity, leveraging technology to build up a stronger protection from competition, focusing on practical work to deepen market value, and building team consensus through culture; the Company will uphold the “consumer-centric” business philosophy, strive to achieve the strategic goal of “doubling in five years”, and steadily move towards the vision of “leader of the global bird’s nest industry”.

## FINANCIAL REVIEW

The following discussions are based on the financial information and notes set out in other sections of this announcement and should be read in conjunction with them.

### Revenue

Our revenue was mainly derived from sales and distribution of EBN products.

Our revenue increased by 4.37% from RMB1,964.2 million for the year ended December 31, 2023 to RMB2,050.0 million for the year ended December 31, 2024. The following table set forth a breakdown of our revenues by product categories for the years ended December 31, 2023 and 2024.

	Year ended December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Pure EBN products	1,795,365	87.6	1,794,214	91.3
EBN+ and +EBN products	231,874	11.3	141,986	7.2
Others <sup>(1)</sup>	22,761	1.1	28,037	1.5
<b>Total</b>	<b>2,050,000</b>	<b>100.0</b>	<b>1,964,237</b>	<b>100.0</b>

Note:

- (1) Include non-EBN products such as moon cakes, snacks and rice dumplings etc.
- *Pure EBN products.* Revenue generated from pure EBN products mainly represents the revenue generated from sales of pure EBN products primarily consisting of *One Nest* (碗燕), Freshly Stewed Bird's Nest (鲜燉燕窩), other bottle-canned bird's nest and dried EBN. Our revenue generated from the sales of pure EBN products increased by 0.06% from RMB1,794.2 million for the year ended December 31, 2023 to RMB1,795.4 million for the year ended December 31, 2024.
  - *EBN+ and +EBN products.* Revenue generated from EBN+ and +EBN products mainly represents the revenue generated from sales of EBN+ and +EBN products. Our revenue generated from the sales of EBN+ and +EBN products increased by 63.31% from RMB142.0 million for the year ended December 31, 2023 to RMB231.9 million for the year ended December 31, 2024, primarily due to significant increase in the sales of EBN porridge.
  - *Others.* Our revenue generated from the sales of other products decreased by 18.82% from RMB28.0 million for the year ended December 31, 2023 to RMB22.8 million for the year ended December 31, 2024.



### ***Cost of sales***

Our cost of sales primarily consisted of cost of raw materials, employee benefits expenses, production costs and courier fees.

Our cost of sales increased by 7.01% from RMB969.3 million for the year ended December 31, 2023 to RMB1,037.2 million for the year ended December 31, 2024, in line with the revenue growth in 2024.

### ***Gross profit and gross profit margin***

Our gross profit increased by 1.79% from RMB994.9 million for the year ended December 31, 2023 to RMB1,012.8 million for the year ended December 31, 2024. The increase in our gross profit was in line with the growth in our overall revenue. Our gross profit margin decreased from 50.65% for the year ended December 31, 2023 to 49.40% for the year ended December 31, 2024.

### ***Selling and distribution expenses***

Our selling and distribution expenses primarily consisted of (i) advertising and promotion fees; (ii) employee benefits expenses; (iii) sample and gift costs; (iv) technical service fees; (v) rent; (vi) depreciation and amortization; and (vii) others which primarily consisted of design fees, conference fees, property utilities, office expenses, business hospitality, travel expenses and decoration and maintenance costs. Our selling and distribution expenses increased by 19.08% from RMB563.3 million for the year ended December 31, 2023 to RMB670.8 million for the year ended December 31, 2024, which was primarily attributable to the increase in advertising and promotional fees. In 2024, we completed the development of a dual ambassador's matrix and engaged the international actress Ms. Gong Li (鞏俐) and the young actor Mr. Wang Yibo (王一博) as our global brand ambassadors.

### ***Administrative expenses***

Our administrative expenses primarily consisted of (i) employee benefits expenses; (ii) consulting service fee which primarily consisted of expenses in connection with strategic and management consulting services; (iii) office expenses; (iv) travel and business reception expenses; (v) depreciation and amortization; (vi) property utilities; and (vii) credit impairment loss. Our administrative expenses decreased by 12.64% from RMB159.5 million for the year ended December 31, 2023 to RMB139.3 million for the year ended December 31, 2024, which was primarily due to the fact that the Company has successfully become listed, and the professional service fee related to the listing of the Company decreased accordingly in 2024.

### ***Research and development expenses***

Our research and development expenses increased by 8.19% from RMB26.4 million for the year ended December 31, 2023 to RMB28.5 million for the year ended December 31, 2024, which was primarily attributable to increased process development costs.

### ***Other net income***

Our other net income primarily consisted of (i) government grants and (ii) interest income. Our other net income increased by 29.38% from RMB30.5 million for the year ended December 31, 2023 to RMB39.5 million for the year ended December 31, 2024, which was primarily attributable to increased government grants.

### ***Finance cost***

Our finance costs primarily consisted of interest on lease liabilities and interest expenses on bank loans. Our finance costs increased by 138.10% from RMB2.9 million for the year ended December 31, 2023 to RMB7.0 million for the year ended December 31, 2024, which was primarily attributable to increased interest expenses on our lease as a result of the increase in leasing expense of smart EBN factory of the Company.

### ***Income tax***

Our income tax decreased by 25.20% from RMB61.7 million for the year ended December 31, 2023 to RMB46.2 million for the year ended December 31, 2024, which was primarily attributable to profit decrease.

### ***Profit for the year***

As a result of the foregoing, our profit for the year decreased by 24.18% from a net profit of RMB211.6 for the year ended December 31, 2023 to RMB160.4 million for the year ended December 31, 2024.

### ***Liquidity, financial resources and capital structure***

The primary uses of cash are to fund the daily operations of the business of the Group. For the years ended December 31, 2023 and 2024, we financed our capital expenditures and working capital requirements primarily through 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, the gross proceeds from the Global Offering, bank loans and other borrowings, and other funds raised from the capital markets from time to time. As of December 31, 2024, the Group had not used any financial instruments for hedging purposes.

We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved. Our current assets decreased from approximately RMB1,154.5 million as of December 31, 2023 to approximately RMB1,013.5 million as of December 31, 2024, primarily due to a decrease in cash and cash equivalents balance as a result of the construction of the new green intelligent factory.

### ***Cash flows***

As of December 31, 2024, our cash and cash equivalents primarily consisted of cash at banks and were denominated in RMB and HKD. Our total cash and cash equivalents decreased by 21.71% from RMB537.1 million as of December 31, 2023 to RMB420.5 million as of December 31, 2024. The decrease was primarily attributed to the construction of the new green intelligent factory.

### ***Foreign exchange risk management***

Our functional currency is RMB. Our business is principally conducted in RMB, and substantially all of our assets are denominated in RMB. Foreign exchange risk arises when commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We are subject to foreign exchange risk arising from commercial transactions and recognized assets and liabilities which are denominated in non-RMB.

We recognized net foreign exchange losses of RMB0.2 million in the year ended December 31, 2024.

We have not implemented any hedging arrangements. We manage our foreign exchange risk by closely monitoring the movement of the foreign currency rates. We mitigate such a risk by constantly reviewing the economic situation and foreign exchange risk, and applying hedging measures when necessary.

### ***Capital expenditure***

For the year ended December 31, 2024, our total capital expenditure was approximately RMB114.2 million, compared to approximately RMB24.4 million for the year ended December 31, 2023. Our capital expenditure primarily consisted of payments for purchase of property, plant and equipment and purchase of intangible assets. We funded these expenditures with cash generated from our operations and financing activities.

### ***Capital commitments***

As of December 31, 2023 and 2024, we had capital commitments of RMB33.9 million and RMB8.3 million, respectively, primarily in connection with (1) the remaining amount of payments expected to be made in the future for the purchase of long-term assets; and (2) the amount of payments for short-term leases within the next year.

### ***Contingent liabilities***

As of December 31, 2024, we did not have any material contingent liabilities, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

### ***Future plans for material investments and capital assets***

Save as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and in this announcement, as of December 31, 2024, we did not have detailed future plans for material investments or capital assets.

### ***Material acquisitions and disposals and significant investments***

We did not have any material acquisitions and disposals and significant investments during the year ended December 31, 2024.

### ***Pledge of assets***

As of December 31, 2024, we did not pledge any of our assets.

### ***Net current assets***

As of December 31, 2023 and 2024, our net current assets amounted to RMB594.4 million and RMB402.0 million, respectively. The decrease in our net current assets was primarily attributable to a decrease in cash and cash equivalents balance as a result of the construction of the new green intelligent factory.

### ***Borrowings and Indebtedness***

Our indebtedness consisted primarily of lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<i>(RMB in thousands)</i>	
<b>Current indebtedness</b>		
Lease liabilities	<u>25,267</u>	<u>26,391</u>
<b>Non-current indebtedness</b>		
Lease liabilities	<u>105,048</u>	<u>111,287</u>
<b>Total</b>	<u><u>130,315</u></u>	<u><u>137,678</u></u>

As of December 31, 2024, we had no outstanding balance of borrowings.

## **Key financial ratios**

The following table sets forth our key financial ratios as of the date and/or for the years indicated.

	<b>As of/for the year ended</b>	
	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Profitability ratios</b>		
Gross profit margin <sup>(1)</sup>	<b>49.4%</b>	50.7%
Net profit margin <sup>(2)</sup>	<b>7.8%</b>	10.8%
Return on equity <sup>(3)</sup>	<b>20.5%</b>	33.3%
<b>Liquidity ratios</b>		
Current ratio <sup>(4)</sup>	<b>1.7x</b>	2.1x
Gearing ratio <sup>(5)</sup>	<b>17.0%</b>	17.3%

### *Notes:*

- (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 current ratio is based on current assets divided by current liabilities as of year end.
- (5) The calculation of gearing ratio is based on total debt (including lease liabilities) divided by total equity and multiplied by 100%.

## **OTHER INFORMATION**

### **Use of Proceeds**

The H shares of the Company were listed on the main board of the Stock Exchange on December 12, 2023. The net proceeds received from the Global Offering (after deducting the underwriting commissions and other fees and expenses in connection with the Global Offering) was approximately HK\$256.46 million.

The net proceeds from the Global Offering (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in that same manner, proportion and the expected timeframe as set out in the Prospectus under the section headed “Future Plans and Use of Proceeds”. The table below sets out the planned and actual applications of the net proceeds up to December 31, 2024.

	Net proceeds from the Global Offering <i>(HKD in millions)</i>	Equivalent to RMB <i>(RMB in millions)</i>	Utilization from January 1, 2024 to December 31, 2024 <i>(RMB in millions)</i>	Unutilized proceeds as of December 31, 2024 <i>(RMB in millions)</i>	Expected timeline for fully utilizing the unutilized amount <sup>(1)</sup>
Research and development activities to expand our product portfolio and enrich our product features	25.6	23.32	14.91	8.41	Before December 31, 2028
Expand and consolidate our sales network	64.1	58.3	52.48	5.82	Before December 31, 2028
Strengthen our brand building and marketing promotion efforts	38.5	34.98	34.98	0	N/A
Strengthen our supply chain management capabilities	89.8	81.63	76.79	4.84	Before December 31, 2028
Strengthen our digital infrastructure	12.8	11.66	8.39	3.27	Before December 31, 2028
Working capital and other general corporate purposes	25.6	23.32	23.32	0	N/A
<b>Total</b>	<b>256.46</b>	<b>233.21</b>	<b>210.87</b>	<b>22.34</b>	

*Note:*

- (1) The expected timeline for fully utilizing the unutilized amount disclosed above is based on the reasonable estimates made by the Board pursuant to the latest information up to the date of this announcement.

To the extent that the net proceeds have not been immediately utilized, the balance has been deposited into banks. The Board currently does not expect to change the intended use of net proceeds as previously disclosed in the Prospectus, and expects full utilization of the net proceeds raised from the Global Offering by December 31, 2028, subject to changes in light of the Company's evolving business needs and changing market conditions.

### **Employees, Training and Remuneration Policies**

As of December 31, 2024, we had 1,869 employees. The labour costs including Directors' and Supervisors' emoluments and share-based payment expenses were approximately RMB292.8 million in the year ended December 31, 2024.

Our employees' compensation includes basic salary, performance-based cash bonuses and other incentives. We determine our employees' compensation based on each employee's performance, qualifications, position and seniority. In order to improve the Company's incentive mechanism, retain key employees and promote the sustainable development of the Company's business, the Board proposed the H Share Incentive Scheme to the Shareholders' general meeting for consideration to incentivize the management personnel and core technical employees who play important roles in the Company's operating results and future development. The H Share Incentive Scheme was approved and adopted by the Company on March 25, 2024. For details of the H Share Incentive Scheme and related information, please refer to the announcements of the Company dated January 12, 2024, March 25, 2024 and December 4, 2024 and the circular of the Company dated March 7, 2024.

We recognize the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, we are committed to the continuing education and development of the Directors.

The Directors, Supervisors and senior management receive remuneration from the Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind. The Board has established the Remuneration and Appraisal Committee to review and recommend the remuneration and compensation packages of the Directors, Supervisors and senior management of the Company, and the Board, with the advice from the Remuneration and Appraisal Committee, will review and determine the remuneration and compensation packages taking into account salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management and performance of the Group.

As required under the labor laws of PRC, Hong Kong and other jurisdictions where we operated, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In compliance with PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

We believe that we have maintained a good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the year ended December 31, 2024.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

Pursuant to the rules of the H Share Incentive Scheme adopted by the Company on March 25, 2024, the trustee of the H Share Incentive Scheme purchased on the Stock Exchange a total of 9,294,400 H shares at a total consideration of HK\$103,028,000 (equivalent to approximately RMB94,073,000) during the year ended December 31, 2024.

Save as disclosed above, neither the Company nor its subsidiary had purchased, sold or redeemed any of the Company's listed securities (including the sale of Treasury Shares) during the period from January 1, 2024 to the date of this announcement. As at December 31, 2024, there were no Treasury Shares held by the Company.

## **Sufficiency of Public Float**

According to the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained to comply with the minimum public float percentage requirement under Rule 8.08(1) of the Listing Rules at any time for the year ended December 31, 2024.

## **Compliance with Corporate Governance Code**

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code and the Company has adopted the CG Code as its own code of corporate governance.

For the year ended December 31, 2024, the Company has complied with all the applicable code provisions as set out in the CG Code.

## **Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code as its own code of conduct regarding the transactions of securities of the Company by its directors, supervisors and the relevant employees who would likely possess inside information of the Company. Specific enquiry has been made to all directors and supervisors of the Company and all of them have confirmed that they have complied with the Model Code during the period from January 1, 2024 to December 31, 2024.

## **Review of Annual Results**

The Audit Committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting, risk management and internal control systems of the Company and to assist the Board to fulfill its responsibilities over the audit.

As of the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely, Mr. XIAO Wei, Mr. CHEN Aihua and Mr. LAM Yiu Por, and Mr. CHEN Aihua serves as the chairman of the Audit Committee.

The Audit Committee has reviewed and confirmed the accounting principles and policies adopted by the Group and discussed, the auditing, internal control and financial reporting matters of the Group. The annual results of the Group for the year ended December 31, 2024 have also been reviewed by the Audit Committee.



## **Scope of Work of the Auditor**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in this annual results announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2024 as required under Rule 13.49(2) of the Listing Rules. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by KPMG on this annual results announcement.

## **Events after the Reporting Period**

On January 3, 2025, Yan Palace Silon Biotechnology, a wholly-owned subsidiary of the Company, entered into the Structured Deposit Product Agreement I with China Everbright Bank, pursuant to which, Yan Palace Silon Biotechnology agreed to subscribe the Structured Deposit Product I of RMB45 million from China Everbright Bank. The subscription of the Structured Deposit Product I was fully redeemed on March 3, 2025. On January 6, 2025, Yan Palace Silon Biotechnology entered into the Structured Deposit Product Agreement II with China Everbright Bank, pursuant to which, Yan Palace Silon Biotechnology agreed to subscribe the Structured Deposit Product II of RMB50 million from China Everbright Bank. The subscription of the Structured Deposit Product II was fully redeemed on February 17, 2025. On February 17, 2025, Yan Palace Silon Biotechnology entered into the Structured Deposit Product Agreement III with China Everbright Bank, pursuant to which, Yan Palace Silon Biotechnology agreed to subscribe the Structured Deposit Product III of RMB50 million from China Everbright Bank. On March 5, 2025, Yan Palace Silon Biotechnology entered into the Structured Deposit Product Agreement IV with China Everbright Bank, pursuant to which, Yan Palace Silon Biotechnology agreed to subscribe the Structured Deposit Product IV of RMB30 million from China Everbright Bank. For details, please refer to the announcement of the Company dated March 14, 2025.

After the end of the Reporting Period, the Directors proposed a final dividend. For details, please refer to "Other Information – Final Dividend" in this announcement and note 9(a) to the financial statements.

As of the date of this announcement, save as above, there has been no significant event since the end of the Reporting Period that is required to be disclosed by the Company.

## **AGM**

It is proposed that the AGM will be held on Friday, May 9, 2025. A notice convening the AGM will be published on the HKEXnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.yanzhiwu.com](http://www.yanzhiwu.com)), and will be despatched to the shareholders of the Company in accordance with the requirement of the Listing Rules in due course.

## **Final Dividend**

The Board has resolved to recommend the payment of a final dividend of RMB2.15 per ten Shares for the year ended December 31, 2024 to the Shareholders whose names appeared on the register of members of the Company on Wednesday, May 21, 2025, subject to the approval of the Shareholders at the AGM. Once the relevant resolution is passed at the AGM, the proposed final dividend is expected to be paid on Thursday, June 5, 2025.

A circular containing further details as to, amongst others, the applicable foreign exchange rate, tax and payment arrangement for the proposed cash dividend, will be despatched to the Shareholders in due course.

## **Closure of Register of Members**

### ***In relation to the AGM***

For determining the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, May 6, 2025 to Friday, May 9, 2025, both days inclusive, during which period no transfer of Shares will be registered.

In order to be eligible to attend and vote at the AGM, all H Share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's branch H Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, May 2, 2025.

### ***In relation to the final dividend***

For determining the entitlement of Shareholders to receive the final dividend, the register of members of the Company will be closed from Friday, May 16, 2025 to Wednesday, May 21, 2025, both days inclusive, during which period no transfer of Shares will be registered.

To qualify for the final dividend, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's branch H Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, May 15, 2025.

## **Publication of the Annual Results Announcement and the Annual Report**

This announcement was published on the HKEXnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.yanzhiwu.com](http://www.yanzhiwu.com)). The 2024 annual report containing all the information required by the Listing Rules will be published on the HKEXnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.yanzhiwu.com](http://www.yanzhiwu.com)), and will be despatched to the Shareholders in accordance with the Listing Rules in due course.

## **Appreciation**

On behalf of the Board, I would like to express our sincere gratitude to customers and business partners for their trust in the Company, our staff and management team for their diligence, dedication, loyalty and integrity, and the Shareholders for their continuous support.

## DEFINITIONS

“AGM”	the forthcoming annual general meeting of the Company to be held on Friday, May 9, 2025
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“Board Secretary”	secretary to the Board
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China Everbright Bank”	China Everbright Bank Company Limited, a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 6818) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601818)
“Company”	Xiamen Yan Palace Bird’s Nest Industry Co., Ltd. (廈門燕之屋燕窩產業股份有限公司) (formerly known as Xiamen Yan Palace Bioengineering Co., Ltd. (廈門燕之屋生物工程股份有限公司)), a joint stock company established in the PRC with limited liability on December 23, 2020, the H shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EBN”	nests created by swiftlets with their saliva. EBN is highly valued in Chinese culture and has been a renowned delicacy in Chinese cuisine for over 400 years. It is known for its nutritional profile, which includes, among others, sialic acid, amino acid, collagen, glycoprotein, antioxidants, calcium, potassium, iron, magnesium and hormones. Traditional Chinese medicine attributes various health benefits to EBN, such as promoting overall wellness, boosting the immune system, enhancing focus and concentration, increasing energy and metabolism and regulating circulation. Modern scientific studies conducted by authoritative sources have further validated the perceived health benefits of EBN products
“EBN+ products”	ready-to-serve EBN products (with an EBN feed rate of 1% or above and up to 5%) enhanced with other ingredients and/or nutrients, such as ginseng and gamma-aminobutyric acid
“Global Offering”	has the meaning ascribed to it under the Prospectus

“Group”, “Yan Palace”, “our”, “we” or “us”	the Company and its subsidiary from time to time
“H Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB0.2 each, which is/are listed on the Stock Exchange and traded in Hong Kong dollars
“H Share Incentive Scheme”	the 2024 H Share Incentive Scheme adopted by the Company at the extraordinary general meeting on March 25, 2024, the rules of which are set out in Appendix I to the circular of the Company dated March 7, 2024
“H Share Shareholder(s)”	holder(s) of H Shares
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS Accounting Standards”	Includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus issued by the Company on November 30, 2023 in connection with the Hong Kong public offering of the H Shares
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Reporting Period”	twelve months from January 1, 2024 to December 31, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the issued capital of the Company with a nominal value of RMB0.20 each

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Deposit Product Agreement I”	the agreement entered into between Yan Palace Silon Biotechnology and China Everbright Bank on January 3, 2025 in relation to the subscription of Structured Deposit Product I of RMB45 million
“Structured Deposit Product Agreement II”	the agreement entered into between Yan Palace Silon Biotechnology and China Everbright Bank on January 6, 2025 in relation to the subscription of Structured Deposit Product II of RMB50 million
“Structured Deposit Product Agreement III”	the agreement entered into between Yan Palace Silon Biotechnology and China Everbright Bank on February 17, 2025 in relation to the subscription of Structured Deposit Product III of RMB50 million
“Structured Deposit Product Agreement IV”	the agreement entered into between Yan Palace Silon Biotechnology and China Everbright Bank on March 5, 2025 in relation to the subscription of Structured Deposit Product IV of RMB30 million
“Structured Deposit Product I”	the structured deposit product of RMB45 million subscribed by Yan Palace Silon Biotechnology on January 3, 2025 pursuant to the Structured Deposit Product Agreement I
“Structured Deposit Product II”	the structured deposit product of RMB50 million subscribed by Yan Palace Silon Biotechnology on January 6, 2025 pursuant to the Structured Deposit Product Agreement II
“Structured Deposit Product III”	the structured deposit product of RMB50 million subscribed by Yan Palace Silon Biotechnology on February 17, 2025 pursuant to the Structured Deposit Product Agreement III
“Structured Deposit Product IV”	the structured deposit product of RMB30 million subscribed by Yan Palace Silon Biotechnology on March 5, 2025 pursuant to the Structured Deposit Product Agreement IV
“Treasury Shares”	has the meaning ascribed to it under the Listing Rules
“Yan Palace Silon Biotechnology”	Xiamen Yan Palace Silon Biotechnology Co., Ltd. (廈門市燕之屋絲濃生物科技有限公司), a limited liability company established under the laws of the PRC on October 26, 2023 and a wholly-owned subsidiary of the Company

“+EBN products” include certain food and skincare products that contain EBN or EBN extracts as an enhancement for elevated nutrition or other benefits. +EBN food products are products that use EBN (with an EBN feed rate of less than 1%) and other food ingredients as raw materials, such as EBN porridge. +EBN skincare products are products that contain EBN or EBN extracts, such as EBN facial masks and EBN essence

“%” per cent

By Order of the Board  
**Xiamen Yan Palace Bird's Nest Industry Co., Ltd.**  
廈門燕之屋燕窩產業股份有限公司  
**HUANG Jian**  
*Chairman and Executive Director*

Hong Kong, March 14, 2025

*As at the date of this announcement, the Board comprises (i) Mr. HUANG Jian, Mr. ZHENG Wenbin, Mr. LI Youquan and Ms. HUANG Danyan as executive Directors; (ii) Mr. LIU Zhen and Mr. WANG Yalong as non-executive Directors; and (iii) Mr. XIAO Wei, Mr. CHEN Aihua and Mr. LAM Yiu Por as independent non-executive Directors.*