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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)

PROFIT WARNING

This announcement is made by Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (廈門燕之屋燕窩產業股份有限公司) (the “**Company**”, and its subsidiaries (collectively, the “**Group**”), pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that, based on a preliminary review of the unaudited consolidated management accounts of the Group for the six months ended June 30, 2024, and taking into account the information currently available to the Board, it is expected that (i) the Group may record revenue of approximately RMB1,045 million to RMB1,090 million for the six months ended June 30, 2024 (the “**2024 Interim Period**”), representing an increase of approximately 10% to 15% as compared to the revenue for the same period in 2023, and (ii) the Group may record net profit of approximately RMB50.0 million to RMB60.0 million for the 2024 Interim Period, representing a decrease of approximately 40% to 50% as compared to the net profit for the same period in 2023.

Despite the extremely challenging operating environment in the first half of 2024, the revenue of the Group continued to grow steadily, benefiting from the impressive growth of online revenue. The Group's market share in online channels has steadily increased, which has provided the Group with a younger customer base and continued growth momentum. In the second half of 2024, the Group will actively implement the established sales promotion and cost control measures to enhance operational resilience and minimize the impact of changes in the economic environment on the Group, including rapid bulk sales of “+EBN” products such as EBN porridge and EBN drink, implementation of the integrated development strategy of channel convergence, control of cost, and implementation of the synergistic development of the upstream and downstream industry chains, etc. The management of the Group is confident that the Group will continue to maintain its leading market position for the year 2024.

The Board considers that such an expected decrease in net profit is mainly attributable to the following reasons:

1. In order to implement the dual brand ambassadors strategy, the Company officially announced Ms. Gong Li (鞏俐) and Mr. Wang Yibo (王一博) as the new brand ambassadors in January 2024 and May 2024, respectively. The advertising and promotion fees in relation to the publication of the new brand ambassadors were mainly incurred in the first half of the year, the effect of which will continue to manifest in the future in terms of brand power enhancement and sales promotion;
2. In order to build up the supply chain capacity for the Company's development in the next five to ten years, according to the Company's plan for the use of proceeds, the Company constructed a new green intelligent factory in the first half of the year and completed the relocation and production of the new green intelligent factory in May 2024. The construction of the new factory led to a slight increase in production cost, which will gradually return to the normal level with the gradual release of production capacity of the new factory and the improvement of production efficiency in the future; and
3. The growth rate of revenue from offline channel was lower than expected due to the trend of conservative spending by offline customers.

The results of the Group for the 2024 Interim Period are subject to finalization and the actual results of the Group for the 2024 Interim Period will be disclosed in the interim results announcement in accordance with the Listing Rules.

The Company would like to remind the Shareholders and potential investors of the Company that the information set out in this announcement is based on a preliminary assessment with reference to the information currently available to the Board and has not been reviewed by the audit committee of the Company and the independent auditor of the Company, respectively, and may differ with the actual interim results for the 2024 Interim Period of the Group. Should there be other matters that will have any further material impact on the estimated net profit of the Group for the 2024 Interim Period, further announcement(s) will be made as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and read carefully the interim results announcement of the Company for the 2024 Interim Period, which is expected to be published in August 2024.

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, July 16, 2024

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.