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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 XIV^A 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.

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.