You should carefully consider all the information in this Document and, in particular, the risks and uncertainties described below before making an [**REDACTED**] *in our H Shares. The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the* [**REDACTED**] *of our H Shares could decline and you may lose all or part of your* [**REDACTED**]. *The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, financial condition and results of operations.*

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this Document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in a highly competitive industry, and our revenue, profit or market share may be adversely affected if we are unable to compete successfully.

The global and China hotel markets are highly competitive. We compete with major hotel groups with established brands and independent hotels in the markets in which we operate. Competition is based on factors including brand recognition and reputation, location, service quality, room rates, amenities, geographic coverage, and reservation systems. Competitors may offer more attractive pricing, convenience or services, and guests may shift to alternative lodging options, including short-term rentals. In addition, increased hotel supply in the markets where we operate could negatively affect occupancy rates, average daily room rates and financial performance. If we are unable to compete effectively, our revenue, profitability, and market share may be adversely affected.

We also compete for management agreements and franchise agreements. Globally, F&M hotels contributed around 91.7% of the total hotel chains in terms of the number of hotels, with over a thousand hotel brands competing for such arrangements. Our ability to compete depends on the quality and value of our management services, brand strength, availability of suitable properties, operating performance of our existing hotels, commercial terms offered to franchisees, marketing support, reservation capabilities, and cost efficiency. If our hotels underperform relative to competitors or if we are unable to offer competitive terms, we may be unable to secure new franchise or management agreements, which could limit our growth and adversely affect our business and results of operations. Under our O&L model, we also compete for hotel lease agreements with third-party property owners. Globally, O&L hotels represented approximately 8.3% of hotel chains by number of hotels, totaling approximately 16,900 hotels as of 2025. Competition in this model depends on factors including rent levels, brand recognition, availability of suitable properties and commercial terms. If we are unable to offer competitive terms or secure suitable properties on a timely and cost-efficient basis, our ability to expand and our growth prospects may be adversely affected.

Our business is sensitive to global economic conditions as well as the economic conditions of the market where our hotels locate, particularly China and Europe. A severe or prolonged downturn in global economy could materially and adversely affect our revenues and results of operations.

Our business and operations are primarily based in China and Europe, and our financial performance is closely tied to the economic conditions in these regions. During the Track Record Period, our operations in China contributed 70.7%, 69.7% and 72.1% of our total revenue in 2023, 2024 and 2025, while our overseas operations, primarily in Europe, accounted for 29.3%, 30.3% and 27.9% of our total revenue, respectively. As such, any significant downturn in the Chinese or European economies could materially and adversely affect our business, financial condition, and results of operations.

The hotel industry is highly sensitive to changes in both corporate and consumer discretionary spending. China and Europe have experienced significant volatility in travel demand and hotel performance. In Europe, average hotel occupancy fell from 72.2% in 2019 to just 33.1% in 2020 at the height of the COVID-19 pandemic, before rebounding to 69% in 2023. RevPAR in Europe dropped from Euro81.9 in 2019 to Euro30.9 in 2020, then recovered to Euro101.0 in 2023, while average daily rate ("**ADR**") reached Euro146.4 in 2023, surpassing pre-pandemic levels. International tourist arrivals to Europe, according to the UN World Tourism Organization, fell from 746 million in 2019 to 241 million in 2020, then gradually recovered to 711 million in 2023, still about 6% below pre-pandemic levels. Similarly, in China, domestic tourist trips dropped from 6.0 billion in 2019 to 2.9 billion in 2020, then rebounded to 4.9 billion in 2023 as restrictions eased. China's hotel occupancy was averaged at 56.7% in 2019, dropped to 47.4% in 2020, and recovered to 55.0% in 2023, with RevPAR following a similar pattern, from RMB195.7 in 2019 to RMB196.3 in 2023.

Economic slowdowns in China or Europe–whether due to rising interest rates, inflation, geopolitical tensions, public health crises, or other factors–could lead to reduced business and leisure travel, lower occupancy rates, and downward pressure on room rates. For example, China's real GDP growth 5.2% in 2023, 5.0% in 2024 and 5.0% in 2025. The People's Bank of China has cut its 1-year Loan Prime Rate from 4.15% in 2019 to 3.0% in 2025 in an effort to stimulate the economy, while consumer price inflation has remained subdued. In Europe, GDP growth was 0.5% in 2023, 1.1% in 2024 and 1.5% in 2025, while inflation peaked at 8.4% in 2022 and is forecast to be 2.1% in 2025. The European Central Bank deposit facility rate rose from -0.5% in early 2022 to 4.0% by late 2023, tightening financial conditions and impacting both consumer and corporate travel budgets. These macroeconomic headwinds have a direct impact on our business, as a slowdown in China's GDP growth, tightening of credit conditions, or a decline in consumer confidence could result in fewer domestic travelers and reduced spending on accommodation and related services. Similarly, economic stagnation or recession in key European markets, such as France or Germany, could negatively impact inbound and intra-European travel, directly affecting the performance of our European hotel portfolio.

There is also considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. The future relationships between China and other countries with respect to trade policies, treaties, government regulations, and tariffs are still evolving and may change from time to time. Economic conditions in the PRC and the markets where our hotels are located are susceptible to global economic conditions. It is currently unclear whether these challenges will be reduced and what effects each of them may have. Any severe or prolonged slowdown in the global economy or the economies of the PRC and the markets where our hotels are located may materially and adversely affect our business, financial condition, and results of operations. Continued turbulence in international markets may also impair our ability to access the capital markets to meet liquidity needs. For example, hotel investment volumes in Europe were Euro10.7 billion in 2023, down 19% from 2022, reflecting higher borrowing costs and tighter credit conditions, while in China, hotel investment activity remains subdued, with many operators facing refinancing challenges due to tighter liquidity.

The growth of the regional and global economy has slowed in recent years, and it remains uncertain whether, and for how long, the regional and global economic slowdown will persist. There have been concerns over war, unrest, and terrorist threats in certain countries and regions, which have resulted in volatility in oil and other markets. Regional economic conditions are sensitive to global economic conditions, changes in domestic economic and political policies, as well as the expected overall economic growth rate. It is unclear whether these challenges and uncertainties will be effectively managed or resolved and what effects they may have on the global political and economic conditions in the long term. Any economic slowdown or negative business sentiment could have an indirect potential impact on our industry. For example, according to the Global Business Travel Association, business travel spending in Europe was US$310 billion in 2019, fell to US$110 billion in 2020, and is projected to reach US$295 billion in 2024. In China, business travel spending was US$400 billion in 2019, dropped to US$150 billion in 2020, and is expected to recover to US$390 billion in 2024. International Air Transport Association reports that international air passenger traffic in Europe was 7.0% higher than 2019 levels in 2025, while China's domestic air traffic recovered to over 90% of 2019 levels in 2025.

Furthermore, adverse economic conditions may prompt corporate clients to cut travel budgets, postpone or cancel events and conferences, and renegotiate contracts, leading to lower revenue from business travelers and group bookings. On the leisure side, consumers may opt for shorter trips, less expensive accommodations, or defer travel altogether during periods of economic uncertainty. In addition, a prolonged downturn could increase competition among hotel operators, resulting in price wars, higher marketing expenses, and pressure on profit margins. Our ability to pass on increased costs to customers may also be limited during economic downturns, which could further erode profitability. If economic conditions in China, Europe, or globally deteriorate, we may experience increased defaults or delays in payments from travel agencies, corporate clients, or franchisees, as well as higher credit risk and potential impairment of receivables.

In addition, continued turbulence in the international markets, including ever-changing trade relations between certain countries, may adversely affect our ability to access capital markets to meet liquidity needs. As a result, our business operations and financial performance may be materially and adversely affected.

Given our significant exposure to both the Chinese and European markets, any sustained weakness or volatility in these economies could have a disproportionate impact on our business compared to hotel operators with a more diversified geographic footprint. There can be no assurance that we will be able to mitigate the effects of adverse economic conditions in our key markets, and any such downturns could materially and adversely affect our business, financial condition, and results of operations.

Our financial and operating performance as well as strategic optimization may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes.

Our financial and operating performance may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes, particularly in locations where we operate a large number of hotels. Outbreaks of contagious diseases may materially disrupt our hotel operations, including through reduced travel demand, operational restrictions, and the need to quarantine employees, guests or affected hotel areas. Any such events could adversely affect occupancy rates, guest confidence and the safety reputation of affected hotels.

Losses resulting from epidemics, adverse weather conditions, natural disasters, or other catastrophes, including earthquakes and typhoons, may be uninsured or exceed available insurance coverage in China and overseas. In the event of an uninsured or underinsured loss, we may lose all or part of our investment in affected hotels, as well as anticipated future revenue.

War or the threat of war, terrorist activity, social unrest, heightened travel security measures, travel-related accidents, geopolitical uncertainty, and international conflict may also reduce travel demand and adversely affect our business and results of operations. In addition, we may not be adequately prepared for major incidents or crises, which could disrupt operational continuity and harm our reputation.

If our brand portfolio, the value of brand image or reputation diminishes, our business and results of operations may be adversely affected.

Our brand "Jin Jiang" (錦江) has a history of 90 years, tracing its origin back to Jin Jiang Teahouse (錦江茶室) in 1935. As of the Latest Practicable Date, we have established a brand portfolio appealing to a range of hotel guests, covering market segments from economy hotels to upper scale and above hotels. Our continued success in maintaining and enhancing our brand portfolio and the value of image depends, to a large extent, on the ability of us and our franchisees to satisfy guest needs by maintaining consistently high quality services across our hotel network, as well as their and our innovation ability to respond to competitive pressures. If we and our franchisees are unable to consistently deliver such level of services, our occupancy rates may decline, which could in turn adversely affect our results of operations. If any hotel operated by our franchisees fails to follow our standards and requirements, or if any of them misuse our brand, it may adversely affect our reputation and brand image. In addition, like any operators in the service industry, we are subject to complaints from our guests. Guests may complain against us because they are not satisfied with the standard of service provided by us and our F&M hotels. Any complaint, regardless of its nature and validity, may affect our reputation and, in turn, adversely affect our results of operations whether justifiably or not, especially considering the social media amplification in the current age. We may also need to incur additional costs to placate any guests or to salvage reputation. If any of our franchisees breaches or violates the law, they may not be able to adequately compensate us for losses incurred as a result of such breach or violation. Moreover, if we may not be able to identify and respond to the issues in a timely manner, and our image and reputation may be damaged, which may adversely affect our results of operations.

Labor shortages, increases in labor costs or labor disruptions could slow our growth and harm business and results of our operations.

Hotel operations are labor-intensive, and our success depends on our and our franchisees' ability to attract, retain, and motivate qualified personnel, including hotel managers and other staff. The hotel labor market is highly competitive, and any failure to recruit or retain sufficient qualified employees may delay new hotel openings, impair staffing of existing hotels, reduce service quality and guest satisfaction, and adversely affect our business and results of operations. Competition for qualified employees may also require us to increase wages, resulting in higher labor costs. Labor costs in China have increased in recent years, including as a result of rising minimum wage requirements, and may continue to increase. We may not be able to increase room rates sufficiently to offset higher labor costs, which could adversely affect our business, financial condition and results of operations. Our operations may also be disrupted by strikes, labor disputes or other labor unrest. In addition, any negative publicity or adverse information relating to us, our hotels, or our management, whether accurate or not, could damage our reputation. If our brands lose attractiveness or reputation, our business and results of operations may be adversely affected.

Our success could be adversely affected by the performance of our F&M hotels. Termination or inability to renew of our franchise and/or management agreements could have an adverse impact on our business, financial condition and results of operations.

As of December 31, 2025, the number of our F&M hotels accounted for approximately 95.7% of the total number of hotels we operated. In 2023, 2024, and 2025 our revenue derived from F&M hotels in operation accounted for 42.4%, 44.0%, and 49.7%, respectively, of our total revenue. Our gross profit derived from F&M hotels in operation accounted for 66.5%, 68.1%, and 79.0% of our total gross profit in 2023, 2024, and 2025, respectively. Our success could be adversely affected by the performance of our F&M hotels, over which we have less control compared to our O&L hotels due to the nature of F&M hotels.

We enter into franchise and/or management agreements with our franchisees in connection with our F&M hotels. Our franchisees may not be able to develop hotel properties on a timely basis, which could adversely affect our growth strategy and may impact our ability to collect fees from them on a timely basis. In addition, in order to maintain our hotels' condition and appearance, ongoing renovations and other leasehold improvements, including periodic replacement of furniture, fixtures and equipment, are required. Our franchise and/or management agreements require our franchisees to comply with standards and requirements that are essential to maintaining our brand integrity and reputation. We depend on our franchisees to comply with these requirements by maintaining and improving properties and they are typically responsible for all of the costs and expenses, including investments in furniture, fixtures, amenities and personnel. Such investments require ongoing funding and our franchisees may not be able to access capital or unwilling to spend available capital when necessary, even if required by the terms of our franchise and/or management agreements. If our franchisees fail to make investments necessary to maintain or improve the properties we franchise or manachise, our brand recognition and reputation and the attractiveness of our hotels could suffer, we could lose market share to our competitors and our hotel occupancy rates and RevPAR may decline. Also, if our franchisees are unable to afford the mortgages for their properties, this may lead to adverse effect to their title to the properties and in turn may affect the operation of the hotels on the properties.

We plan to renew our existing franchise and/or management agreements upon expiration. However, we may be unable to do so on satisfactory terms, or at all. If a significant number of our existing franchise and/or management agreements are terminated early or are not renewed on satisfactory terms upon expiration, our revenue and profit may decrease in the future. If we cannot secure new franchise and/or management agreements to replace those expired or terminated and compensate for the loss of our business, our results of operations could be adversely affected.

We could suffer from impairment losses for our goodwill.

We acquired businesses from time to time, which have resulted in the recognition of goodwill on our financial statements. We had goodwill of RMB11,831.4 million, RMB11,440.0 million, and RMB11,643.5 million as of December 31, 2023, 2024, and 2025, respectively. Goodwill impairment test is required annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Factors that could lead to impairment of goodwill include significant adverse changes in the business climate, unanticipated changes in the competitive environment, adverse legal or regulatory actions or developments, changes in guests' perception and the reputation of our brands, changes in interest rates, and deterioration in our financial condition. If we acquire new businesses in the future, we may also record additional goodwill.

There is no assurance that future reviews of goodwill will not result in significant impairment charges. An impairment charge will have the effect of decreasing our earnings, assets and shareholders' equity, which could negatively impact our financial condition and results of operations.

We could suffer from impairment losses for our intangible assets.

We had intangible assets of RMB6,842.3 million, RMB6,694.7 million, and RMB6,972.3 million as of December 31, 2023, 2024 and 2025, respectively. Our intangible assets consist primarily of trademarks and brand names. Except our *百歲村* trademarks which have definite lives of 10 years, our trademarks and brand names are considered to have indefinite lives. We test indefinite life intangible assets at least annually for impairment, and more frequently if events or changes in circumstances indicate that they might be impaired. We evaluate finite life intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such an adverse event occurs and has the effect of changing one of the critical assumptions or estimates related to the fair value of our intangible assets, an impairment charge could result.

There is no assurance that future reviews of intangible assets will not result in significant impairment charges. An impairment charge will have the effect of decreasing our earnings, assets and shareholders' equity, which could negatively impact our financial condition and results of operations.

We face risks associated with our international operations. If we are unable to effectively manage these risks, our results of operation, financial conditions, business and prospects may be materially and adversely affected.

During the Track Record Period, we derived a portion of our total revenue from overseas markets. Our revenue from overseas markets was RMB4,294.9 million, RMB4,256.2 million, and RMB3,850.5 million for 2023, 2024, and 2025, accounting for 29.3%, 30.3%, and 27.9% of our total revenue in the same periods, respectively. As of December 31, 2025, our overseas hotel network covered 57 countries or regions worldwide across Europe, Asia (excluding China), Americas and Africa, where we had 740 hotels in France, 111 hotels in other countries and regions in Europe, and 224 hotels were located in other countries and regions in Asia (excluding China), the Americas, and Africa.

Operating internationally subjects us to additional risks compared to our operations in China, particularly in markets where we have limited experience or brand recognition. These risks include reduced operational efficiency due to distance, language and cultural differences; difficulties in directing and monitoring overseas operations; challenges in hiring and retaining qualified personnel; competition from established hospitality operators; exposure to differing business practices; reliance on local franchisees and business partners; vulnerabilities to political, social and economic conditions; and geopolitical events, including pandemics, war and terrorism. Recent trends toward economic unilateralism further increase uncertainty in certain overseas markets.

Our international operations are also subject to foreign laws and regulations, including trade protection measures, economic or trade sanctions, export controls, anti-corruption and anti-money laundering laws, environmental and labor regulations, restrictions on foreign investment and competition laws. Rising geopolitical tensions may have led to stricter trade and regulatory regimes, the interpretation and enforcement of which may impose additional restrictions or compliance burdens. Any failure to manage these risks or comply with applicable laws could restrict our cross-border operations, increase costs, damage our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to achieve or manage our planned expansion, which could adversely affect our operating results.

We intend to continue expanding our hotel network in China and overseas. Such expansion places significant demands on our managerial, operational, technological and financial resources and requires us to maintain consistent service quality. To support our growth, we must continue to enhance our operational, administrative and technological systems, strengthen financial and management controls, and recruit, train and retain qualified personnel. We cannot assure that we will be able to effectively manage our growth, integrate new hotels, or adapt our systems and procedures to new markets. Failure to do so could result in declining revenue, increased expenses and adverse effects on our results of operations and financial condition.

Expansion within existing markets may cannibalize performance of our existing hotels. Expansion into new geographic markets, particularly overseas, and the addition of hotels where we have limited operating experience or brand recognition may present different regulatory, competitive and operating challenges. Hotels in new markets may generate lower revenue, incur higher costs, require greater marketing investment, take longer to ramp up, or fail to achieve expected profitability. We may also face difficulties in hiring and retaining qualified personnel in new markets.

There is no assurance that our expansion or the introduction of new hotels or brands will be successful or profitable in a timely manner, or at all. If our expansion efforts are unsuccessful, we may be unable to generate sufficient revenue to offset related costs, which could materially and adversely affect our financial performance and condition.

A large portion of the costs and expenses of our O&L hotels may remain at the same level or increase, which would adversely affect our net margins and results of operations if our revenue from O&L hotels declines.

During the Track Record Period, our revenue derived from our O&L hotels accounted for 49.2%, 46.5%, and 42.0% respectively, of our total revenue. A large portion of the operating costs of our O&L hotels, including rent and depreciation and amortization, is fixed. Accordingly, a decrease in revenue could result in a disproportionately higher decrease in our gross profit because our operating costs and expenses are unlikely to decrease proportionately. However, our costs and expenses do not vary significantly with changes in revenue, as we need to continue to pay rent and salaries and to make regular repairs, maintenance and renovations and invest in other capital improvements to maintain the attractiveness of our hotels. Our property development and renovation costs may even increase as a result of increasing costs of materials, but we have a limited ability to pass increased costs on to guests through room rate increases. Therefore, our costs and expenses may remain constant or increase even if our revenue decline, which would adversely affect our net margins and results of operations.

Our leases could be terminated early, we may not be able to renew our existing leases on commercially reasonable terms and our rents could increase substantially in the future, which could adversely affect our operations.

The lease agreements between our lessors and us typically provide, among other things, that the leases could be terminated under certain legal or factual conditions. If our leases are terminated early, our operation of such properties may be interrupted or discontinued and we may incur costs in relocating our operations to other locations. As a result, our business, results of operations and financial condition could be adversely affected.

We cannot assure, however, that we will be able to renew our leases on satisfactory terms, or at all. If we fail to renew our leases on satisfactory terms upon lease expiration, the costs may increase and the profit generated from these hotels may decrease in the future. If we are unable to pass the increased costs on to our guests through room rate increases, our operating margins and earnings could decrease and our results of operations could be adversely affected.

If we fail to maintain our relationships with our third-party sales channels (including OTA platforms and travel agencies) for the sales of our hotel rooms, our business and growth prospects could be materially and adversely affected.

We have derived a portion of our revenues from our indirect reservation channels mainly comprising hotel reservation websites maintained by third-party operators and our cooperation arrangements with travel agencies. We cannot assure you that we are able to maintain our relationship with the OTA platforms and that our corporate account clients will agree to renew the relevant cooperation agreements upon their expiration, or enter into new agreements with us on substantially similar terms. If we fail to enhance or maintain our relationships with the third-party operators or if our corporate account clients decline to renew their cooperation agreements or propose new agreements with commercial terms less favorable to us, our business and growth prospects could be adversely affected.

Our hotel properties are located on land which is subject to long-term land use rights granted by the PRC government and rapid urbanization and changes in zoning and urban planning in China may cause our hotels to be demolished, removed or otherwise affected.

Our hotels in China may be located on land subject to long-term land use rights granted by the PRC government, which generally expire after 40 to 50 years. These land use rights are not subject to automatic renewal and require application for renewal at least one year prior to expiration. Renewal is subject to approval by the PRC government, and there is no assurance that such approval will be granted. In certain circumstances, the PRC government may terminate land use rights prior to their expiration where it considers such action to be in the public interest. Changes in zoning requirements or other governmental mandates relating to urban planning may require affected hotels to be demolished, removed or relocated. We cannot assure that such demolitions, relocations, termination of franchise or management arrangements, or interruptions to hotel operations will not occur. Any relocation may result in the loss of prime hotel locations, reduced operating performance and insufficient compensation to cover our direct and indirect losses. In addition, if the grantee fails to comply with the terms and conditions of the land use rights grant contracts, the PRC government may terminate the land use rights and revoke the use of the land. The imposition of additional conditions or the non-renewal of land use rights by the PRC government could materially and adversely affect our business, financial condition and results of operations.

We are subject to risks relating to some of the properties we and our franchisees use.

We and our franchisees are required under applicable PRC laws and regulations to obtain various permits, certificates and approvals for the properties we own or use. We and our franchisees also rely on lease arrangements with third parties for hotel operations. The property rights relating to properties we or our franchisees own or lease may be challenged, due to properties located on allocated land not permitted for commercial use. In such cases, relevant authorities may require relocation of the affected hotels and impose penalties.

We cannot assure that we or our franchisees will always maintain valid title or leasehold interests in properties free from defects, encumbrances or challenges. If properties are deemed illegal constructions or if landlords lack the right to lease properties for hotel operations, landlords may be subject to penalties and lease agreements may be invalidated, which could require us or our franchisees to relocate the affected hotels. Any required relocation may not be completed in a timely manner, or at all, and may result in relocation costs, operational disruptions and loss of revenue. We may also lose franchise or management hotels if franchisees cease cooperation, which could materially and adversely affect our business.

As of the Latest Practicable Date, certain of our leased hotels in China had not been registered or filed with the relevant land authorities. We may be ordered to complete such registrations within a prescribed period, failing which we may be subject to fines ranging from RMB1,000 to RMB10,000 per unregistered lease. Our operation of such hotels may be challenged, and we may become involved in disputes with property owners or third parties. We cannot assure that suitable replacement sites will be available on acceptable terms or that we will not incur liability, which could materially and adversely affect our business, financial condition and results of operations.

Food safety and foodborne illness concerns may have an adverse effect on our reputation and business.

Certain of our hotels directly operate on-site restaurants. Food and beverage operations involve inherent risks of injury or illness to consumers, including risks arising from contamination, degeneration, tampering by third parties, or the presence of harmful substances during procurement, preparation or service. We cannot assure that our internal controls and training will prevent all food safety incidents. Although food and beverage operations are subject to governmental inspection and regulation, we may still be subject to claims, lawsuits or liability relating to food safety incidents, including in respect of restaurants operated by third parties. Our insurance coverage may be insufficient to cover resulting losses. Any actual or alleged food safety incident or foodborne illness, whether real or perceived, could result in negative publicity, reduced restaurant sales, temporary or permanent restaurant closures, loss of guest confidence, damage to our hotel brands and reputation, and could adversely affect our revenue, profitability and results of operations, as well as expose us to product liability claims and litigation.

We are subject to various laws and regulations and require various approvals, licenses and permits to operate our business and the loss of or failure to timely obtain or renew any or all of these approvals, licenses and permits could adversely affect our business and results of operations.

Our business is subject to various compliance and operational requirements including to obtain and maintain necessary approvals, licenses and permits in the countries or regions where we operate. Each of our hotels is required to obtain various approvals, licenses and permits, including industry-specific licenses, the Certificate for the Fire Safety Inspection of Public Gathering Places before the Use or Commencement of Business Operations, and the Food Business License, among others. In addition, our operation of franchised hotels requires us to complete commercial franchising filings.

Most approvals, licenses and permits are subject to periodic examination or verification by relevant authorities, are valid for a limited period and require renewal. There is no assurance that we will be able to obtain or renew all required approvals, licenses or permits in a timely manner, or at all. If relevant authorities determine that we have historically operated, or are operating, without proper approvals or licenses, or if we fail to renew existing approvals, or if new laws and regulations require additional approvals or impose new restrictions with which we fail to comply, authorities may order rectification and impose fines, confiscate income, revoke business licenses, suspend or discontinue relevant operations, or restrict affected portions of our business, which could adversely affect our business and results of operations.

Our franchisees are subject to similar compliance and operational requirements. Although our franchise and management agreements require franchisees to obtain and maintain all necessary approvals and licenses, we have limited control over their compliance. Any failure by our franchisees to obtain or maintain required approvals or licenses may delay hotel openings or require us to forgo or terminate franchise or management arrangements, which could harm our brand, result in lost revenue and expose us to potential indirect liability.

As we continue to expand internationally, we will be subject to additional laws and regulations in other jurisdictions. Such laws and regulations may be more comprehensive or stringent than those currently applicable to us, may conflict with existing regulatory requirements, and may impose additional operational, administrative and compliance burdens or restrict our business activities and expansion plans. Compliance across an increasing number of jurisdictions may increase our costs and divert management attention.

Interruption or failure of our information technology systems or our business partners' systems could impair our ability to effectively provide our services, which could damage our reputation and subject us to penalties.

Our ability to provide consistent and high-quality services and to monitor our operations on a real-time basis throughout our network of hotels depends on the continued and stable operation of our information technology systems. Any damage to or failure of our systems could interrupt our daily operations, affect the manner of our services in terms of efficiency, consistency and quality, and reduce our guest satisfaction. Our technology platform is central to the management of our loyalty programs and franchisees, and we rely on our website, call center and mobile application to facilitate guest reservations. Our systems may be damaged or interrupted due to power outages, telecommunications failures, computer viruses, fires, floods, earthquakes, hacking attempts or other similar events. Our servers may also be subject to break-ins, sabotage or vandalism. In addition, certain systems are not fully redundant, and our disaster recovery planning does not address all possible scenarios. Our systems and technologies, including our website and databases, may contain undetected errors or "bugs," become outdated, or require upgrades that we may be unable to implement on a timely basis or within budget. Frequent, prolonged or persistent system failures could materially impair our service quality, operational efficiency and reputation. Measures taken to enhance system reliability and redundancy may be costly, reduce our operating margin, and may not achieve the intended results. We also rely on the systems of business partners, including online reservation platforms and airlines, which are outside our control. If these partners experience system failures, insufficient network capacity or other technical issues, our ability to provide services may be adversely affected, potentially resulting in reputational harm, guest complaints, and fines or other penalties imposed by competent authorities.

Failure to comply with data protection and cybersecurity laws or maintain the integrity of internal or customer data could result in harm to our reputation or subject us to costs, liabilities, fines or lawsuits.

Our business involves collecting and retaining a large volume of internal information and customer data, including personal information of hotel guests. As of December 31, 2025, we had approximately 213.1 million Jin Jiang members, and we collected and stored certain data of these members. We also maintain information about various aspects of our operations as well as our employees. The integrity and protection of personal information concerning our guests and employees and internal data are crucial to our business.

The PRC regulatory and enforcement regimes regarding privacy and data security are evolving and becoming more stringent. Multiple regulatory authorities, including the Ministry of Industry and Information Technology, or the MIIT, the Cyberspace Administration of China, or the CAC, the Ministry of Public Security, or the MPS, the State Administration for Market Regulation and other relevant authorities, enforce data-related laws with differing standards and levels of application. PRC regulators, including the CAC, the MIIT and the MPS, have increasingly focused on cybersecurity and data security, and additional or more stringent requirements may be adopted in the future. Any failure to comply with applicable laws and regulations may result in investigations, fines, penalties or suspension of operations, which could adversely affect our business and operations.

The European Union is also an important region for our data protection compliance. European data protection laws, in particular the General Data Protection Regulation (GDPR), and the French Data Protection Act, impose strict requirements on the processing of personal data, including restrictions on cross-border data transfers outside the European Union, including to China. Under the GDPR, personal data may be processed only where a lawful basis exists and for specified, explicit and legitimate purposes. Compliance requires the implementation and ongoing review of technical and organizational measures, appointment of responsible personnel where required, monitoring of data processing activities, preparation of documentation, including data protection impact assessments, and staff training. Any failure to comply with these requirements could adversely affect our business and operations.

There is no guarantee that our current security measures, or those of our third-party service providers, will always be sufficient. Given the size of our guest base and the volume and nature of the data we hold, we may be an attractive target for hackers, foreign governments or cyber terrorists. Unauthorized access to data could result from network intrusions, malware, denial-of-service attacks, employee misconduct, security failures at third-party service providers, or inadequate internal controls. Cyber-attack techniques continue to evolve and may not be detected or prevented in a timely manner.Any actual or perceived failure to protect personal or internal data, or to comply with applicable data protection and cybersecurity requirements, could harm our reputation, disrupt our operations, increase compliance costs, and adversely affect our business and results of operations. Such incidents could also result in data loss or misuse, service interruptions, reduced customer confidence, impairment of our technology infrastructure, regulatory penalties, litigation and significant legal and financial exposure.

We may not be able to prevent others from unauthorized use of our intellectual properties, which could harm our business and competitive position.

We rely on patents, trademarks, copyrights, trade secrets and confidentiality agreements to protect our proprietary rights. Unauthorized use or misappropriation of our intellectual property by third parties could adversely affect our revenue and reputation. There is no assurance that our applications to register trademarks or other intellectual property will be approved, or that our intellectual property rights will not be challenged, invalidated or found unenforceable. If we are unable to obtain or enforce such rights, we may be unable to prevent third parties from using our intellectual property, which could materially and adversely affect our business, financial condition, results of operations and prospects. Monitoring and enforcing our intellectual property rights is difficult and costly, and we may be required to engage in litigation, which could result in substantial expense and diversion of management resources. In addition, the protection provided by our patents may be limited, may not prevent others from developing similar technologies, and may be contested, invalidated, circumvented or expire without extension. Intellectual property rights held by third parties may also restrict our ability to exploit our own intellectual property. As a result, our intellectual property may not provide effective protection or competitive advantage.

We may need to defend ourselves against claims for intellectual property infringement, which may be time-consuming and would cause us to incur substantial costs.

From time to time, we may receive communications from third parties alleging infringement of their intellectual property rights or seeking licenses. Our use of trademarks, designs, software or technologies could be found to infringe third-party rights. If we or our employees are determined to have infringed such rights, we may be required to cease offering affected services, pay substantial damages, obtain licenses that may not be available on reasonable terms or at all, redesign our services at significant cost, or adopt alternative branding. Any successful infringement claim and our inability to obtain necessary licenses could materially and adversely affect our business, financial condition, results of operations and prospects. In addition, intellectual property claims or litigation, whether or not valid, may result in substantial costs, negative publicity and diversion of management attention and resources.

We are dependent upon our Directors and senior management team, and our business, results of operations and financial condition may suffer if there are significant changes in our Directors and senior management team.

We have been, and will continue to be, highly dependent on the continued services of our Directors and senior management team. If one or more of these key personnel are not able or willing to continue to assume their present positions, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all. Therefore, our business may be disrupted and our results of operations may be adversely affected. In addition, if any of our Director or any member of our senior management team joins a competitor or forms a competing business, it may result in a leakage of business secrets and technical know-how, and increased market competition. If we cannot retain and motivate our Directors and senior management team, our business, financial condition, results of operation and prospects could be adversely affected.

Seasonality of our business and national or regional special events may cause fluctuations in our revenue, and adversely affect our profitability.

The hotel industry is subject to fluctuations in revenue due to seasonality and national or regional special events. The seasonality of our business may cause fluctuations in our quarterly operating results. Generally, the first quarter, in which both the New Year and Spring Festival holidays fall, accounts for a lower percentage of our annual revenue than other quarters of the year. Our hotels in China typically have a lower RevPAR in the first quarter and in the fourth quarter, as compared to the second and third quarters, due to reduced travel activities in the winter . In addition, national or regional special events that attract large numbers of people to travel may also cause fluctuations in our operating results in particular for the hotels which locate in where those events are held. Therefore, you should not rely on our operating or financial results for prior periods as an indication of our results in any future period. As our revenue may vary from quarter to quarter, our business performance is relatively difficult to predict and our quarterly results could deviate from investor expectations, which could cause our share prices to fluctuate.

We incurred net current liabilities as of December 31, 2024 and 2025.

We recorded net current liabilities of RMB1,526.0 million and RMB25.5 million as of December 31, 2024 and 2025, respectively, See "Financial Information — Discussion of certain key items of consolidated statements of financial position". We cannot assure you that we will continue to have a net current assets position in the future. The net current liabilities position, if recurs in the future, would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected.

We are subject to credit risk in collecting trade and other receivables due from the customers.

During the Track Record Period, a majority of our trade and other receivables were outstanding for less than one year. We generally grant credit terms ranging from 30 days to 90 days to our customers. During the Track Record Period, our trade receivables turnover days were 52 days, 50 days, and 49 days, respectively. As of December 31, 2023, 2024, and 2025, we had total trade and other receivables of RMB2,505.5 million, RMB2,288.0 million, and RMB2,294.7 million, respectively. There is no assurance that all such amounts due to our Group will be settled on time or at all, and we are subject to credit risk in collecting the trade and other receivables due from the customers. Our Group's performance, liquidity and profitability will be adversely affected if significant amounts due to our Group are not settled on time. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.

We are susceptible to claims and various legal and administrative proceedings. Claims arising out of actual or alleged violations of law, breach of contract or torts could be asserted against us by customers, business partners, suppliers, competitors, employees, governmental entities or other parties in investigations and legal proceeding. Regardless of the merit of the particular claim, legal and administrative proceedings may be expensive, time-consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into agreements to settle litigation and resolve such disputes. There is no assurance that such agreements can be obtained on acceptable term or at all or that litigation will not occur. In addition, these agreements may also significantly increase our operating expenses. During the Track Record Period and up to the Latest Practicable Date, there was no legal or administrative proceeding pending or threatened against us that could have a material effect on our business, financial condition or results of operations. However, new legal or administrative claims and proceedings may arise in the future, which may cause us to incur defense costs, and results of operation, financial conditions, business and prospects could be materially and adversely affected.

We may need additional capital, but we may not be able to obtain financing on favorable terms or at all.

During the Track Record Period, we primarily relied on cash flows from operating and investing activities to fund our operations. Although we believe that our current cash and cash equivalents, anticipated operating cash flows and estimated net [**REDACTED**] from the [**REDACTED**] will be sufficient to meet our anticipated cash needs for the next 12 months, we may require additional funds to support business expansion or other future developments, including network expansion, infrastructure investment, marketing initiatives or other investments. If our operating cash flows are insufficient, we may need to obtain additional equity or debt financing. There is no assurance that such financing will be available on satisfactory terms or in a timely manner, and any failure to secure additional funding could adversely affect our ability to operate, expand our business or respond to competition. Any equity financing may result in dilution to existing Shareholders, while additional indebtedness may impose restrictive covenants and require interest and principal payments, increasing our cash requirements and financial risk.

The discontinuation of any preferential tax treatment, government grants and other favorable policies currently available to us could adversely affect our financial condition, results of operations and prospects.

We have historically received government grants in the form of subsidies. During the Track Record Period, we recognized government grants as other net income of RMB68.8 million, RMB42.6 million, and RMB40.1 million, respectively. The timing, amount and eligibility criteria for preferential tax treatment, government grants, and other favorable policies are determined at the sole discretion of the relevant governmental authorities and cannot be predicted with certainty. We generally have no ability to influence such decisions. Our eligibility for preferential tax treatment, government grants, and other favorable policies depends on various factors determined by the relevant authorities, and certain incentives are project-based and subject to conditions, including compliance with applicable agreements and completion of specified projects. Relevant policies may be reduced, eliminated or discontinued at any time at the discretion of government authorities. There is no assurance that we will continue to receive preferential tax treatment, government grants or other favorable policies. Any reduction or elimination of such incentives could materially and adversely affect our business, financial condition, results of operations and prospects.

We are exposed to changes in the fair value of our financial assets measured at fair value through profit or loss ("FVPL") and our financial assets measured at fair value through other comprehensive income ("FVOCI"). Fluctuations in these values would affect our results of operations and financial condition.

As of December 31, 2023, 2024, and 2025, we recorded financial assets measured at FVPL of RMB1,120.4 million, RMB1,194.7 million, and RMB1,116.6 million, respectively. As of the same dates, we recorded financial assets measured at FVOCI of RMB52.1 million, RMB60.4 million, and RMB76.1 million, respectively. Fair values of financial assets measured at FVPL and financial assets measured at FVOCI are determined based on quoted prices in active markets, other market-observable inputs, or unobservable inputs using valuation techniques.

For financial assets measured at FVPL and FVOCI, factors beyond our control can significantly influence and cause adverse changes to the market-observable inputs that we use and thereby affect the fair value of such financial assets. Any of factors could cause the fair values to fluctuate or our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. Additionally, judgment and estimation are required in establishing the relevant valuation techniques where market-observable data for certain financial assets are not readily available, which inherently involves a certain degree of uncertainty. Changes in assumptions relating to our valuation could result in material adjustments to the fair value of such financial assets, which may have a material adverse effect on our financial position and results of operations.

We are subject to laws that require making adequate contributions to various employee benefit plans.

PRC laws and regulations require us to participate in various government sponsored employee benefit plans. These benefit plans include social insurance, housing provident fund and other welfare-oriented payment obligations. PRC laws require that we contribute to the plans in amounts equal to certain percentages of salaries of our employees up to maximum amounts specified by the local government at locations where we operate our business, which we have strived to comply to the best of our abilities. As of the Latest Practicable Date, we had not received any notice for payment of penalties of social insurance premium and housing provident funds from the competent authorities, nor had we been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date. However, if the relevant PRC authorities hold a different view with us or if there are any changes in the relevant laws and regulations, which may result in, for instance, a requirement that we make supplemental contributions, a new determination that we are not in compliance with labor laws and regulations, or that we are subject to new fines or other administrative penalties, our results of operation, financial conditions, business and prospects may be adversely affected.

Our limited insurance coverage may expose us to losses, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

We carry all mandatory and certain optional commercial insurance, including property insurance, public liability insurance, and employer's liability insurance. We also require our franchisees to purchase customary insurance policies. We do not maintain insurance against all risks associated with our operations, either because we have deemed it commercially unfeasible to do so, or because our insurers have excluded certain risk events from coverage under their standard policies. See "Business — Insurance". In particular, there are inherent risks of accidents or injuries in hotels. One or more accidents or injuries at any of our hotels could adversely affect our safety reputation, decrease our overall occupancy rates and increase our costs by requiring us to take additional measures to make our safety precautions even more visible and effective. In the future, we may be unable to renew our insurance policies or obtain new insurance policies without increases in cost or decreases in coverage levels. We may also encounter disputes with insurance providers regarding payments of claims that we believe are covered under our policies and claims under our insurance policies may not be honored fully or on time. Furthermore, we may be exposed to claims and liabilities which exceed our insurance coverage. If we are held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our reputation, business, financial condition and results of operations may be materially and adversely affected.

We have granted, and may continue to grant, certain awards under our share incentive plans, which may result in increased share-based compensation expenses, affect our financial condition and results of operations.

We adopted share incentive plans including share-based compensation to incentivize and reward the eligible participants including middle and senior management and key employees who have contributed to our success. During the Track Record Period, we incurred share based payments under our share incentive plans. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees. We may continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations.

We are subject to anti-corruption and anti-bribery and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery and similar laws and regulations in various jurisdictions in which we conduct activities. Whilst we have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with laws and regulations, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible. Non-compliance with anti-corruption or anti-bribery laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

Changes in Environmental, Social and Governance (ESG) compliance requirements could have an adverse impact on our business, operating results and financial condition.

With the rising awareness of ESG issues, including with respect to waste disposal, packaging waste, greenhouse gas emissions and environmental protection, more stringent laws and regulations that affect our business operations may be adopted. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us. See "Business — Environmental, Social and Governance." There can be no assurance that these measures can effectively help us to navigate the complex and evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and accordingly may have an adverse impact on our results of operation, financial conditions, business and prospects.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Changes in the economic, political and social conditions as well as government policies in the countries and regions where we operate could adversely affect our business and prospects.

The majority portion of our assets and operations are located in China. In addition, we operate our business in a number of other geographic markets including the ones in the Europe, Asia (excluding China), Africa and Americas. Accordingly, our business, financial condition and results of operations could also be influenced by political, economic and social conditions in these markets. Economic growth in each of our geographic markets has been uneven, both geographically and among various sectors within any one of the relevant economies. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations. Changes in the economic or political environment in the countries and regions where we operate could increase our costs, increase our exposure to legal and business risks, disrupt our operations and affect our results of operations. In addition, incidents of trade unilateralism by certain countries or region may also increase the risks of uncertainties to our businesses and operations outside China.

Uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. The legal systems of some geographic markets where we operate vary significantly and include both civil law and common law jurisdictions. In certain markets, laws and regulations are evolving, and their interpretation and enforcement may be uncertain. The application of such laws to our business may not be settled, and administrative or court authorities may exercise broad discretion, making it difficult to predict outcomes or assess the level of legal protection available to us. Courts in some jurisdictions may also refuse to enforce foreign judgments or arbitration awards. In addition, regulatory policies and interpretations in some jurisdictions may not be published in a timely manner, may be unclear or inconsistent, or may have retroactive effect. As a result, we may not become aware of non-compliance until after it occurs. Regulatory uncertainty may also expose us to unmerited or frivolous claims or legal actions. Administrative and judicial proceedings in certain markets may be lengthy and costly and may divert management attention and resources. New or amended laws and regulations may be adopted or construed to apply to our business in the markets where we operate. Increased regulatory scrutiny or changes in applicable laws may impose additional compliance burdens, restrict our operations, slow industry growth, and materially and adversely affect our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated under the laws of the PRC with limited liability, and the majority portion of our assets are located in the PRC. In addition, a majority of our Directors and our senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. When it comes to trans-jurisdictional recognition and enforcement of judgments, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with certain jurisdictions. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in these jurisdictions may be uncertain.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement"). Under the 2006 Arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into such a choice of court agreement in writing.

On January 18, 2019, the Supreme People's Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "Arrangement"), which came into effect on January 29, 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the mainland China. The Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the Arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the mainland China even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by

Hong Kong courts will be recognized and enforced in the mainland China, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination by the relevant court in accordance with the Arrangement.

Payment of dividends is subject to laws and regulations in regions where we operate.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting). Our distributable net profit represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under HKFRS. As a result, we may not have sufficient distributable profits to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

We face foreign exchange risks. Fluctuations in exchange rates could have a material and adverse effect on our results of operations and financial performance.

The majority portion of our revenues and cost of sales is denominated in RMB. However, as we operate part of our business in foreign jurisdictions, we are subject to risks associated with foreign currency exchange fluctuations. Moreover, we recognized a currency translation gain of RMB4.9 million in 2023, loss of RMB22.1 million in 2024 and gains of RMB67.2 million during 2025 through other comprehensive income. See "Financial Information — Description of key components of our results of operations — Other comprehensive income." We cannot guarantee that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations.

Changes in the value of foreign currencies could increase our RMB costs for, or reduce our RMB revenues from, our foreign operations or overseas sales. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies. We cannot guarantee that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations. We preferentially utilize natural hedges to reduce our foreign exchange risk exposures. Where natural hedges cannot sufficiently cover our risk exposures, we may utilize other hedging instruments, depending on the relevant circumstances. However, the availability and effectiveness of these hedging measures may be limited, and we may not be able to adequately cover our exposure or at all.

We are subject to the currency exchange regulatory system and it may limit our ability to pay dividends and other obligations, and affect the value of your [REDACTED].

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our H Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

The change in the value of the Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies, as well as supply and demand in the local market. As such, it is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi, the Hong Kong dollar or other currencies in the future. During the Track Record Period, the majority of our revenues and expenditures were denominated in Renminbi, as well as most of our financial assets. However, our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. As a China-based company, any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially adversely affect any dividends payable on, our H Shares in Hong Kong dollars.

RISKS RELATING TO THE [REDACTED]

The characteristics of the A Share, B Share and H Share markets may differ and could lead to price volatility.

Our B Shares and A Shares have been listed on the Shanghai Stock Exchange since December 1994 and October 1996, respectively. Following the [**REDACTED**], our A Shares and B Shares will continue to be [**REDACTED**] on the Shanghai Stock Exchange and our H Shares will be [**REDACTED**] on the Hong Kong Stock Exchange. Under the current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares, A Shares and B Shares are neither interchangeable nor fungible, and there is no [**REDACTED**] or settlement between these different share markets. With different [**REDACTED**] characteristics, the H Share, A Share and B Share markets have divergent [**REDACTED**], liquidity and investor bases, as well as different levels of retail and institutional investor participant. As a result, the [**REDACTED**] performance of our H Shares, A Shares and B Share may not be comparable. Nonetheless, fluctuations in the price of our A Shares and/or our B Shares may adversely affect the [**REDACTED**] of our H Shares, and vice versa. Due to the different characteristics of the H Share, A Share and B Share markets, the historical prices of our A Shares and/or our B Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares and/or our B Shares when evaluating the [**REDACTED**] decision in our H Shares.

We will be concurrently subject to PRC and Hong Kong listing and regulatory requirements.

As we are listed on the Shanghai Stock Exchange and will be [**REDACTED**] on the Main Board of the Hong Kong Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

You should not place any reliance on any information released by us in connection with the listing of our A Shares and B Shares on the Shanghai Stock Exchange.

As our A Shares and B Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in mainland China. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares and B Shares listing is based on the regulatory requirements of the securities authorities, industry standards and market practices in mainland China, which are different from those applicable to the [**REDACTED**]. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this Document. As a result, prospective [**REDACTED**] in our H Shares should be reminded that, in making their [**REDACTED**] decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this Document. By [**REDACTED**] to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and any formal announcements made by us in Hong Kong with respect to the [**REDACTED**].

There has been no prior public market for our H Shares, and an active [REDACTED] market for our H shares may not develop or be sustained.

Prior to the [**REDACTED**], there was no public market for our H Shares. There can be no guarantee that an active [**REDACTED**] market for our H Shares will develop or be sustained after the completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations between our Company, the [**REDACTED**] and the [**REDACTED**] (for [themselves] and on behalf of the [**REDACTED**] and the [**REDACTED**]), which may not be indicative of the market [**REDACTED**] at which our H Shares will be [**REDACTED**] following completion of the [**REDACTED**]. If an active market for our H Shares does not develop following the completion at the [**REDACTED**], the market [**REDACTED**] and liquidity of our H Shares may be materially and adversely affected.

The [REDACTED] of our H Shares may be volatile, which could result in substantial losses to you.

The [**REDACTED**] and [**REDACTED**] of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have [**REDACTED**] their securities in Hong Kong may affect the volatility in the [**REDACTED**] and [**REDACTED**] of our H Shares. A number of mainland China-based companies have [**REDACTED**] their securities, and some are in the process of preparing for [**REDACTED**] their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant [**REDACTED**] declines after their [**REDACTED**]. The trading performances of the securities of these companies at the time of or after their [**REDACTED**] may affect the overall investor sentiment towards mainland China-based companies [**REDACTED**] in Hong Kong and consequently may impact the [**REDACTED**] performance of our H Shares. These factors may significantly affect the market [**REDACTED**] and volatility of our H Shares, regardless of our actual operating performance.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market [REDACTED] of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. In order to expand our business, we may consider [**REDACTED**] and [**REDACTED**] additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per H Share of their H Shares if we [**REDACTED**] additional Shares in the future at a [**REDACTED**] which is lower than the net tangible asset value per H Share at that time. Furthermore, we may [**REDACTED**] Shares pursuant to any existing or future equity incentive plan, which would further dilute our Shareholders' interests in our Company.

Our Controlling Shareholders have the ability to exercise substantial control over us and can influence our business in ways which may not be in the best interests of our other Shareholders.

Our Controlling Shareholders will in aggregate hold approximately [**REDACTED**]% of the issued share capital of our Company upon completion of the [**REDACTED**] assuming no exercise of the [**REDACTED**] (or approximately [**REDACTED**]% assuming the [**REDACTED**] is exercised in full). Accordingly, our Controlling Shareholders will (subject to the Articles of Association and the applicable laws and regulations) be able to control or otherwise influence our major policy decisions in ways that may not always be in the interests of other Shareholders, including overall strategic and investment decisions, dividend plans, issuances of securities and adjustments to the capital structure and other actions that require the approval of the Shareholders, which could result in decisions which may not be in the interests of our other Shareholders.

Future sales or perceived sales of substantial amount of our Shares in the public market, especially by our Directors, senior management and substantial Shareholders, could materially and adversely affect the prevailing market [REDACTED] of our H Shares.

Future sales of a substantial number of our Shares, for example by our Directors, senior management and substantial Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the market [**REDACTED**] of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. We cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the market [**REDACTED**] of our H Shares.

We are a mainland China enterprise, and we are subject to mainland China tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to mainland China income taxes.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("**EIT Law**") and its implementation rules, subject to any applicable tax treaty or similar arrangement between the mainland China and a non-mainland China investor's jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅 法》) (the "**IIT Law**"), which was promulgated by the SCNPC on September 10, 1980, and was most recently amended on August 31, 2018, and effective on January 1, 2019, and the Implementation Regulations for the IIT Law (《中華人民共和國個人所得稅法實施條例》), dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

If mainland China income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-mainland China resident investors, the value of your [**REDACTED**] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

Certain facts, forecasts, statistics and information in this Document relating to the industry in which we operate may not be fully reliable.

Certain facts, forecasts and statistics in this Document relating to the industry in which we operate are obtained from various sources that we believe are reliable, including official government publications and third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**] or any other party involved in the [**REDACTED**] and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Document relating to the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other markets, and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as may be the case elsewhere.

We cannot assure you that we will declare and distribute any dividends in the future. If we do not pay dividends in the foreseeable future after the [REDACTED], you must rely on [REDACTED] appreciation of our H Shares for a return on your [REDACTED].

We cannot assure you when and in what form dividends will be paid on our H Shares after the [**REDACTED**]. The declaration and distribution of dividends is proposed by and decided by the Board and approved at the Shareholders' meeting. Our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make/can make dividend payments on our H Shares in the future.

If we retain most, or all, of our available funds and any future earnings after the [**REDACTED**] to fund our development, subject to article of association of the Company we may not expect to pay any cash dividends in the foreseeable future. Therefore, you may not be able to rely on an [**REDACTED**] in our H Shares as a source for any future dividend income.

Even if our Board proposes to declare and pay dividends, the timing, number and form of dividends, if any, will depend on our results of operations and cash flow, our financial condition, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our H Shares will likely depend entirely upon any future [**REDACTED**] appreciation of our H Shares. There is no guarantee that our H Shares will appreciate in value after the [**REDACTED**] or even maintain the [**REDACTED**] at which you purchased the H Shares. You may not realize a return on your [**REDACTED**] in our H Shares and you may even lose your entire [**REDACTED**] in our H Shares.

This Document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This Document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate," "believe," "could," "estimate," "expect," "may," "ought to," "should" or "will" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. [**REDACTED**] in the H Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations by us that our plans or objectives will be achieved and [**REDACTED**] should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

You should read the entire Document carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business or the [REDACTED].

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this Document.

Prior to the completion of the [**REDACTED**], there may be press and media coverage regarding our Group and the [**REDACTED**]. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. In making decisions as to whether to [**REDACTED**] in our H Shares, prospective investors should rely only on the financial, operational and other information included in this Document. By [**REDACTED**] to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and the [**REDACTED**]. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it and you should not rely on such information.