

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants’ Report set out in Appendix I to this Document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements as a result of various factors, including but not limited to those discussed in “Risk Factors” and elsewhere in this Document.

OVERVIEW

We are a hotel group with an international footprint. As of December 31, 2025, we have 14,132 hotels and 1,368,057 hotel rooms in operation, covering 339 cities in 31 provinces, municipalities and autonomous regions in China and 57 countries or regions overseas across Europe, Asia (excluding China), Africa, and Americas.

Our major hotel brands as of the Latest Practicable Date comprised the following:

高端及以上 UPSCALE AND ABOVE	
中高端 UPPER MIDSCALE	
中端 MIDSCALE	
經濟型 ECONOMY	

Our brand “Jin Jiang” has a history of 90 years, tracing its origin back to our Jin Jiang Teahouse established in 1935. In 1951, our Jin Jiang hotel was established and since then, it has hosted over 500 heads of state and government officials from more than 150 countries and regions. In 1994, our B Shares were listed on the Shanghai Stock Exchange, making us the first hotel group publicly listed on a stock exchange in China. Our A Shares have been listed and traded on the Shanghai Stock Exchange since 1996.

FINANCIAL INFORMATION

As of December 31, 2025, we have 10 hotel brands under which have over 500 hotels in operation per brand, and five of such 10 brands have over 1,000 hotels in operation each. All of these brands covered economy to upper midscale hotels. Among those in our brand portfolio, *Jin Jiang Inn*, *7 Days* and *7 Days Premium*, were among our key economy hotels brands in China, and the *Vienna Series*, *Lavande*, *Hampton by Hilton* and *Xana Hotelle*, were among our key midscale and above hotels brands in China. In addition, we launched hotel brands such as *Metropolo Jin Jiang*, *James Joyce Coffetel*, and *YTUO* in the upper midscale and midscale segments, and launched our hotel brand *J* in the upper scale and above segment. Moreover, we have actively promoted the localization of overseas hotel brands in China. For instance, we introduced the brands operated by Groupe du Louvre including *Campanile* and *Kyriad* into China in 2016 and 2018, respectively, and we also brought the *Radisson Series* hotels into China via management license agreements with Radisson Hotel Group, a subsidiary of Jin Jiang International. Meanwhile, international hotel chains groups such as the Hilton brand have partnered with us to expand their presence (for example with their Hampton by Hilton hotels) in China.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by The Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. Details regarding the basis of presentation and preparation of the historical financial information of our Group are set out in note 1 to the Accountants’ Report in Appendix I to this Document.

The preparation of our consolidated financial information in conformity with HKFRSs requires the use of certain accounting judgment and estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in Note 3 of the Accountants’ Report set out in the Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors including the following:

Development of hotel industry and market competition

Our business and financial performance have been and will continue to be impacted by the growth of the hotel services industry. The global hotel industry has demonstrated resilience in the face of challenges, with strong recovery trends driven by pent-up demand, the return of business travel, and evolving consumer preferences. Between 2022 and 2023, China’s hotel industry experienced a partial recovery, driven by the release of pent-up consumer demand following the pandemic. This rebound led to an improvement in key industry indicators. However, from 2023 to 2025, the industry faced headwinds. A slowdown in macroeconomic growth and persistently weak manufacturing Purchasing Managers’ Index (“PMI”) led to a decline in business travel demand. At the same time, weakened consumer confidence contributed to more rational and cautious spending behavior. As a result, the industry came under pressure, and core performance indicators declined in 2025. Despite these short-term challenges, the industry retains the resilience to return to a path of stable growth over the medium to long term. This will be supported by structural adjustments such as quality upgrades, deeper penetration into lower-tier markets, and the expansion of innovative business models. In 2025, the total number of hotels and hotel rooms worldwide reached 880.5 thousand and 45.6 million units respectively. Total number of hotels and hotel rooms worldwide are expected to grow with CAGRs of 1.6% and 1.6% from 2025 to 2030. With greater customer flow, better brand reputation and higher risk tolerance, chain hotels are expected to further gain market shares as a number of independent hotels are likely to exit the industry during the

FINANCIAL INFORMATION

pandemic. It is expected that hotel chains will account for approximately 45.6% of the number of hotel rooms in 2030. Moreover, the future trends of global and China’s hotel industry will be driven by factors including increasing business and leisure travel demand, better mobility and ongoing urbanisation, digital transformation, increasing industry consolidation and hotel chain penetration rate, renovation and continuous brand diversification. See “Industry Overview — Market Drivers and Future Trends of Global Hotel Industry.”

The global and China hotel markets are highly competitive. Our primary competitors are other hotel groups, including other major hotel chains with well-established and recognized brands, as well as various independent hotels in each of the markets in which we operate in. We also face competitions from lodging platforms and serviced apartments. As a multi-brand hotel group, we believe that we compete primarily based on brand recognition, reputation, location, guest satisfaction, room rates, range and quality of services, amenities and quality of accommodations, geographic coverage, and convenience of the central reservation system. See “Risk Factors — 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.”

Development of our hotel network

Our revenue largely depends on the size of our hotel network. We adopt a combination of (i) O&L hotels; and (ii) F&M hotels in developing our network of our hotels. For O&L hotels, we generate revenue from hotel rooms rental, sales of food and beverages and other ancillary goods. We also use a asset-light model, i.e. F&M model, to quickly expand our hotel network worldwide. Under this model, we generate revenue from franchise or manachise agreements where the franchisees are required to pay a pre-opening service fee and continuing franchise fees which is generally calculated as a percentage of the hotel’s gross revenue and, in case of manachise hotels, an incentive fee as a percentage of the hotel’s gross profit. As a result, our revenue is essentially affected by the hotels and rooms in operation in our network. Whether we can successfully increase the number of hotels and hotel rooms is largely affected by our ability to maintain existing franchise agreements, management agreements and lease agreements and effectively identify additional hotel properties at desirable locations and develop new hotels under our different business models.

During the Track Record Period, the expansion of our F&M hotels network has significantly outpaced that of our O&L hotels. This is primarily attributable to the capital-intensive nature of O&L hotels, which require substantial upfront investments in property acquisition, renovation, and equipment, as well as the ongoing burden of depreciation and amortization expenses. As a result, the payback period and the timeline for generating profits are generally longer. In contrast, the F&M hotels entail comparatively lower capital expenditure for our company, allowing us to generate revenue immediately. This asset-light approach not only accelerates our income realization but also enhances the scalability and flexibility of our overall business expansion strategy.

Based on our existing pipeline, as of December 31, 2025, we have additional 4,083 hotels under development, amongst which (i) eight were O&L hotels; and (ii) 4,075 were F&M hotels. Our results of operations will continue to be affected by our ability to maintain or increase the number of our hotels and hotel rooms.

Our ability to optimize brand portfolio

Our results of operations depend on our ability to optimize brand portfolio towards upper midscale and above hotel markets. We offer a diversified brand portfolio with distinctive features covering the entire spectrum of market segments from economy hotels to upper scale and above hotels. We have been expanding rapidly in the midscale and above hotel market segments in recent years. During the Track Record Period, the number of our midscale hotel rooms in operation increased at a CAGR of 10.6% from 500,352 as of December 31, 2023, to 559,954 as of December 31, 2024, which then increased to 611,937 as of December 31, 2025, representing 44.7% of our total number of hotel rooms in operation as of the same date. Moreover, the number of our upper

FINANCIAL INFORMATION

midscale hotel rooms in operation increased at a CAGR of 11.8% from 263,240 as of December 31, 2023, to 298,612 as of December 31, 2024, which then increased to 329,315 as of December 31, 2025, representing 24.1% of our total number of hotel rooms in operation as of the same date.

In line with our strategies, we will strengthen our brand portfolio through the “12+3+1” brand strategy, which before 2028 will focus on consolidating 12 brands — five mature brands with over 1,000 hotels, three brands exceeding 500 hotels with potential to reach 1,000, and four high-potential brands with clear positioning — while developing three upper midscale brands with strong market recognition and expanding into the resort segment to meet growing leisure demand. Leveraging the Group’s tourism resources, we will adopt a differentiated development approach to build unique growth paths and a robust competitive moat. To implement such brand strategy, we will adopt a differentiated development strategy for our hotel brands with a strategic focus on upper midscale and above hotel brands. See “Business — Our Strategies.” We believe our proven ability allows us to optimize our brand portfolio to maximize our business and financial performance.

Our cost structure and operating efficiency

Our cost structure and operational efficiency are significantly influenced by our business model. For O&L hotels, key cost drivers include labor cost, depreciation and amortization, material cost and property-related costs (such as service fees, and maintenance cost). These costs are largely fixed in nature, resulting in higher operating leverage but also greater exposure to fluctuations in occupancy rate and RevPAR. Factors such as hotel location, size, age of facilities, and prevailing market rents can further impact on the overall cost base of our O&L hotels.

For F&M hotels, the majority of property, staff, and daily operating expenses are borne by our franchisees. Our costs are primarily comprised of labor costs and service fee for franchise and manachise development, which are generally more variable and scalable with network expansion. This asset-light approach not only enables a more flexible cost structure but also supports faster network growth with limited capital outlay.

Selling and marketing expenses and administrative expenses have a direct impact on our operational efficiency. Efficient management and targeted allocation of selling and marketing resources enable us to maximize occupancy rates and drive revenue growth, while excessive or poorly managed sales expenses may reduce profit margins without commensurate returns. Elevated administrative costs can weaken economies of scale and adversely affect our overall profitability, particularly as our hotel network expands. Ongoing cost discipline and optimization in these areas are fundamental to enhancing operational efficiency and supporting sustainable growth for our Group.

Seasonality and cyclicity

Our business and financial performance have been and will continue to be impacted by the seasonality and cyclicity of the hotel services industry. The hotel industry is subject to seasonality and cyclicity. In particular, in the first quarter of a year, in which both the New Year and Chinese Spring Festival holidays fall, accounts for a lower percentage of hotel revenues than other quarters of the year. The third quarter of each year is the traditional peak season for the hotel industry, and income performance is often the strongest during this time. In recent years, “family travel” has become the largest growth point in summer. Families have enough time to arrange trips during the summer, especially with the surge in demand for family travel. Certain special events, such as large-scale exhibitions, concerts, or sports events such as the Olympic Games, may increase the demand for hotels significantly in the host cities or countries as such special events may attract travelers into and within the regions. See “Risk Factors — Risks Relating to Our Business and Industry — Seasonality of our business and national or regional special events may cause fluctuations in our revenue, and adversely affect our profitability.”

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Some of our accounting policies require us to apply estimates and assumptions and complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial position and results of operations, are set forth in Notes 2 and 3 to the Accountants’ Report in Appendix I to this Document.

Revenue and other income

Income is classified by us as revenue when it arises from the provision of services, the sale of goods and the use by others of the our assets under leases in the ordinary course of the our business.

Further details of the our revenue and other income recognition policies are as follows:

(i) *Revenue from contracts with customers*

(a) O&L hotel revenues

O&L hotel revenues are primarily derived from the rental of rooms, sales of food and beverage, and sales of other ancillary goods and services (e.g., sales of goods). Each of these products and services represents an individual performance obligation and, in exchange for these services, we receive fixed amounts based on published rates or negotiated prices. Payment is due in full at the time when the services are rendered or the goods are provided. Room rental revenue is recognized on a daily basis when rooms are occupied. Food and beverage revenue and other goods and services revenue are recognized when they have been delivered or rendered to the guests as the respective performance obligations are satisfied.

(b) F&M hotel revenues

F&M hotel revenues are derived from franchise or manachise agreements where the franchisees are required to pay (i) a pre-opening service fee, and/or (ii) ongoing franchise/manachise fees, which mainly consist of (a) primarily on-going management and franchise service fees, (b) central reservation system usage fees and (c) reimbursements for hotel manager fees.

(c) Loyalty program revenues

Jinjiang WeHotel loyalty program members earn loyalty points based on nights and other consumptions that they spent at our hotels and Jinjiang Mall. These loyalty points can be redeemed for future products and services. Points earned by loyalty program members represent a material right to free or discounted goods or services in the future. The loyalty program has one performance obligation that consists of marketing and managing the program and arranging for award redemptions by members. The amount of revenue is impacted by our estimate of the “breakage” for points that members will never redeem.

FINANCIAL INFORMATION

Membership fees from our customer loyalty program are earned and recognized on over the expected membership duration of the different membership levels. The membership duration is estimated to be six to 12 months which reflects the expected membership retention.

(d) Other revenues

Other revenues mainly include:

- revenues from property management services and food and catering services arising from the operation of canteens. These revenues are recognized on a monthly basis over the term of the agreements as these amount become payable.
- revenues from property procurement platform service fees present the commissions from suppliers for goods sold through an e-commerce platform of us. Revenue from commissions charged to suppliers for goods through the e-commerce platform is recognized upon delivery of goods to end customers when the suppliers’ obligations are fulfilled.

(ii) *Revenue from other sources and other income*

(a) Rental income from operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(b) Dividends

Dividend income is recognized in profit or loss on the date on which our right to receive payment is established.

(c) Interest income

Interest income is recognized using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them.

Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where the grant relates to an asset, the grant received is credited to other non-current liabilities and is released to the profit and loss over the expected useful life of the relevant asset by equal annual instalments.

FINANCIAL INFORMATION

Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree’s identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Recognition and allocation of goodwill and intangible assets with indefinite life

Goodwill and intangible assets with indefinite life are allocated to our Group’s CGU for the years ended December 31, 2023, 2024, and 2025, as follows:

Goodwill allocation

Name of CGU group	Notes	As of December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Keystone	(i)	5,766,875	5,766,875	5,766,874
GDL	(ii)	4,915,765	4,576,106	4,779,630
Vienna and Baisuicun	(iii)	668,817	668,817	668,817
Thayer Jin Jiang and Jinjiang E-Commerce .	(iv)	428,206	428,206	428,206
Smartel	(v)	51,786	–	–
Shanxi Jinguang Inn Management Co., Ltd. (“Jinguang Inn”)		–	–	–
Shenzhen Duzhihua Inn Management Co., Ltd. (“Duzhihua”)		–	–	–
Total		11,831,449	11,440,004	11,643,527

Intangible assets allocation

Name of CGU group	Notes	As of December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Keystone	(i)	2,965,600	2,965,600	2,965,600
GDL	(ii)	2,435,828	2,335,406	2,538,536
Vienna and Baisuicun	(iii)	758,100	758,100	758,100
Total		6,159,528	6,059,106	6,262,236

FINANCIAL INFORMATION

Goodwill and intangible assets with indefinite life as at the end of each reporting period were mainly derived from our Group’s following business acquisitions:

- (i) 81% equity interests of Keystone Lodging Holdings Limited and its subsidiaries (collectively “**Keystone**”) in 2016;
- (ii) Acquisition of 100% of GDL and its subsidiaries (collectively “**GDL**”) in 2015;
- (iii) 80% equity interests of Vienna Hotels Co., Ltd. (“**Vienna**”) and Shenzhen Baisuicun Restaurant Chain Co., Ltd. (“**Baisuicun**”) in 2016;
- (iv) 100% equity interests of Thayer Jin Jiang InterActive Co., Ltd. (“**Thayer Jin Jiang**”) and Shanghai Jin Jiang International E-Commerce Co., Ltd. (“**Jinjiang E-Commerce**”) in 2016; and
- (v) 100% equity interests of Smartel in 2013.

The respective goodwill arising from, and intangible assets with indefinite life identified upon, the above acquisitions have been allocated to the respective acquired business which was identified as the proper level of cash-generating unit group for such goodwill and intangible assets to be allocated to for the purpose of annual impairment testing during the relevant periods.

Impairment tests of CGU group containing goodwill and intangible assets with indefinite life

Our Group performs annual impairment assessments of the cash-generating unit group (“**CGU group**”) to which goodwill, trademarks, and brands with indefinite useful life have been allocated. The recoverable amounts of the respective CGU groups are determined based on the value-in-use (“**VIU**”) calculation. Our Group engaged an independent professional valuer to assist with the calculation. As of December 31, 2023, 2024, and 2025, these calculations use cash flow projections based on financial budgets approved by management covering a five-year forecast period. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate. Key assumptions and recoverable amounts for the years ended December 31, 2023, 2024, and 2025, are set out as follows:

Annual growth rate of main revenue stream for forecast period

CGU group	As of December 31,		
	2023	2024	2025
Keystone	8.15%	6.31%	4.68%
GDL	5.20%	3.67%	4.54%
Vienna and Baisuicun	1.51%	0.01%	0.04%
Thayer Jin Jiang and Jinjiang E-Commerce	6.73%	3.66%	1.43%

Long-term growth rate

CGU group	As of December 31,		
	2023	2024	2025
Keystone	2.00%	2.00%	2.00%
GDL	1.71%	1.65%	2.00%
Vienna and Baisuicun	2.00%	2.00%	2.00%
Thayer Jin Jiang and Jinjiang E-Commerce	0.00%	0.00%	0.00%

FINANCIAL INFORMATION

Pre-tax discount rate

CGU group	As of December 31,		
	2023	2024	2025
Keystone	13.72%	13.82%	13.43%
GDL	13.15%	13.57%	12.47%
Vienna and Baisuicun	14.90%	15.50%	14.65%
Thayer Jin Jiang and Jinjiang E-Commerce	14.57%	12.55%	12.15%

Recoverable amount

CGU group	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Keystone	14,499,000	14,103,000	14,720,000
GDL	12,232,980	12,000,858	12,378,780
Vienna and Baisuicun	5,107,000	4,888,000	5,000,000
Thayer Jin Jiang and Jinjiang E-Commerce	1,146,000	1,377,000	1,419,000

Headroom (Excess of recoverable amount over carrying amount)

CGU group	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Keystone	2,958,435	3,032,545	4,013,933
GDL	1,839,031	2,172,627	1,152,467
Vienna and Baisuicun	1,507,833	1,528,915	1,961,060
Thayer Jin Jiang and Jinjiang E-Commerce	688,393	932,294	984,406

As of December 31, 2023, the recoverable amount of the CGU group of Smartel was RMB1,662,254,000 which was determined based on its fair value less cost of disposal. Smartel was disposed of at a consideration of RMB1,659,989,000 for the year ended December 31, 2024. Goodwill associated with Smartel of RMB51,786,000 was derecognized accordingly for the year ended December 31, 2024. Management has identified that a reasonably possible change in key assumptions could cause the carrying amount to exceed the recoverable amount for CGUs with significant goodwill. The following table shows the amount by which these three assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Key assumption required for carrying amount to equal recoverable amount

	As of December 31,		
	2023	2024	2025
Annual growth rate of main revenue stream for forecast period (%)			
– Keystone	6.48	5.36	2.80
– GDL	4.59	2.96	3.37
Long-term growth rate			
– Keystone	-2.10	-2.60	-3.50
– GDL	-1.99	-3.27	0.00
Pre-tax discount rate			
– Keystone	17.32	17.81	18.80
– GDL	14.90	15.88	13.30

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Each item has also been expressed as a percentage of our revenue.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	14,649,379	100.0	14,062,981	100.0	13,810,832	100.0
Cost of sales	(8,674,289)	(59.2)	(8,660,888)	(61.6)	(8,646,295)	(62.6)
Gross profit	5,975,090	40.8	5,402,093	38.4	5,164,537	37.4
Other net income	451,340	3.1	372,470	2.6	205,845	1.5
Selling and marketing expenses	(1,160,020)	(7.9)	(1,067,590)	(7.6)	(1,006,244)	(7.3)
Administrative expenses	(2,744,958)	(18.7)	(2,546,487)	(18.1)	(2,269,526)	(16.4)
Research and development costs	(24,393)	(0.2)	(24,231)	(0.2)	(26,894)	(0.2)
Impairment (losses)/reversal on trade and other receivables	(54,674)	(0.4)	(129,848)	(0.9)	(7,902)	(0.1)
Profit from operations	2,442,385	16.7	2,006,407	14.3	2,059,816	14.9
Finance costs	(900,461)	(6.1)	(913,319)	(6.5)	(728,629)	(5.3)
Net gain on disposal of subsidiaries	–	–	415,458	3.0	103,463	0.7
Changes in the fair value of financial instruments	160,962	1.1	42,221	0.3	(46,981)	(0.3)
Share of profit less losses of joint ventures and associates	90,443	0.6	94,283	0.7	79,627	0.6
Profit before taxation	1,793,329	12.2	1,645,050	11.7	1,467,296	10.6
Income tax	(516,145)	(3.5)	(500,744)	(3.6)	(477,914)	(3.5)
Profit for the year	1,277,184	8.7	1,144,306	8.1	989,382	7.1
Attributable to:						
Equity shareholders of the Company	1,001,746	6.8	911,031	6.5	925,461	6.6
Non-controlling interests	275,438	1.9	233,275	1.6	63,921	0.5
Profit for the year	1,277,184	8.7	1,144,306	8.1	989,382	7.1
Other comprehensive income for the year						
Items that will not be reclassified to profit or loss:						
Remeasurement of defined benefit plan obligations	2,832	0.0	(2,130)	(0.0)	635	0.0
FVOCI – net movement in fair value reserves (non-recycling)	3,004	0.0	5,672	0.0	3,787	0.0
	5,836	0.0	3,542	0.0	4,422	0.0
Items that is or may be reclassified subsequently to profit or loss:						
Exchange differences on translation of:						
– financial statements in overseas subsidiaries	4,855	0.0	(22,053)	(0.2)	67,248	0.5
– others	(104)	(0.0)	(123)	(0.0)	(74)	(0.0)
	4,751	0.0	(22,176)	(0.2)	67,174	0.5

FINANCIAL INFORMATION

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Other comprehensive income for the year	10,587	0.1	(18,634)	(0.1)	71,596	0.5
Total comprehensive income for the year	1,287,771	8.8	1,125,672	8.0	1,060,978	7.7

Non-HKFRS measures

To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use EBITDA (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of EBITDA (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRSs.

We add back (i) income tax, (ii) net finance costs, and (iii) depreciation and amortization to derive EBITDA (non-HKFRS measure). The following table sets out a reconciliation from profit for the year to EBITDA (non-HKFRS measure) for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Reconciliation of profit for the year to EBITDA (non-HKFRS measure)			
Profit for the year	1,277,184	1,144,306	989,382
Add:			
Income tax	516,145	500,744	477,914
Finance costs	900,461	913,319	728,629
Less: interest income	208,577	160,682	97,893
Depreciation and amortization	2,229,998	2,224,395	2,194,808
EBITDA (non-HKFRS measure)	4,715,211	4,622,082	4,292,840

Note:

- (1) The amount of depreciation and amortization represents the depreciation of property, plant and equipment, the amortization of intangible assets, and the depreciation of right-of-use assets.

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we primarily generated revenue from hotel management and operation, which accounted for 98.3%, 98.3%, and 98.5% of our total revenue in 2023, 2024, and 2025, respectively.

FINANCIAL INFORMATION

Revenue by business models

We mainly derived our revenue from the management and operation of (i) O&L hotels, and (ii) F&M hotels. For O&L hotels, revenues are primarily derived from the rental of rooms, sales of food and beverages, and sales of other ancillary goods and services. For F&M hotels, we derived our revenue mainly from our franchise or manachise agreements with franchisees, pursuant to which franchisees are required to pay (i) pre-opening service fee; (ii) continuing franchise fees, mainly consisting of primarily on-going management and franchise service fees, and (iii) central reservation system usage fees. In addition, we also derive other revenue from procurement platform service fees, loyalty program fee, food and catering services, procurement platform service fees, and rental income. Our revenue from procurement platform service fees present the commissions we charge suppliers using our e-commerce platform, i.e. GPP, for goods sold. The rate of this commission was approximately 4.1%, 1.7% and 1.4% in 2023, 2024, and 2025, respectively. We also recognize loyalty program revenues from the loyalty points that can be redeemed for future products and services, and the membership fees from our customer loyalty program. Our revenues from property management services and food and catering services arise from the operation of canteens. We also recognized rental income from operating leases for renting out our properties.

The table below sets forth the breakdown of our revenue generated from the different types of hotels we managed and operated for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
O&L hotels	7,206,524	49.2	6,543,466	46.5	5,801,332	42.0
F&M hotels	6,211,145	42.4	6,185,665	44.0	6,862,818	49.7
Others ⁽¹⁾	1,231,710	8.4	1,333,850	9.5	1,146,682	8.3
Total	14,649,379	100.0	14,062,981	100.0	13,810,832	100.0

Note:

- (1) Primarily include loyalty program fee, food and catering services, procurement platform service fees, and rental income.

Revenue by geographical region

During the Track Record Period, we generated majority of our revenue from the PRC. In addition, we also generated 29.3%, 30.3%, and 27.9% of our total revenues outside of China for the years ended December 31, 2023, 2024, and 2025, respectively. The table below sets forth a breakdown of our revenue by geographic locations for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
The PRC	10,354,477	70.7	9,806,757	69.7	9,960,292	72.1
Overseas	4,294,902	29.3	4,256,224	30.3	3,850,540	27.9
Europe	4,114,373	28.1	4,043,885	28.8	3,625,114	26.2
France	2,859,688	19.5	2,756,578	19.6	2,479,935	17.9
Others ⁽¹⁾	1,254,685	8.6	1,287,307	9.2	1,145,179	8.3
Others ⁽²⁾	180,529	1.2	212,339	1.5	225,426	1.6
Total	14,649,379	100.0	14,062,981	100.0	13,810,832	100.0

FINANCIAL INFORMATION

Note:

- (1) Including Germany, Poland, the Netherlands, the United Kingdom, and other countries or regions.
- (2) Include Asia (excluding China), Americas, and Africa.

Cost of sales

Our cost of sales primarily consist of (i) labor cost, (ii) depreciation and amortization, (iii) material cost, (iv) maintenance cost, (v) utility, (vi) rental cost, and (vii) others. Under our O&L model, there is no material difference in the cost of sales structure between owned and leased hotels, other than rental expenses associated with leased hotels with lease terms of less than one year. Under the F&M model, the cost of sales structure is largely consistent between franchised and manachised hotels. The table below sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Labor cost	3,493,288	40.3	3,531,657	40.8	3,883,266	44.9
Depreciation and amortization	1,962,524	22.6	1,948,026	22.5	1,833,520	21.2
Material cost	728,605	8.4	655,489	7.5	557,763	6.5
Maintenance cost	426,846	4.9	404,231	4.7	382,105	4.4
Utility	413,220	4.8	380,271	4.4	344,087	4.0
Rental cost	202,878	2.3	208,849	2.4	223,058	2.5
Others ⁽¹⁾	1,446,928	16.7	1,532,365	17.7	1,422,496	16.5
Total	8,674,289	100.0	8,660,888	100.0	8,646,295	100.0

Note:

- (1) Primarily include member-related costs, tax and surcharges and cleaning fee.

The table below sets forth a breakdown of our cost of sales by geographic locations for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
The PRC	6,102,667	70.4	6,187,873	71.4	6,177,533	71.4
Overseas ⁽¹⁾	2,571,622	29.6	2,473,015	28.6	2,468,762	28.6
Total	8,674,289	100.0	8,660,888	100.0	8,646,295	100.0

Note:

- (1) Including France, Germany, Poland, Indonesia, the Netherlands, the United Kingdom, Brazil and other countries or regions.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit represents revenue less cost of sales, and our gross profit margin represents gross profit divided by revenue. In 2023, 2024, and 2025, our gross profit amounted to RMB5,975.1 million, RMB5,402.1 million, and RMB5,164.5 million, respectively, and our gross profit margin was 40.8%, 38.4%, and 37.4%, respectively for the same year. The following table sets forth a breakdown of our gross profit and gross profit margin by types of hotels we managed and operated, for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit (RMB' 000)	Gross profit margin (%)	Gross profit (RMB' 000)	Gross profit margin (%)	Gross profit (RMB' 000)	Gross profit margin (%)
O&L hotels	1,706,258	23.7	1,439,643	22.0	854,318	14.7
F&M hotel	3,973,194	64.0	3,680,645	59.5	4,082,215	59.5
Others ⁽¹⁾	295,638	24.0	281,805	21.1	228,004	19.9
Total	5,975,090	40.8	5,402,093	38.4	5,164,537	37.4

Note:

- (1) Primarily include loyalty program fee, food and catering services, procurement platform service fees, and rental income.

The table below sets forth a breakdown of our gross profit and gross profit margin by geographic locations for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit (RMB' 000)	Gross profit margin (%)	Gross profit (RMB' 000)	Gross profit margin (%)	Gross profit (RMB' 000)	Gross profit margin (%)
The PRC ⁽ⁱ⁾	4,251,810	41.1	3,618,884	36.9	3,782,759	38.0
Overseas	1,723,280	40.1	1,783,209	41.9	1,381,778	35.9
Total	5,975,090	40.8	5,402,093	38.4	5,164,537	37.4

Note:

- (1) Including France, Germany, Poland, Indonesia, the Netherlands, the United Kingdom, Brazil and other countries or regions.

Other net income

Our other net income mainly consists of (i) government grants, primarily for government's support for our business growth and taxation, and all conditions for the government grants have been fulfilled during the Track Record Period, (ii) interest income, primarily comprising of the interest for our bank deposits, (iii) dividends income, primarily consisting of dividends from Suzhou Kentucky Fried Chicken Co., Ltd. (蘇州肯德基有限公司, “Suzhou KFC”), Wuxi Kentucky Fried Chicken Co., Ltd. (無錫肯德基有限公司, “Wuxi KFC”) and Hangzhou Kentucky Fried Chicken Co., Ltd. (杭州肯德基有限公司, “Hangzhou KFC”), (iv) net gains on disposal of non-current assets, primarily comprising of net gains from the disposal of our non-current assets, such as our property, plant and equipment, intangible assets, right-of-use assets, (v) income from claims, primarily comprising of income from insurance claims, and (vi) others. Our other net income are generated from ordinary course of business. Except for the dividends income and interest income, our other net income are non-recurring in nature. For 2023, 2024, and 2025, our other net income amounted to RMB451.3 million, RMB372.5 million, and RMB205.8 million, respectively. The table below sets forth a breakdown of our other net income for the periods indicated:

FINANCIAL INFORMATION

	Year ended December 31,					
	2023		2024		2025	
	RMB' 000	%	RMB' 000	%	RMB' 000	%
Government grants	68,795	15.2	42,640	11.4	40,139	19.5
Interest income	208,577	46.2	160,682	43.1	97,893	47.6
Dividends income	112,178	24.9	120,538	32.4	128,678	62.5
Net gains on disposal of non-current assets						
– Sold to the government upon expropriation	43,650	9.7	3,293	0.9	–	–
– Sold to other third parties .	11,454	2.5	85,451	22.9	(30,959)	(15.0)
Income from claims	18,419	4.1	9,244	2.5	7,691	3.7
Others ⁽¹⁾	(11,733)	(2.6)	(49,378)	(13.3)	(37,597)	(18.3)
Total	451,340	100.0	372,470	100.0	205,845	100.0

Notes:

- (1) Primarily include compensation for contract termination and write-off of long aged payables.

Selling and marketing expenses

Our selling and marketing expenses mainly consist of (i) service fee, (ii) employee benefits and (iii) other expenses. In 2023, 2024 and 2025, our selling and marketing expenses amounted to RMB1,160.0 million, RMB1,067.6 million, and RMB1,006.2 million, respectively. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Service fee ⁽¹⁾	934,378	80.5	879,053	82.3	793,553	78.9
Employee benefits	185,176	16.0	156,516	14.7	168,547	16.7
Other expenses ⁽²⁾	40,466	3.5	32,021	3.0	44,144	4.4
Total	1,160,020	100.0	1,067,590	100.0	1,006,244	100.0

Notes:

- (1) Primarily included on-line travel agency service fees, advertising and other expenses.
(2) Primarily included depreciation and amortization, utility and others.

Administrative expenses

Our administrative expenses mainly consist of (i) employee benefits, (ii) depreciation and amortization, (iii) office expenses, (iv) professional service fee, (v) repair and maintenance fee, and (vi) other expenses. In 2023, 2024, and 2025, our administrative expenses amounted to RMB2,745.0 million, RMB2,546.5 million, and RMB2,269.5 million, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefits	1,545,640	56.3	1,380,580	54.2	1,001,123	44.1

FINANCIAL INFORMATION

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Depreciation and amortization	265,534	9.7	273,859	10.8	345,547	15.2
Office expenses	225,812	8.2	220,613	8.7	224,466	9.9
Professional service fee	98,497	3.6	92,944	3.6	125,357	5.5
Repair and maintenance fee . .	69,997	2.5	79,220	3.1	73,675	3.3
Other expenses ⁽¹⁾	539,478	19.7	499,271	19.6	499,358	22.0
Total	2,744,958	100.0	2,546,487	100.0	2,269,526	100.0

Note:

(1) Primarily included property management fee, utility and others.

Research and development costs

Our research and development costs mainly consist of (i) employee benefits, (ii) depreciation and amortization, and (iii) other expenses. For 2023, 2024, and 2025, our research and development costs amounted to RMB24.4 million, RMB24.2 million, and RMB26.9 million, respectively. The following table sets forth a breakdown of our research and development costs for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefits	20,224	82.9	24,122	99.6	22,461	83.5
Depreciation and amortization	39	0.2	106	0.4	52	0.2
Other expenses	4,130	16.9	3	–	4,381	16.3
Total	24,393	100.0	24,231	100.0	26,894	100.0

Impairment losses on trade and other receivables

We recognized impairment losses on trade and other receivables of RMB54.7 million, and RMB129.8 million, for 2023 and 2024, respectively, and impairment loss of RMB7.9 million for 2025.

Finance costs

Our finance costs mainly consist of (i) interest expenses on loans and borrowings, (ii) interest expenses on lease liabilities, (iii) other financial expenses. For 2023, 2024, and 2025, our finance costs amounted to RMB900.5 million, RMB913.3 million, and RMB728.6 million, respectively.

Income tax expenses

Our income tax expenses mainly consist of current tax and deferred tax. We recorded income tax expense of RMB516.1 million, RMB500.7 million, and RMB477.9 million, for 2023, 2024, and 2025, respectively. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our subsidiaries are domiciled and operate. We are subject to various rates of income tax under different jurisdictions.

FINANCIAL INFORMATION

Our PRC entities are subject to statutory income tax rate of 25%, except for those which are entitled to a preferential tax rate applicable to advanced and new technology enterprises of 15%. The provision for enterprise income tax in the PRC and other countries and regions has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the regions where we operate. Most of our subsidiaries are incorporated in France and they are subject to statutory income tax rate of 25.8%. Furthermore, our Group is subject to the global minimum top-up tax under the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two income tax is levied on certain subsidiaries under the local new tax laws which introduced a domestic minimum top-up tax effective from January 1, 2024. Our Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred.

For 2023, 2024, and 2025, our effective tax rate, which was calculated by dividing the income tax expenses by profit before tax was 28.8%, 30.4%, and 32.6%, respectively.

Profit for the year

For 2023, 2024, and 2025, our profit for the year amounted to RMB1,277.2 million, RMB1,144.3 million, and RMB989.4 million, respectively, at a net profit margin of 8.7%, 8.1%, and 7.2%, respectively.

Other comprehensive income

Our other comprehensive income mainly consist of (i) items that will not be reclassified to profit or loss, including remeasurement of defined benefit plan obligations and net movement in fair value reserves for financial assets at FVOCI and (ii) exchange differences on translation of financial statements in overseas subsidiaries and others. We had negative other comprehensive income of RMB18.6 million in 2024, and positive other comprehensive income of RMB10.6 million, and RMB71.6 million in 2023 and 2025, respectively.

COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2025 compared to the year ended December 31, 2024

Revenue

Our revenue decreased slightly, by 1.8%, from RMB14,063.0 million for 2024 to RMB13,810.8 million for 2025, primarily due to a decrease in our revenue from O&L hotels as a result of (i) strategic exit of certain O&L hotels; (ii) renovations and upgrading of certain hotel rooms; (iii) a decreased RevPAR, reflecting the year’s market environment overseas. Our revenue from our F&M hotels increased by 10.9% from RMB6,185.7 million for 2024 to RMB6,862.8 million for 2025, primarily due to an increase in the scale of our F&M hotel operations through organic growth and the increase in central reservation system usage fees.

Our revenue from the PRC increased slightly, only by 1.6%, from RMB9,806.8 million for 2024 to RMB9,960.3 million for 2025, primarily due to continued expansion of our hotel network and the contribution from newly added F&M hotels, partially offset by decreased RevPAR reflecting a challenging market environment overseas and the strategic exit of certain O&L hotels. Our revenue from overseas operations decreased by 9.5% from RMB4,256.2 million for 2024 to RMB3,850.5 million for 2025, primarily due to lower occupancy rates and RevPAR, particularly in the case of hosting Olympic games in France in 2024 while no such major event was held in 2025, and renovations and upgrading of certain hotel rooms.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales remained relatively stable at RMB8,660.9 million and RMB8,646.3 million for 2024 and 2025, respectively.

Gross profit and gross profit margin

Our gross profit decreased by 4.4% from RMB5,402.1 million for 2024 to RMB5,164.5 million for 2025, primarily due to the decline in revenue while our cost of sales remained relatively stable, and our overall gross profit margin remained relatively stable at 38.4% for 2024 and 37.4% for 2025. Our cost of sales for 2025 did not decrease in line with our revenue mainly because, following our organizational restructuring, a number of employees were redeployed from back-office and support functions to frontline and operational roles, resulting in a higher proportion of labor costs being recognized in cost of sales. This structural shift led to an increase in labor costs within cost of sales, while partially offsetting administrative expenses. In particular,

- Our gross profit from O&L hotels decreased by 40.7% from RMB1,439.6 million for 2024 to RMB854.3 million for 2025, primarily due to exit of certain O&L hotels as well as decreased RevPAR reflecting a challenging market condition overseas. Our gross profit margin from O&L hotels decreased from 22.0% to 14.7% for 2024 and 2025, respectively.
- Our gross profit from F&M hotels increased by 10.9% from RMB3,680.6 million for 2024 to RMB4,082.2 million for 2025, despite an increase in our cost of sales as more labor cost incurred as a result of shifting employees to frontline roles after organizational restructuring. Our gross profit margin from F&M hotels remained relatively stable at 59.5% and 59.5% for 2024 and 2025, respectively.

In terms of our gross profit and gross profit margin in the PRC and overseas for 2024 and 2025,

- Our gross profit in the PRC increased by 4.5% from RMB3,618.9 million for 2024 to RMB3,782.5 million for 2025, and our gross profit margin in the PRC increased from 36.9% for 2024 to 38.0% for 2025. The increase in gross profit was primarily attributable to the contribution from newly added hotels and continued optimization of hotel operations, which more than offset the impact of decreased RevPAR and higher labor costs arising from the redeployment of employees to frontline roles following organizational restructuring; and
- Our gross profit overseas decreased by 22.5% from RMB1,783.2 million for 2024 to RMB1,381.8 million for 2025, primarily due to renovation and upgrading of certain overseas hotel rooms and decreased RevPAR for our overseas hotels, particularly as in the case of hosting Olympic games in France in 2024 while no such major event was held in 2025; and our gross profit margin decreased from 41.9% to 35.9% for 2024 and 2025, respectively.

Other net income

Our other net income decreased by 44.7% from RMB372.5 million for 2024 to RMB205.8 million for 2025, primarily due to (i) decrease in net gains on disposal of non-current assets during 2024 as a result of strategic exit of certain hotels so as to focus on our business in certain key countries, while no similar disposal occurred in 2025; and (ii) decrease in interest income due to decreased bank balances and decreased interest rates.

FINANCIAL INFORMATION

Selling and marketing expenses

Our selling and marketing expenses decreased by 5.7% from RMB1,067.6 million for the 2024 to RMB1,006.2 million for 2025, primarily due to decrease in expenses for our OTA channels as a result of the promotion of our own online booking platform.

Administrative expenses

Our administrative expenses decreased by 10.9% from RMB2,546.5 million for 2024 to RMB2,269.5 million for 2025, primarily due to decrease in labor cost as a result of a reduction in the number of administrative staff following an organizational reform.

Research and development costs

Our research and development costs remained relatively stable at RMB24.2 million for 2024 and RMB26.9 million for 2025.

Impairment losses on trade and other receivables

We recognized impairment losses on trade and other receivables of RMB129.8 million for 2024 and RMB7.9 million for 2025, primarily due to our strengthened credit control measures and enhanced efforts in collecting long-aged receivables.

Finance costs

Our finance costs decreased by 20.2% from RMB913.3 million for 2024 to RMB728.6 million for 2025, primarily due to decreased balances of borrowings by repayment of certain borrowings as part of our efforts to streamline a centralized fund management; as well as decreased interest rate by optimizing the interest rate structure for overseas borrowings.

Net gain on disposal of subsidiaries

We recorded net gain on disposal of subsidiaries of RMB415.5 million for 2024, primarily due to the disposal of Smartel. We only recorded RMB103.5 million net gain on disposal of subsidiaries for 2025, primarily due to disposals of smaller scales during the year.

Changes in the fair value of financial instruments

We had positive changes in the fair value of financial instruments of RMB42.2 million for 2024 but negative changes in the fair value of financial instruments of RMB47.0 million for 2025, primarily due to an increase, but to a lesser extent, in the fair value of our investment in listed shares due to market movement.

Share of profit less losses of joint ventures and associates

Our share of profit less losses of joint ventures and associates decreased by 15.5% from RMB94.3 million for 2024 to RMB79.6 million for 2025, primarily due to lower contributions from certain associates and joint ventures.

Income tax expense

Our income tax expense decreased by 4.6% from RMB500.7 million for 2024 to RMB477.9 million for 2025, primarily due to decreased taxable profits.

FINANCIAL INFORMATION

Profit for the year

As a result of the foregoing, our profit for the year decreased by 13.5% from RMB1,144.3 million for 2024 to RMB989.4 million for 2025.

Year ended December 31, 2024 compared to the year ended December 31, 2023

Revenue

Our revenue slightly decreased by 4.0% from RMB14,649.4 million in 2023 to RMB14,063.0 million in 2024, primarily due to the decrease of our revenue of O&L hotels from RMB7,206.5 million in 2023 to RMB6,543.5 million in 2024, as a result of the strategic exit of certain O&L hotels to align with our strategy of asset-light model. Our revenue from our F&M hotels remained relatively stable at RMB6,211.1 million in 2023 and RMB6,185.7 million in 2024, primarily due to a reduced RevPar for our F&M hotels as a result of fierce market competition in light of decline in business travel demand and weakened consumer confidence to more rational and cautious spending behavior, while we have expanded revenue by extensively opening new F&M hotels, resulting an increase in our on-going management and franchise service fees/royalty fees.

Our revenue from the PRC decreased by 5.3% from RMB10,354.5 million in 2023 to RMB9,806.8 million in 2024, primarily as a result of our strategic exit of certain O&L hotels in the PRC to align with our strategy of asset-light model. Our revenue from overseas operations remain relatively stable at RMB4,294.9 million in 2023 and RMB4,256.2 million in 2024.

Cost of sales

Our cost of sales remained stable at RMB8,674.3 million in 2023 and RMB8,660.9 million in 2024.

Gross profit and gross profit margin

Our gross profit decreased by 9.6% from RMB5,975.1 million in 2023 to RMB5,402.1 million in 2024, and our overall gross profit margin decreased from 40.8% in 2023 to 38.4% in 2024. In particular,

- our gross profit from O&L hotels decreased by 15.6% from RMB1,706.3 million in 2023 to RMB1,439.6 million in 2024, primarily due to decrease in RevPar of our O&L hotels as a result of fierce market competition in light of decline in business travel demand and weakened consumer confidence to more rational and cautious spending behavior. Our gross profit margin from O&L hotels remained relatively stable at 23.7% in 2023 and 22.0% in 2024.
- Our gross profit from F&M hotels decreased by 7.4% from RMB3,973.2 million in 2023 to RMB3,680.6 million in 2024, primarily due to decrease in RevPar of our F&M as a result of fierce market competition in light of decline in business travel demand and weakened consumer confidence to more rational and cautious spending behavior. Our gross profit margin from F&M hotels decreased from 64.0% in 2023 to 59.5% in 2024, primarily due to the same reason.

Our gross profit and gross profit margin showed different trends in the PRC and overseas in 2023 and 2024. In particular,

- our gross profit in the PRC decreased by 14.9% from RMB4,251.8 million in 2023 to RMB3,618.9 million in 2024, primarily due to decrease in RevPar of our O&L hotels and our F&M hotels as a result of fierce market competition in light of decline in business

FINANCIAL INFORMATION

travel demand and weakened consumer confidence to more rational and cautious spending behavior. Our gross profit margin in the PRC decreased from 41.1% in 2023 to 36.9% in 2024, primarily due to the same; and

- our gross profit overseas remained relatively stable at RMB1,723.3 million in 2023 and RMB1,783.2 million in 2024; and our gross profit margin remained relatively stable at 40.1% in 2023 and 41.9% in 2024.

Other net income

Our other net income decreased by 17.5% from RMB451.3 million in 2023 to RMB372.5 million in 2024, primarily due to (i) a decrease in government grants, resulting from the termination of the VAT additional deduction policy in 2024, (ii) a decrease in interest income, resulting from the maturity of certain time deposits, and (iii) the non-recurring demolition compensation of approximately RMB40.0 million for one of our hotels in 2023.

Selling and marketing expenses

Our selling and marketing expenses decreased by 8.0% from RMB1,160.0 million in 2023 to RMB1,067.6 million in 2024, primarily due to (i) the decrease in employee benefits, which primarily relates to optimization of our sales and marketing organizational framework, and (ii) the decrease in service fee for on-line travel agencies, which was in line with the decrease of our revenue.

Administrative expenses

Our administrative expenses decreased by 7.2% from RMB2,745.0 million in 2023 to RMB2,546.5 million in 2024, primarily due to the decrease in employee benefits as a result of optimized administrative structure.

Research and development costs

Our research and development costs remained stable at RMB24.4 million in 2023 to RMB24.2 million in 2024.

Impairment loss on trade and other receivables

We recognized impairment loss on trade and other receivables of RMB54.7 million and RMB129.8 million in 2023 and 2024, respectively. The change was mainly due to the recognition of bad debts on certain receivables.

Finance costs

Our finance costs remained stable at RMB900.5 million in 2023 to RMB913.3 million in 2024.

Net gain on disposal of subsidiaries

We recorded net gain on disposal of subsidiaries of RMB415.5 million in 2024, primarily due to the gain on disposal of 100% equity of Smartel, while no such net gain was recognized in 2023.

Changes in the fair value of financial instruments

Our changes in the fair value of financial instruments decreased by 73.8% from RMB161.0 million in 2023 to RMB42.2 million in 2024, primarily due to less gain recognized on valuation of our equity investment in 2024.

FINANCIAL INFORMATION

Share of profit less losses of joint ventures and associates

Our share of profit less losses of joint ventures and associates remained stable at RMB90.4 million in 2023 and RMB94.3 million in 2024.

Income tax expense

Our income tax expense remained stable at RMB516.1 million in 2023 and RMB500.7 million in 2024.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 10.4% from RMB1,277.2 million in 2023 to RMB1,144.3 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-current assets and non-current liabilities

The following table sets forth the components of our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Non-current assets</i>			
Property, plant and equipment	6,910,718	5,165,407	5,576,635
Right-of-use assets	8,216,967	7,227,385	6,423,633
Intangible assets	6,842,265	6,694,652	6,972,270
Goodwill	11,831,449	11,440,004	11,643,527
Interests in joint ventures and associates	512,326	508,893	496,117
Financial assets at fair value through other comprehensive income (“FVOCI”)	52,070	60,371	76,131
Financial assets at fair value through profit or loss (“FVPL”)	857,400	860,600	843,300
Long-term receivables	354,356	317,733	284,577
Time deposits	260,866	69,345	86,910
Deferred tax assets	1,093,455	1,216,076	1,383,589
Other non-current assets	104,294	93,987	231,942
Total	37,036,166	33,654,453	34,018,631
<i>Non-current liabilities</i>			
Loans and borrowings	9,892,778	7,044,525	9,283,267
Lease liabilities	8,315,727	7,178,916	6,479,150
Deferred tax liabilities	1,856,793	1,736,668	1,733,651
Other non-current liabilities	489,257	485,801	221,877
Total non-current liabilities	20,554,555	16,445,910	17,717,945

FINANCIAL INFORMATION

Property, plant and equipment

Our property, plant and equipment primarily consist of (i) overseas land, (ii) plant and buildings, (iii) equipment and machinery, (iv) vehicles, (v) hotels decoration expenditure, (vi) leasehold improvements, and (vii) construction in progress. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Overseas land	1,146,519	1,018,158	986,153
Plant and buildings	3,244,805	1,777,217	2,103,860
Equipment and machinery	449,372	458,470	878,563
Vehicles	1,538	1,187	894
Hotels decoration expenditure	122,600	91,962	122,265
Leasehold improvements	1,321,820	1,180,930	1,070,853
Construction in progress	624,064	637,483	414,047
Total	6,910,718	5,165,407	5,576,635

Our property, plant and equipment decreased from RMB6,910.7 million as of December 31, 2023 to RMB5,165.4 million as of December 31, 2024, primarily due to the disposal of Smartel in 2024 in line with our strategy of asset-light business model. Our property, plant and equipment increased to RMB5,576.6 million as of December 31, 2025, primarily due to the increase in capital expenditure as a result of upgrade and renovation activities in 2025.

Right-of-use assets

Our right-of-use assets primarily include the lease contracts for (i) land use rights, (ii) buildings, (iii) machinery and equipment, (iv) transportation vehicles and (v) others that we use for our business operations. The following table sets forth a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Land use rights	392,951	349,219	290,430
Buildings	7,687,970	6,784,962	6,062,843
Machinery and equipment	130,474	87,006	65,605
Transportation vehicles	5,132	5,838	4,486
Others	440	360	269
Total	8,216,967	7,227,385	6,423,633

We lease properties for our own use, and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms. Our right-of-use assets decreased from RMB8,217.0 million as of December 31, 2023 to RMB7,227.4 million as of December 31, 2024, primarily due to the termination of leases for certain leased hotels in line with our strategy of our asset-light business model, and depreciation of right-of-use assets. As of December 31, 2025, our right-of-use assets further decreased to RMB6,423.6 million, mainly as a result of strategic exit of certain O&L hotels in 2025.

FINANCIAL INFORMATION

Intangible assets

Our intangible assets primarily consist of (i) franchise contract, (ii) trademark and brand, (iii) membership, and (iv) patent, relevant rights and software. The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Franchise contracts	88,432	62,341	44,565
Trademarks and brands	6,159,582	6,059,160	6,262,238
Membership	205,565	188,785	172,005
Patents, relevant rights and software	388,686	384,366	493,462
Total	6,842,265	6,694,652	6,972,270

Our intangible assets remained stable as of December 31, 2023, 2024, and 2025.

Goodwill

Our goodwill arises from the acquisition from (i) Smartel, (ii) Groupe du Louvre, (iii) Keystone Lodging Holdings Limited (“**Keystone**”), (iv) Vienna Hotels Co., Ltd. (“**Vienna**”) and Shenzhen Baisuicun Restaurant Chain Co., Ltd. (“**Baisuicun**”), and (v) Thayer Jin Jiang InterActive Co., Ltd. and Shanghai Jin Jiang International E-Commerce Co., Ltd.

Our goodwill remained stable at RMB11,831.4 million, RMB11,440.0 million, and RMB11,643.5 million as of December 31, 2023, 2024, and 2025, respectively.

Interests in joint ventures and associates

Our interests in joint ventures and associates remained stable at RMB512.3 million, RMB508.9 million, and RMB496.1 million as of December 31, 2023, 2024, and 2025, respectively.

Financial assets at FVOCI

Our financial assets at FVOCI increased from RMB52.1 million as of December 31, 2023 to RMB60.4 million as of December 31, 2024, primarily due to the increase on fair value of our equity investments. As of December 31, 2025, our financial assets at FVOCI increased to RMB76.1 million, primarily due to continued appreciation in the fair value of our equity investments.

Financial assets at FVPL

Our financial assets at FVPL mainly consist of investments in unlisted equity securities, comprising of Suzhou KFC, Wuxi KFC and Hangzhou KFC and listed equity securities. Our financial assets at FVPL remained relatively stable at RMB1,120.4 million as of December 31, 2023, RMB1,194.7 million as of December 31, 2024, and RMB1,116.6 million as of December 31, 2025. The following table sets forth details of our financial assets at FVPL as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current:			
– Investments in unlisted equity securities	857,400	860,600	843,300
Current:			
– Investments in listed equity securities	263,014	334,096	273,265
Total	1,120,414	1,194,696	1,116,565

FINANCIAL INFORMATION

We have put in place internal control measures to approve our investments and monitor them on a continuous basis. These investments would include, among other things, listed or unlisted equity investment. Subject to the size of the investment itself and aggregated size of the total investment in a financial year, different levels of approval, including approval from our senior management and approval from the Board, are required before we make such investment. In addition, we also assign dedicated personnel from our senior management to track each business transaction during the transaction period.

Our Board and senior management team will regularly formulate and review our Group’s investment strategies. For investment in listed equity securities, we analyze the medium and long-term interest rate trends, combined with the analysis of economic cycles, macroeconomic policy directions, and income distribution curves. We engaged independent valuer to appraise the fair value of certain financial assets that are significant, provided necessary financial information to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions. Our Directors believe that the valuation analysis performed by the valuer is fair and reasonable and our financial statements are properly prepared.

Long-term receivables

Our long-term receivables decreased from RMB354.4 million as of December 31, 2023 to RMB317.7 million as of December 31, 2024, primarily due to collection of lease receivables. As of December 31, 2025, our long-term receivables further decreased to RMB284.6 million, mainly due to continued collection of lease receivables.

Other non-current assets

Our other non-current assets mainly consist of long-term lease deposits for hotel operation. Our other non-current assets decreased from RMB104.3 million as of December 31, 2023 to RMB94.0 million as of December 31, 2024, primarily due to the disposal of Smart Hotel Management Co., Ltd. Our other non-current assets increased to RMB231.9 million as of December 31, 2025, mainly attributable to an increase in long-term lease deposits and advance payments in relation to our digital transformation efforts.

Current assets and current liabilities

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	66,507	48,900	44,362	45,544
Trade and other receivables	2,505,477	2,287,999	2,294,693	2,133,131
Financial assets at FVPL	263,014	334,096	273,265	269,597
Restricted cash	5,851	19,837	45,499	43,352
Time deposits	1,782,554	639,524	1,848,477	1,821,724
Cash and cash equivalent	8,506,385	8,637,637	6,703,971	7,565,197
Other current assets	421,082	487,522	676,006	560,930
Total	13,550,870	12,455,515	11,886,273	12,439,475
Current liabilities				
Loans and borrowings	4,318,264	5,370,398	3,344,016	3,790,184
Trade and other payables	5,844,509	6,403,777	6,502,645	6,375,509
Contract liabilities	868,553	683,251	707,467	677,448
Lease liabilities	1,457,726	1,330,586	1,210,944	1,159,209
Income tax payable	182,856	193,540	146,749	208,664
Total	12,671,908	13,981,552	11,911,821	12,211,014
Net current (liabilities)/ assets	878,962	(1,526,037)	(25,548)	228,461

FINANCIAL INFORMATION

We had net current assets of RMB879.0 million as of December 31, 2023, while net current liabilities of RMB1,526.0 million as of December 31, 2024. This is primarily attributable to the decrease in our current assets as a result of (i) a decrease of time deposits of RMB1,143.0 million and (ii) a decrease of trade and other receivables of RMB217.5 million, as well as the increase in our current liabilities as a result of (i) an increase in loans and borrowings of RMB1,052.1 million and (ii) an increase in trade and other payables of RMB559.3 million. We recorded net current liabilities of RMB25.5 million as of December 31, 2025, compared to net current liabilities of RMB1,526.0 million as of December 31, 2024, representing an improvement in our liquidity position. This improvement was primarily attributable to a substantial decrease in our current liabilities, mainly as a result of the repayment of loans and borrowings and the reclassification of certain borrowings from current to non-current liabilities, partially offset by movements in our current assets.

As of February 28, 2026, we had net current assets of RMB228.5 million.

Inventories

Our inventories primarily consist of raw material and consumables. Our inventories decreased from RMB66.5 million as of December 31, 2023, to RMB48.9 million as of December 31, 2024, and further slightly decreased to RMB44.4 million as of December 31, 2025, as we were optimizing inventory management and there had been disposals of hotels during the same periods.

The following table sets forth an ageing analysis of our inventories:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
- Within 1 year	66,507	48,900	44,362

The following table sets forth our inventory turnover days for the years/periods indicated:

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	2.8	2.4	1.9

Note:

1. Calculated using the average of opening and closing balances of the inventories for such years divided by cost of sales for the relevant years or periods and multiplied by 360 days.

During the Track Record Periods, our inventories turnover days remained relatively stable at 2.8 days, 2.4 days and 1.9 days, respectively.

As of February 28, 2026, RMB35.8 million or 80.6% of our inventories as of December 31, 2025, had been sold or utilized.

Time deposits

Our time deposits decreased from RMB2,043.4 million as of December 31, 2023, to RMB708.9 million as of December 31, 2024, primarily due to the maturity of our time deposits. As of December 31, 2025, our time deposits increased to RMB1,935,387 million, mainly attributable to new placements of time deposits with banks during the period.

FINANCIAL INFORMATION

The following table sets forth details of our time deposits as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Time deposits with maturity over three months and within one year	1,782,554	639,524	1,848,477
Time deposits with maturity over one year	260,866	69,345	86,910
Total	2,043,420	708,869	1,935,387

Cash and cash equivalent

Our cash and cash equivalent remained stable at RMB8,506.4 million as of December 31, 2023 and RMB8,637.6 million as of December 31, 2024. As of December 31, 2025, our cash and cash equivalent decreased to RMB6,704.0 million, mainly due to the repayment of loans and borrowings during the period.

Other current assets

Our other current assets mainly consist of (i) finance lease receivables due within one year, (ii) value-added tax recoverable, primarily relating to Groupe du Louvre (iii) income tax recoverable, (iv) prepaid expenses, and (v) others. Our other current assets increased from RMB421.1 million as of December 31, 2023 to RMB487.5 million as of December 31, 2024, and further increased to RMB676.0 million as of December 31, 2025, primarily due to a higher balance of prepaid overseas taxes during the year.

Trade and other receivables

Our trade and other receivables primarily consist of trade receivables, prepayments, and other receivables and deposits. The following table sets forth details of our trade and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables, net of loss allowance	1,705,695	1,407,071	1,405,132
Prepayment	157,303	204,247	261,859
Other receivables and deposits, net of loss allowance:			
– Amounts due from related parties	153,164	166,210	27,987
– Dividend receivables	96,286	95,502	117,159
– Securities and deposits	219,871	224,051	206,685
– others	173,158	190,918	275,871
Total	2,505,477	2,287,999	2,294,693

Our trade and other receivables decreased from RMB2,505.5 million as of December 31, 2023, to RMB2,288.0 million as of December 31, 2024, primarily due to accelerated collection of our trade receivables. As of December 31, 2025, our trade and other receivables remained relatively stable at RMB2,294.7 million.

FINANCIAL INFORMATION

We generally grant credit terms ranging from 30 days to 90 days to our customers. During the Track Record Period, the majority of our trade receivables were outstanding for less than one year. The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	1,726,556	1,505,281	1,512,708
Over 1 year	323,632	365,033	362,673
Less: loss allowance for bad and doubtful debts . . .	(344,493)	(463,243)	(470,249)
Total	1,705,695	1,407,071	1,405,132

The following table sets forth our trade receivables turnover days for the years/periods indicated:

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	52	50	49

Note:

1. Calculated using the average of opening and closing balances of the trade receivables for such years divided by the total revenue for the relevant years and multiplied by 360 days.

Our trade receivables turnover days remained relatively stable at 52 days in 2023, 50 days in 2024, and 49 days in 2025.

As of February 28, 2026, RMB1,361.4 million or 72.6% of our trade receivables as of December 31, 2025, had been settled.

Trade and other payables

Our trade and other payables primarily consist of (i) trade payables, (ii) accrued payroll, (iii) taxes payable, and (iv) other payables and accruals. The following table sets forth details of our trade and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	1,449,129	1,430,610	1,401,843
Accrued payroll	1,131,558	1,049,896	972,569
Taxes payable	241,935	494,357	308,890
Other payables and accruals:			
– Payments received on behalf of franchised hotels .	1,592,921	1,761,148	1,837,090
– Amounts due to related parties – trade	242,520	229,030	107,500
– Amounts due to related parties – non-trade	80,000	80,000	–
– Deposits	515,079	664,391	812,306
– Dividends payable	97,077	13,236	14,260

FINANCIAL INFORMATION

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
– Repurchase obligation related to restricted share incentive plan	–	71,506	49,820
– Other payables related to purchase of non-controlling interests	126,791	151,503	166,702
– Performance commitment deposit	–	–	283,814
– Others	367,499	458,100	547,851
Subtotal	3,021,887	3,428,914	3,819,343
Total	5,844,509	6,403,777	6,502,645

Our trade and other payables increased from RMB5,844.5 million as of December 31, 2023, to RMB6,403.8 million as of December 31, 2024, primarily due to (i) the increase in taxes payable as a result of payment of withholding income tax in relation to purchase of non-controlling interest; and (ii) the growth in our operation scale and the number of hotels, especially F&M hotels. Our trade and other payables further increased to RMB6,502.6 million as of December 31, 2025, primarily due to (i) reclassification of the performance commitment deposit with respect to the acquisition of Jin Jiang WeHotel from other non-current liabilities to current liabilities as it became due within one year; and (ii) an increase in deposits as our business expanded. As of the Latest Practicable Date, all the amounts due to related parties of the Group are trade in nature and the amounts due to related parties which is non-trade in nature were fully settled. Dividends payable that are of non-trade in nature are expected to be settled prior to [REDACTED].

The trade payables are normally settled within 60 days. The following table sets forth the aging analysis of our trade and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	1,156,707	1,219,599	1,207,333
Over 1 year	292,422	211,011	194,510
	1,449,129	1,430,610	1,401,843

The following table sets forth our trade payables turnover days for the years/periods indicated:

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days ⁽¹⁾	58	60	59

Note:

1. Calculated using the average of opening and closing balances of the trade payables for such years divided by the cost of sales for the relevant years or periods and multiplied by 360 days.

Our trade payable turnover days remained relatively stable at 58 days in 2023, 60 days in 2024, and 59 days in 2025.

As of February 28, 2026, RMB1,026.2 million or 73.2% of our trade payables as of December 31, 2025, had been settled.

FINANCIAL INFORMATION

Contract liabilities

Our contract liabilities mainly consist of pre-opening service fee. Our contract liabilities decreased from RMB868.6 million as of December 31, 2023 to RMB683.3 million as of December 31, 2024, primarily due to more F&M hotels were opened causing increased pre-opening service fee we booked as contract liabilities being recognized as our revenue. As of December 31, 2025, our contract liabilities increased to RMB707.5 million, which was mainly attributable to the increase in membership card sales, for which the consideration received from new members has not yet been recognized as revenue.

As of February 28, 2026, RMB165.2 million or 23.0% of the contract liabilities as of December 31, 2025 had been subsequently settled.

Other non-current liabilities

Our other non-current liabilities remained stable at RMB489.3 million as of December 31, 2023 and RMB485.8 million as of December 31, 2024. As of December 31, 2025, our other non-current liabilities decreased to RMB221.9 million, primarily due to the reclassification of the performance commitment deposit with respect to the acquisition of Jin Jiang WeHotel to current liabilities as it became due within one year.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have historically funded our cash requirements principally from proceeds from our business operations, capital contributions from shareholders and bank borrowings. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations and the net [REDACTED] from the [REDACTED]. We do not anticipate any changes in the availability of financing to fund our operations in the future.

Cash flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	5,161,719	3,561,684	3,301,352
Net cash generated from/(used in) investing activities.	1,110,941	2,849,325	(2,056,548)
Net cash used in financing activities	(3,569,488)	(6,247,011)	(3,241,678)
Net (decrease)/increase in cash and cash equivalents	2,703,172	163,998	(1,996,874)
Cash and cash equivalents, beginning of year.	5,771,246	8,506,385	8,637,637
Effect of exchange rate changes on cash and cash equivalents	31,967	(32,746)	63,208
Cash and cash equivalents, end of year	8,506,385	8,637,637	6,703,971

FINANCIAL INFORMATION

Net cash generated from operating activities

Our cash flows generated from operating activities reflect our profit before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation or amortization of non-current assets and interests); (ii) the effects of movement in working capital (such as inventories, receivables and payables); and (iii) other cash items (such as income taxes paid).

In 2025, we had net cash generated from operating activities of RMB3,301.4 million, which primarily represented profit before income tax of RMB1,467.3 million, adjusted by (i) non-cash and non-operating items, which mainly consisted of depreciation of RMB887.7 million, depreciation of right-of-use assets of RMB1,091.6 million, interest on loans and borrowings of RMB375.0 million and interest expenses on lease liabilities of RMB297.3 million, and (ii) movements in working capital, mainly consisting of an increase in trade and other payables of RMB125.0 million and an increase in contract liabilities of RMB24.2 million, partially offset by an increase in trade and other receivables of RMB93.6 million, an increase in other current assets of RMB132.4 million.

In 2024, we had net cash generated from operating activities of RMB3,561.7 million, which primarily represents profit before income tax of RMB1,645.1 million, adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation of RMB803.7 million, depreciation of right-of-use assets RMB1,221.5 million, interest on loans and borrowings of RMB532.1 million and interest expenses on lease liabilities of RMB331.5 million, and (ii) movements in working capital, mainly consisting of a decrease in trade and other receivables of RMB364.0 million and an increase in trade and other payables of RMB378.6 million, partially offset by (i) an increase in other current assets of RMB66.4 million and (ii) a decrease in contract liabilities of RMB185.3 million.

In 2023, we had net cash generated from operating activities of RMB5,161.7 million, which primarily represents profit before income tax of RMB1,793.3 million, adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation of RMB816.9 million, depreciation of right-of-use assets RMB1,232.0 million, interest on loans and borrowings of RMB474.0 million and interest expenses on lease liabilities of RMB372.1 million, and changes in fair value of financial instruments of RMB161.0 million and (ii) movements in working capital, mainly consisting of an increase in trade and other payables of RMB1,514.0 million, partially offset by an increase in trade and other receivables of RMB255.3 million.

Net cash generated from/(used in) investing activities

In 2025, our net cash used in investing activities amounted to RMB2,056.5 million, primarily attributable to (i) payments for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB1,845.0 million, as well as (ii) the payments for the purchase of time deposits of RMB3,659.5 million. These cash outflows were partially offset by proceeds from the maturity of time deposits of RMB2,424.6 million.

In 2024, our net cash flow generated from investing activities was RMB2,849.3 million, which primarily attributable to (i) proceeds from maturity of time deposits of RMB1,720.0 million and (ii) proceeds from the sales of subsidiaries of RMB1,709.8 million, resulting from the disposal of 100% equity of Smartel, partially offset by (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB981.6 million and (ii) payment for purchase of time deposits of RMB508.7 million.

In 2023, our net cash flow generated from investing activities was RMB1,110.9 million, which primarily attributable to (i) proceeds from maturity of time deposits of RMB2,019.4 million and (ii) interest received of RMB332.2 million, partially offset by (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB800.0 million and (ii) payment for purchase of time deposits of RMB542.6 million.

FINANCIAL INFORMATION

Net cash used in financing activities

In 2025, our net cash used in financing activities amounted to RMB3,241.7 million, primarily attributable to (i) the repayment of loans and borrowings of RMB9,530.3 million; and (ii) capital element of lease rentals paid of RMB1,172.0 million, which was partially offset by proceeds from loans and borrowings of RMB8,829.5 million.

In 2024, our net cash used in financing activities was RMB6,247.0 million, primarily attributable to (i) capital element of lease rentals paid of RMB1,522.8 million, (ii) repayment of loans and borrowings of RMB9,980.2 million and (iii) payments for acquisition of non-controlling interests of RMB1,540.3 million, partially offset by proceeds from loans and borrowings of RMB8,638.1 million.

In 2023, we had net cash used in financing activities of RMB3,569.5 million, primarily attributable to (i) capital element of lease rentals paid of RMB1,360.7 million, (ii) repayment of loans and borrowings of RMB8,432.6 million and (iii) payments for acquisition of non-controlling interests of RMB473.0 million, partially offset by proceeds from loans and borrowings of RMB8,712.1 million.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including cash and cash equivalents, available banking facilities, cash flows from operating activities and estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this Document.

INDEBTEDNESS

As of December 31, 2023, 2024, and 2025, and February 28, 2026 our indebtedness included bank borrowings, other borrowings and lease liabilities. Moreover, as of February 28, 2026, our unutilized banking facilities amounted to RMB6,240.0 million. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current				
Loans and borrowings	4,318,264	5,370,398	3,344,016	3,790,184
Trade and other payables				
– non trade	80,000	80,000	–	–
Lease liabilities	1,457,726	1,330,586	1,210,944	1,159,209
Non-current				
Loans and borrowings	9,892,778	7,044,525	9,283,267	9,001,342
Lease liabilities	8,315,727	7,178,916	6,479,150	6,396,731
Total	24,064,495	21,004,425	20,317,377	20,347,466

FINANCIAL INFORMATION

Loans and borrowings

As of December 31, 2023, 2024, 2025 and February 28, 2026, we had loans and borrowings of RMB14,211.0 million, RMB12,414.9 million, RMB12,627.3 million and RMB12,791.5 million, respectively. With the exception of certain bank borrowings in 2023 that were fully repaid in the following year, most of our loans and borrowings during the period consisted of unsecured and unguaranteed bank loans. During the Track Record Period, the interest rate of bank loans with fixed-rate ranged from 1.05% to 4.44%. The interest rate of bank loans with floating-rate was mainly related to PRC Loan-Prime-Rate, three-month EUR-inter-bank-offered rate, the EUR-inter-bank-offered rate, and the three-month Poland-inter-bank offered rate. See Note 24 of the Accountants’ Report in Appendix I to this Document.

Lease liabilities

As of December 31, 2023, 2024, 2025 and February 28, 2026, our lease liabilities amounted to RMB9,773.5 million, RMB8,509.5 million, RMB7,690.1 million and RMB7,555.9 million, respectively, which was in line with the decrease on right-of-use assets.

Contingent liabilities

As of December 31, 2023, 2024, 2025 and February 28, 2026, we did not have any material contingent liabilities. Our Directors confirm that there had been no material change in our contingent liabilities since December 31, 2025 and up to the Latest Practicable Date.

Indebtedness statement

Except as disclosed above, as of February 28, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since February 28, 2026 and up to the Latest Practicable Date.

OFF-BALANCE SHEET TRANSACTIONS

We had not entered into any material off-balance sheet transactions or arrangements as of the Latest Practicable Date.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures were used for renovating our O&L hotels, which amounted to RMB762.3 million, RMB1,045.9 million, and RMB1,897.2 million, in 2023, 2024 and 2025, respectively. We funded these expenditures mainly with cash generated from our business operations.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. See Note 34 to the Accountants’ Report in Appendix I to this Document. Our Directors believe that these transactions were conducted in the ordinary and usual course of business, and did not distort our results of operations or make our historical results unreflective of our future performance.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the date or for the period indicated:

	As of/for the year ended December 31,		
	2023	2024	2025
Return on equity ⁽¹⁾	5.92%	5.68%	5.89%
Return on assets ⁽²⁾	2.57%	2.37%	2.15%
Gearing ratio ⁽³⁾	138.62%	133.94%	124.84%
Gross profit margin ⁽⁴⁾	40.79%	38.41%	37.39%
Net profit margin ⁽⁵⁾	8.72%	8.14%	7.16%

Notes:

- (1) Return on equity is calculated based on the profit for the year attributable to owners of our Company divided by the arithmetic mean of the opening and closing balances of the total equity attributable to equity shareholders of our Company and multiplied by 100%.
- (2) Return on assets is calculated based on the profit for the year divided by the arithmetic mean of the opening and closing balances of the total assets and multiplied by 100%.
- (3) Gearing ratio is calculated based on total indebtedness (including loans and borrowings, trade and other payables - non trade and lease liabilities) divided by total equity and multiplied by 100%.
- (4) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.
- (5) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

Return on equity and return on assets

Our return on equity decreased from 5.92% in 2023 to 5.68% in 2024, primarily due to the decrease in our net profit outpacing the decrease in our total equity, while our return on equity increased from 5.68% in 2024 to 5.89% in 2025, primarily due to higher net profit. Our return on assets remained relatively stable at 2.57% in 2023, 2.37% in 2024, and 2.15% in 2025.

Gearing ratio

Our gearing ratio decreased from 138.62% as of December 31, 2023 to 133.94% as of December 31, 2024 and further decreased to 124.84% as of December 31, 2025, primarily due to the decrease in our borrowings and lease liabilities as a result of repayment of loans and borrowings.

Gross profit margin and net profit margin

See “— Year-to-Year Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

FINANCIAL RISKS MANAGEMENT

We are exposed to a variety of financial risks, including credit, liquidity, interest rate, currency and fair value risks. Our overall risk management strategy seeks to minimize potential adverse effects of the aforesaid risks on our financial performance. See Note 32 to the Accountants’ Report in Appendix I to this Document.

Credit risk

Trade receivables

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss. Our credit risk is primarily attributable to trade receivables and other receivables. We have established a credit risk management policy under which individual credit

FINANCIAL INFORMATION

evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 90 days from the date of billing. Normally, we do not obtain collateral from customers. Significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our Group's different customer bases.

Other receivables

We determine the credit loss of other receivables on the individual basis. Increase in provision for expected credit losses on other receivables. The amount to be reversed shall be recognized as credit losses or gains in the current period's profit and loss. Our exposure to credit risk arising from cash and cash equivalents, restricted cash and time deposits is limited because the counterparties are state-owned banks or reputable commercial banks which we consider to have low credit risk. We measure loss allowances for other current assets, long-term receivables and other non-current assets at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. We assessed that there is no significant loss allowance recognized in accordance with HKFRS 9 for cash and cash equivalents, restricted cash, time deposits, other current assets, long-term receivables, and other non-current assets as of December 31, 2023, 2024, and 2025.

Liquidity risk

Our policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from cash and cash equivalents, restricted cash, time deposits, loans and borrowings and lease liabilities. Our interest-bearing financial instruments at variable rates as of December 31, 2023, 2024, and 2025 primarily are the cash and cash equivalent, restricted cash and loans and borrowings, and the cash flow interest rate risk arising from the change of market interest rate on these balances is not considered significant.

Currency risk

We have foreign currency risk as certain balances are denominated in foreign currencies that is different from the functional currency of the respective group entities. The related foreign currency balance was mainly consisted with cash and cash equivalents. We closely monitor the impact of exchange rate fluctuations on our Group's foreign exchange risk. For 2023, 2024, and 2025, the amount of our foreign currency represented a low portion of the total cash and cash equivalents, and we considered the related foreign currency risk was immaterial.

DIVIDEND AND DIVIDEND POLICY

Pursuant to the Articles of Association, which we adopted and became effective in June 2025, if our Company meets the conditions to pay cash dividends, we target to declare cash dividends that accounted for not less than 50% of the year's net profit (as shown in the consolidated financial report) during the year. Furthermore, unless something beyond our control occurs, the ratio of the cash dividends so declared to the net assets attributable to the Company's shareholders shall be no

FINANCIAL INFORMATION

lower than the one-year deposit benchmark rate as published by PBOC. Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends or any other form that is permitted by the law or the regulations. Cash dividends shall be the preferred method of profit distribution.

During the Track Record Period, we declared and paid dividends of RMB64.2 million, RMB662.5 million, and RMB405.9 million in 2023, 2024, and 2025, respectively.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company had retained earnings of RMB3,838.2 million. Our retained earnings represented the distributable reserves available for distribution to our Shareholders.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information” to this Document for details of our unaudited [REDACTED] adjusted consolidated net tangible assets.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. Assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range), [REDACTED] to be borne by us are estimated to be approximately RMB[REDACTED] (HK\$[REDACTED]), comprising: (i) [REDACTED] of RMB[REDACTED] (HK\$[REDACTED]); and (ii) [REDACTED] of RMB[REDACTED] (HK\$[REDACTED]), which are further categorized into: (a) fees and expenses of legal advisers and accountants of RMB[REDACTED] (HK\$[REDACTED]); and (b) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]), approximately RMB[REDACTED] (HK\$[REDACTED]) of which was charged or is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be deducted from equity upon the completion of the [REDACTED]. The [REDACTED] are expected to represent approximately [REDACTED]% of the gross [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and that the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2025, which is the end date of the years reported on in the Accountants’ Report as set out in Appendix I to this Document, and there is no event since December 31, 2025 which would materially affect the information in the Accountants’ Report as set out in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.