

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[ATOUR LIFESTYLE HOLDINGS LIMITED INDEX TO CONSOLIDATED FINANCIAL STATEMENTS](#)

[Table of Contents](#)

This is a draft registration statement that is being confidentially submitted to the Securities and Exchange Commission on May 13, 2021.

Registration No. 333-

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM F-1**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

---

**Atour Lifestyle Holdings Limited**

(Exact name of Registrant as specified in its charter)

---

**Not Applicable**

(Translation of Registrant's name into English)

---

**Cayman Islands**  
(State or other Jurisdiction of  
incorporation or  
organization)

**7011**  
(Primary Standard Industrial  
Classification Code Number)

**Not Applicable**  
(I.R.S. Employer  
Identification Number)

**18th floor, Wuzhong Building,  
618 Wuzhong Road, Minhang District,  
Shanghai, People's Republic of  
China (+86) 021-64059928**

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

---

(Name, address, including zip code, and telephone number, including area code, of agent for service)

---

**Copies to:**

**Li He, Esq.**  
**Davis Polk & Wardwell LLP**  
**c/o 18<sup>th</sup> Floor, The Hong Kong**  
**Club Building**  
**3A Chater Road,**  
**Central Hong Kong**  
**+852 2533-3300**

---

**Allen Wang, Esq.**  
**Benjamin Su, Esq.**  
**Latham & Watkins LLP**  
**18th Floor, One Exchange Square**  
**8 Connaught Place, Central,**  
**Hong Kong +852 2912 2500**

---

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Title of each class of securities to be registered	Proposed maximum aggregate offering price <sup>(2)(3)</sup>	Amount of registration fee
Class A ordinary shares, par value US\$0.0001 per share <sup>(1)(2)</sup>	US\$	US\$

- (1) American depositary shares issuable upon deposit of ordinary shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333- ). Each American depositary share represents ordinary shares.
- (2) Includes ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public, and also includes ordinary shares that are issuable upon the exercise of the underwriters' over-allotment option. These ordinary shares are not being registered for the purpose of sales outside the United States.
- (3) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the United States Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion  
Preliminary Prospectus Dated \_\_\_\_\_, 2021

## American Depositary Shares



## Atour Lifestyle Holdings Limited

### Representing \_\_\_\_\_ Class A Ordinary Shares

This is an initial public offering of \_\_\_\_\_ American depositary shares, or ADSs, of Atour Lifestyle Holdings Limited. Each ADS represents \_\_\_\_\_ of our Class A ordinary shares, par value US\$0.0001 per share.

Prior to this offering, there has been no public market for the ADSs or our Class A ordinary shares. We anticipate that the initial public offering price will be between US\$ \_\_\_\_\_ and US\$ \_\_\_\_\_ per ADS. We intend to apply to list the ADSs representing our Class A ordinary shares on the Nasdaq Global Market under the symbol "ATAT".

Following the completion of this offering, our issued and outstanding share capital will consist of Class A ordinary shares and Class B ordinary shares. \_\_\_\_\_ will beneficially own all of our issued Class B ordinary shares and will be able to exercise \_\_\_\_\_ % of the total voting power of our issued and outstanding share capital immediately following the completion of this offering. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to \_\_\_\_\_ votes and is convertible into one Class A ordinary share. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. See "Description of Share Capital." Immediately following the completion of this offering, we will be a "controlled company" within the meaning of the Nasdaq rules. See "Principal Shareholders."

We are an "emerging growth company" under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

**Investing in our ADSs involves risks. See "Risk Factors" beginning on page 20 of this prospectus.**

**Neither the United States Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

---

PRICE US\$      PER ADS

---

	Per ADS	Total
Initial public offering price	US\$	US\$
Underwriting discounts and commissions <sup>(1)</sup>	US\$	US\$
Proceeds, before expenses, to us	US\$	US\$

(1) For a description of compensation payable to the underwriters, see "Underwriting."

The underwriters have an over-allotment option to purchase up to an additional ADSs from us at the initial public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus.

The underwriters expect to deliver the ADSs against payment in U.S. dollars in New York, New York on or about \_\_\_\_\_, 2021.

**BofA Securities**

**Citigroup**

**CICC**

**CMBI**





**TABLE OF CONTENTS**

	<u>Page</u>
<a href="#">Prospectus Summary</a>	<a href="#">1</a>
<a href="#">Our Corporate Information</a>	<a href="#">6</a>
<a href="#">Implications of Being An Emerging Growth Company</a>	<a href="#">7</a>
<a href="#">Implications of Being A Controlled Company</a>	<a href="#">8</a>
<a href="#">Conventions Which Apply To This Prospectus</a>	<a href="#">9</a>
<a href="#">The Offering</a>	<a href="#">11</a>
<a href="#">Our Summary Consolidated Financial Data and Operating Data</a>	<a href="#">14</a>
<a href="#">Risk Factors</a>	<a href="#">20</a>
<a href="#">Cautionary Statement Regarding Forward-Looking Statements</a>	<a href="#">70</a>
<a href="#">Use of Proceeds</a>	<a href="#">71</a>
<a href="#">Dividend Policy</a>	<a href="#">72</a>
<a href="#">Capitalization</a>	<a href="#">73</a>
<a href="#">Dilution</a>	<a href="#">75</a>
<a href="#">Enforceability of Civil Liabilities</a>	<a href="#">77</a>
<a href="#">Corporate History and Structure</a>	<a href="#">79</a>
<a href="#">Management's Discussion and Analysis of Financial Condition and Results Of Operations</a>	<a href="#">81</a>
<a href="#">Industry</a>	<a href="#">114</a>
<a href="#">Business</a>	<a href="#">124</a>
<a href="#">Regulation</a>	<a href="#">152</a>
<a href="#">Management</a>	<a href="#">167</a>
<a href="#">Principal Shareholders</a>	<a href="#">175</a>
<a href="#">Related Party Transactions</a>	<a href="#">178</a>
<a href="#">Description of Share Capital</a>	<a href="#">180</a>
<a href="#">Description of American Depositary Shares</a>	<a href="#">193</a>
<a href="#">Shares Eligible For Future Sale</a>	<a href="#">201</a>
<a href="#">Taxation</a>	<a href="#">203</a>
<a href="#">Underwriting</a>	<a href="#">209</a>
<a href="#">Expenses Relating To This Offering</a>	<a href="#">217</a>
<a href="#">Legal Matters</a>	<a href="#">218</a>
<a href="#">Experts</a>	<a href="#">219</a>
<a href="#">Where You Can Find Additional Information</a>	<a href="#">220</a>

Unless otherwise indicated or the context otherwise requires, all references in this prospectus to "Atour," "we," "us," "our," "ours," "our company," the "Company," or similar terms refer to Atour Lifestyle Holdings Limited, together with its subsidiaries.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the ADSs offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Neither we nor any of the underwriters has done anything that would permit this offering or possession or distribution of this prospectus or any filed free writing prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus or any free writing prospectus must inform themselves about, and observe any restrictions relating to, the offering of the ADSs and the distribution of this prospectus or any free writing prospectus outside of the United States. This offering is being

made in the United States and elsewhere solely on the basis of the information contained in this prospectus. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of the ADSs representing our ordinary shares. Our business, financial condition, results of operations and prospects may have changed since the date on the front cover of this prospectus.

**Until \_\_\_\_\_, 2021 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade the ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.**

## BASIS OF PRESENTATION

In connection with this offering, we are currently in the process of completing certain corporate reorganization transactions, including, through establishing a series of intermediary holding companies to acquire 100% of the equity interest in Shanghai Atour Business Management (Group) Co., Ltd., or Atour Shanghai, and issuing new shares of our company to the affiliates of certain existing equityholders of Atour Shanghai, or the Existing Equityholders. We refer to such reorganization transactions collectively as the "Restructuring" in this prospectus. See "Corporate History and Structure" for a more detailed description of the Restructuring and a diagram depicting our corporate structure after giving effect to the Restructuring.

We currently conduct all of our businesses through Atour Shanghai and its PRC subsidiaries in China. We are a holding company incorporated in the Cayman Islands on April 10, 2012 in anticipation of future capital raising from international investors. Atour Lifestyle Holdings Limited owns 100% of the equity interest in Atour Hotel (HK) Holdings Limited, or Atour Hong Kong, a company incorporated under the laws of the Hong Kong. Atour Hong Kong owns 100% equity interest in Atour Shanghai. Each of Atour Lifestyle Holdings Limited and Atour Hong Kong currently has no substantial assets or operations, other than their respective holdings of the equity interests of their wholly owned subsidiaries. After the Restructuring, all of our business in China will continue to be conducted through Atour Shanghai and its subsidiaries.

Upon the consummation of the Restructuring and prior to the completion of this offering, the affiliates of all Existing Equityholders of Atour Shanghai will acquire, in accordance with applicable PRC laws and regulations, ordinary shares in our company substantially in proportion to their respective equity ownership in Atour Shanghai immediately prior to the Restructuring.

Upon the consummation of the Restructuring, which is expected to occur prior to the completion of this offering, (i) we will adjust our share capital and issue new Class A ordinary shares to the affiliates of certain Existing Equityholders of Atour Shanghai who, as of the date of this prospectus, hold warrants to acquire a total of 15,859,032 Class A ordinary shares in our company in proportion to their respective equity ownership in Atour Shanghai, such that the shareholding structure of our company at the Cayman Islands level would be substantially similar to the current equity ownership structure of Atour Shanghai, (ii) we expect that these warrant holders will exercise these warrants in full to acquire a total of 15,859,032 Class A ordinary shares underlying such warrants, and (iii) the affiliates of such Existing Equityholders will become parties to and be bound by the terms of our shareholders agreement dated March 3, 2021. For financial reporting purposes, the Restructuring was accounted for as a reverse recapitalization of Atour Shanghai. Accordingly, the consolidated financial statements of the Company are prepared as if the corporate structure of the Company immediately after the Restructuring had been in existence throughout the periods presented. This prospectus contains the historical consolidated financial statements of the Company.



## PROSPECTUS SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements and the related notes appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in the ADSs discussed under "Risk Factors," "Business," and information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" before deciding whether to buy the ADSs.*

### OVERVIEW

Setting out as an upper midscale hotel chain group, we are now a leading lifestyle brand in China.

We are the largest upper midscale hotel chain in China in terms of room number as of the end of 2020, according to Frost & Sullivan. Through our hotel network, loyalty program and data and technology capabilities, we have been tirelessly exploring new possible ways to set the new trends for China's hospitality industry and expand our offerings beyond our hotels. We distinguish ourselves from our peers in the following aspects:

- *Hotel network with a distinct portfolio of lifestyle brands.* We offer our guests a diversified collection of lifestyle hotel brands, each created with a unique personality under the unified ethos of inclusivity and presence of humanness. As of March 31, 2021, our hotel network covered 608 hotels spanning 131 cities in China, with a total of 71,121 hotel rooms, including 575 manachised hotels with a total of 66,267 manachised hotel rooms, in addition to a pipeline of 299 hotels with a total of 32,825 rooms under development. Our guests can book a stay with us and access our rich product and service offerings through offline and online channels, including our mobile app and Weixin/WeChat mini program.
- *"A-Card" loyalty program with strong customer stickiness.* We built our A-Card loyalty program to enhance our engagement with guests and provide them with a unique and personalized experience. As of March 31, 2021, our A-Card loyalty program had amassed more than 25 million registered individual members. In 2020, approximately 44.7% of our room-nights were sold to our A-Card members.
- *Proprietary data and technology capabilities.* To provide our customers with personalized services and products, we have developed a comprehensive digital management system, which improves customer experience and operational efficiency in room reservation, room management, pricing and membership benefits. We use our data technology to identify market trends and inform our hotel management and strategic decisions, and make our hotel services and retail products more relatable to customers through seamless integration into our rooms and other consumption scenarios throughout our hotels.

In addition, we are the first hotel chain in China to develop a scenario-based retail business, according to Frost & Sullivan. We design our guest room amenities, work closely with manufacturers to deliver top-quality products, and carefully place the relevant products in guest rooms. Each of our guest rooms incorporates a fully immersive shopping destination, enabling us to further strengthen our brand elasticity with our guests. As of March 31, 2021, we had developed a total of 1,136 SKUs for scenario-based retail. The GMV generated from our retail business was RMB82.8 million and RMB107.2 million for 2019 and 2020, respectively, representing a year-over-year increase of 29.5%, and reached RMB32.6 million in the three months ended March 31, 2021. In 2020, the average transaction value per room reservation reached RMB517.5 for our scenario-based retail business.

We mainly use the manachise model to expand our hotel network in a less capital-intensive manner. We also lease the properties of the hotels we operate. As of March 31, 2021, we had 33 leased hotels and 575 manachised hotels. The number of our manachised hotels grew at a CAGR of 86.2% between 2015 and 2020.

We primarily derive our revenues from (i) franchise and management fees from our manachised hotels and sales of hotel supplies to manachised hotels, (ii) operations of our leased hotels, and (iii) sales of our retail products in connection with our scenario-based retail business. We generated net revenues of RMB1,567.1 million and RMB1,566.6 million for the years ended December 31, 2019 and 2020, respectively, and RMB202.2 million and RMB419.9 million (US\$64.1 million) for the three months ended March 31, 2020 and 2021, respectively. We had net income of RMB60.8 million and RMB37.8 million for the years ended December 31, 2019 and 2020, respectively, and net loss of RMB76.1 million and net income of RMB11.5 million (US\$1.8 million) for the three months ended March 31, 2020 and 2021, respectively. We had EBITDA (non-GAAP) of RMB182.5 million and RMB161.2 million for the years ended December 31, 2019 and 2020, respectively, and negative EBITDA of RMB70.7 million and EBITDA of RMB45.9 million (US\$7.0 million) for the three months ended March 31, 2020 and 2021, respectively. For reconciliation of net income to EBITDA (non-GAAP), see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measure."

## **MARKET OPPORTUNITIES**

Driven by China's continuous and fast economic growth and strong demand for domestic travelling, China's hospitality industry, especially hotel chains, has experienced steady growth in the past few years and witnessed the following key trends.

- *Increasing hotel chain penetration rate.* The total number of rooms offered by hotel chains increased with a CAGR of 15.2% from 2015 to 2019. Meanwhile, the hotel chain penetration rate remains at 31.5% in China's hospitality market in 2020, much lower than the average hotel chain penetration rate of 41.9% in the world market and the penetration rate of 72.9% in the more mature U.S. market. The penetration rate of chained operation in China's hospitality industry is anticipated to further increase.
- *Consumption upgrades and consumer preference transformation.* In line with continuous consumption upgrades, hoteliers in China have seen a rising demographic of young, discerning travelers who demand creative, elevated yet approachable class of hotels designed to surpass customer expectations in personalized ways. This favorable industry trend has been driving more customers to choose leading hotel brands that are capable of offering a diverse range of compelling products and services across scenario-based shopping, entertainment, culture, food and other lifestyle spheres.

## **OUR STRENGTHS**

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- The No.1 upper midscale hotel chain in China with a diversified brand portfolio;
- Highly efficient manachised model delivering high growth and returns;
- A "standardized" approach to personalized services with a customer-centric culture;
- Innovative scenario-based retail business with compelling private label product offerings;
- Young, loyal and growing customer base served by established direct sales channels;
- Comprehensive technology infrastructure supporting quality customer experience and efficient operation; and
- Visionary and seasoned management team.

## **OUR STRATEGIES**

We intend to focus on the following key strategies to solidify our market leadership and achieve sustainable growth:

- Further expand our premium hotel network in China;
- Strengthen our hotel brand portfolio and expand our offerings;
- Bolster our scenario-based retail offerings to enhance customer engagement and monetization;
- Expand membership base and strengthen the lifestyle-centric ecosystem around our hotel offerings; and
- Continue to invest in technology and strengthen our data insights.

## **OUR CHALLENGES**

Investing in our ADSs involves a high degree of risk. You should carefully consider the risks and uncertainties summarized below, the risks described under the "Risk Factors" section beginning on page 18 of, including the risks described under the subsections headed "Risks Related to Our Business," "Risks Related to Doing Business in China" and "Risks Related to the ADSs and This Offering," and the other information contained in, this prospectus before you decide whether to purchase our ADSs. In particular, as we are a China-based company incorporated in the Cayman Islands, you should pay special attention to the subsection headed "Risks Related to Doing Business in China" below.

We face risks and uncertainties in realizing our business objectives and executing our strategies, including:

- Our operating results are subject to conditions typically affecting the hospitality industry in China, any of which could reduce our revenues and limit opportunities for growth.
- If we are unable to compete successfully, our financial condition and results of operations may be harmed.
- We may not be able to manage our expected growth, which could adversely affect our operating results.
- Our expansion within existing markets and into new markets may present increased risk.
- We may not be able to successfully identify, secure or operate additional hotel properties.
- Our limited operating history makes it difficult to evaluate our future prospects and results of operations.
- The COVID-19 outbreak has adversely affected, and may continue to adversely affect, our financial and operating performance.
- If our brand reputation is harmed, it could have a material adverse effect on our business and results of operations.
- We may be adversely affected by any negative publicity concerning us and our business, shareholders, affiliates, directors, officers, other employees, business partners, other third parties as well as the industry in which we operate, regardless of its accuracy, that could harm our reputation and business.
- We may not be successful in developing and achieving expected returns from our hotel brand portfolio and co-branding collaboration, which could adversely affect our financial performance and condition.

- We are subject to various operational risks inherent in the manachise business model.
- We may not be able to successfully attract new franchisees and compete for franchise and management agreements and, as a result, we may not be able to achieve our planned growth.
- Our success could be adversely affected by the performance of our manachised hotels.
- Our franchise and management agreements could be terminated early and we may not be able to renew our existing franchise and management agreements or renegotiate new franchise and management agreements when they expire.

We are a China-based company and we may face risks and uncertainties in doing business in China, including:

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial condition and results of operations.
- Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.
- The audit report included in this prospectus is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board and as such, our investors are deprived of the benefits of such inspection.
- The recent enactment of the Holding Foreign Companies Accountable Act may result in de-listing of the ADSs.
- You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the prospectus based on foreign laws.

In addition to the risks described above, we are subject to risks relating to the ADS and this offering, including, but not limited to, the following:

- There has been no public market for our shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.
- The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.
- If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.
- Our proposed dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.
- The dual-class structure of our ordinary shares may adversely affect the trading market for our ADSs.

See "Risk Factors" and other information included in this prospectus for a discussion of these and other risks and uncertainties that we face.

## **Our Corporate History and Structure**

### ***Our Corporate History***

Atour Shanghai was established in 2013. We currently conduct all of our businesses in China through Atour Shanghai and its subsidiaries.

We established Atour Lifestyle Holdings Limited as our holding company in the Cayman Islands on April 10, 2012 in anticipation of future capital raising from international investors. Atour Hong Kong was incorporated on March 5, 2021 in Hong Kong.

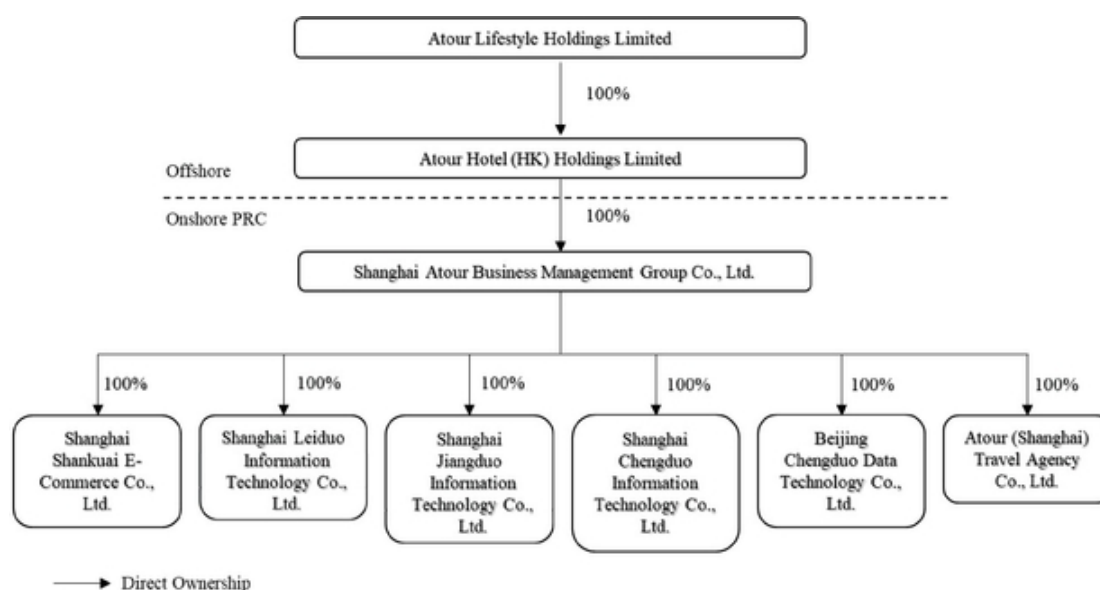
In connection with the Restructuring, Atour Lifestyle Holdings Limited has acquired 100% of the equity interest in Atour Hong Kong, and Atour Hong Kong owns 100% of the equity interest in Atour Shanghai, which controls all of our business operations within the PRC.

### Restructuring

We are currently undertaking the Restructuring. Upon the consummation of the Restructuring, which is expected to occur prior to the completion of this offering, (i) we will adjust our share capital and issue new Class A ordinary shares to the affiliates of certain Existing Equityholders of Atour Shanghai who, as of the date of this prospectus, hold warrants to acquire a total of 15,859,032 Class A ordinary shares in our company in proportion to their respective equity ownership in Atour Shanghai, such that the shareholding structure of our company at the Cayman Islands level would be substantially similar to the current equity ownership structure of Atour Shanghai, (ii) we expect that these warrant holders will exercise these warrants in full to acquire a total of 15,859,032 Class A ordinary shares underlying such warrants, and (iii) the affiliates of such Existing Equityholders will become parties to and be bound by the terms of our shareholders agreement dated March 3, 2021.

### Our Corporate Structure

The following diagram illustrates our corporate structure, including all of our significant subsidiaries within and outside of the PRC, immediately upon the completion of this offering, after giving effect to the consummation of the Restructuring.



Note:

- (1) Immediately after the completion of this offering, assuming the underwriters do not exercise their option to purchase additional ADSs, (i) Mr. Haijun Wang, our founder, chairman of our board of directors, and Chief Executive Officer, will beneficially own % of our total issued and outstanding ordinary shares and % of aggregate voting power; (ii) the other existing shareholders, in aggregate, will beneficially own % of our total issued and outstanding ordinary shares and % of the aggregate voting power; and (iii) public investors in this offering, in aggregate, will beneficially own % of our total issued and outstanding ordinary shares and % of the aggregate voting power.

**OUR CORPORATE INFORMATION**

Our principal executive offices are located at 18<sup>th</sup> floor, Wuzhong Building, 618 Wuzhong Road, Minhang District, Shanghai, People's Republic of China. Our telephone number at this address is +86-021-64059928. Our registered office in the Cayman Islands is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1- 1205, Cayman Islands. Our agent for service of process in the United States is located at .

Investors should contact us for any inquiries through the address and telephone number of our principal executive office. Our principal website is <https://www.yaduo.com>. The information contained on our website is not a part of this prospectus.

## **IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY**

As a company with less than US\$1.07 billion in revenue for the last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012 (as amended by the Fixing America's Surface Transportation Act of 2015), or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. Pursuant to the JOBS Act, we have elected to take advantage of the benefits of this extended transition period for complying with new or revised accounting standards. As a result, our operating results and financial statements may not be comparable to the operating results and financial statements of other companies who have adopted the new or revised accounting standards.

We will remain an emerging growth company until the earliest of (i) the last day of our fiscal year during which we have total annual gross revenues of at least US\$1.07 billion; (ii) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (iii) the date on which we have, during the previous three-year period, issued more than US\$1.0 billion in non-convertible debt; or (iv) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of the ADSs that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above. See "Risk Factors—Risks Related to the ADSs and This Offering—We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements."

### **IMPLICATION OF BEING A CONTROLLED COMPANY**

Upon the completion of this offering, Mr. Haijun Wang, our founder, Chairman of Board of Directors, and Chief Executive Officer will beneficially own % of our total issued and outstanding ordinary shares, representing % of our total voting power, assuming that the underwriters do not exercise their option to purchase additional ADSs, or % of our total issued and outstanding ordinary shares, representing % of our total voting power, assuming that the option to purchase additional ADSs is exercised by the underwriters in full. As a result, we will be a "controlled company" as defined under the Nasdaq Stock Market Rules because Mr. Haijun Wang will hold more than 50% of the voting power for the election of directors. As a "controlled company," we are permitted to elect not to comply with certain corporate governance requirements. If we rely on these exemptions, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.



## CONVENTIONS WHICH APPLY TO THIS PROSPECTUS

Unless we indicate otherwise, all information in this prospectus reflects the following:

- no exercise by the underwriters of their over-allotment option to purchase up to additional ADSs representing ordinary shares from us; and

Except where the context otherwise requires and for purposes of this prospectus only:

- "ADR" refers to average daily room rate, which means room revenue divided by the number of rooms in use;
- "ADSs" refers to the American depository shares, each representing ordinary shares;
- "Atour," "we," "us," "our," "ours," "our company," and the "Company," refer to Atour Lifestyle Holdings Limited, a Cayman Islands company and its subsidiaries;
- "China" or "PRC" refers to the People's Republic of China, excluding, for the purpose of this prospectus only, Taiwan, Hong Kong and Macau Special Administrative Regions;
- "Class A ordinary shares" refers to our Class A ordinary shares with a par value of US\$0.0001 per share;
- "Class B ordinary shares" refers to our Class B ordinary shares with a par value of US\$0.0001 per share;
- "GMV" refers to gross merchandise value, which is the total value of confirmed orders placed by our end customers with us or our franchisees, as the case may be, and sold as part of our retail business, regardless of whether the products are delivered or returned, calculated based on the prices of the ordered products net of any discounts offered to our end customers;
- "leased hotels" refers to leased-and-operated hotels, which, for the avoidance of doubt, include three hotels that are exclusively operated by us on properties leased by certain designated third parties;
- "manachised hotels" refers to franchised-and-managed hotels;
- "occupancy rate" refers to the number of rooms in use divided by the number of available rooms for a given period;
- "RevPAR" refers to revenue per available room, which is calculated by total revenues during a period divided by the number of available rooms of our hotels during the same period;
- "ordinary shares" prior to the completion of this offering refers to our Class A ordinary shares and Class B ordinary shares;
- "RMB" or "Renminbi" refers to the legal currency of the People's Republic of China;
- "SKU" refers to stock-keeping unit offered in our retail business;
- "Tier 1 cities" refers to the four Chinese cities of Beijing, Shanghai, Guangzhou and Shenzhen;
- "New Tier 1 cities" refers to the 15 Chinese cities of Chongqing, Suzhou, Chengdu, Hangzhou, Wuhan, Nanjing, Tianjin, Qingdao, Changsha, Zhengzhou, Foshan, Hefei, Xian, Dongguan and Shenyang;
- "Tier 2 cities" refers to the 30 Chinese cities of Nanning, Ningbo, Wuxi, Quanzhou, Jinan, Nantong, Fuzhou, Yantai, Changzhou, Xuzhou, Dalian, Wenzhou, Kunming, Changchun, Xiamen, Shaoxing, Shijiazhuang, Langfang, Nanchang, Jiaying, Taizhou, Harbin, Jinhua, Guiyang, Huizhou, Taiyuan, Zhuhai, Baoding, Zhongshan and Lanzhou;

- "US\$," "dollars" or "U.S. dollars" refers to the legal currency of the United States; and
- "U.S. GAAP" refers to the accounting principles generally accepted in the United States of America.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus are made at RMB 6.5250 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2020. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. On March 31, 2021 the noon buying rate for Renminbi was RMB6.5518 to US\$1.00.

This prospectus contains information derived from various public sources and certain information from an industry report commissioned by us and prepared by Frost & Sullivan, a third-party industry research firm, to provide information regarding our industry and market position in China. Such information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The industry in which we operate is subject to a high degree of uncertainty and risk due to variety of factors, including those described in the "Risk Factors" section. These and other factors could cause results to differ materially from those expressed in these publications and reports.

## THE OFFERING

Offering price range	We currently estimate that the initial public offering price will be between US\$      and US\$      per ADS.
ADSs offered by us	ADSs (or      ADSs if the underwriters exercise their over-allotment option in full).
The ADSs	<p>Each ADS represents      Class A ordinary shares, par value US\$0.0001 per share. The depositary will hold the ordinary shares underlying the ADSs. You will have rights as provided in the deposit agreement.</p> <p>We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares, after deducting its fees and expenses in accordance with the terms set forth in the deposit agreement.</p> <p>You may turn in the ADSs to the depositary in exchange for ordinary shares. The depositary will charge you fees for any exchange.</p> <p>We may amend or terminate the deposit agreement without your consent. If you continue to hold the ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.</p> <p>To better understand the terms of the ADSs, you should carefully read the "Description of American Depositary Shares" section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.</p>
Ordinary shares	<p>We will issue      Class A ordinary shares represented by the ADSs in this offering.</p> <p>All of our outstanding share options, regardless of grant dates, will entitle holders to the equivalent number of Class A ordinary shares once the vesting and exercising conditions on such share-based awards are met.</p> <p>See "Description of Share Capital."</p>
Ordinary shares outstanding immediately after this offering	ordinary shares, comprised of      Class A ordinary shares and      Class B ordinary shares (or      ordinary shares if the underwriters exercise their option to purchase additional ADSs in full, comprised of      Class A ordinary shares and      Class B ordinary shares).
Over-allotment option	We have granted the underwriters the right to purchase up to an additional      Class A ordinary share from us within 30 days of the date of this prospectus, to cover over-allotments, if any, in connection with the offering.

Listing	We intend to apply to list the ADSs representing our ordinary shares on the Nasdaq Global Market, or Nasdaq under the symbol "ATAT".
Use of proceeds	<p>We estimate that the net proceeds to us from the offering will be approximately US\$ .</p> <p>We intend to use the net proceeds from the offering for (i) expanding and strengthening our hotel network in China, including funding the capital expenditures and expenses related to opening of new hotels across different Atour hotel brands and the continuous upgrades of existing hotel facilities, (ii) developing new products and services for our diversified hotel portfolio, strengthening our membership program and enhancing our branding efforts, (iii) enhancing our IT infrastructure and technologies, including digital operating systems and data analytics, to further enhance our customer experience as well as operating efficiency, (iv) selectively pursuing strategic transactions including mergers &amp; acquisitions, joint ventures and investments in China's hospitality and lifestyle industry; as of the date of this prospectus, we have not identified any specific target, and (v) general corporate and working capital purposes. See "Use of Proceeds."</p>
Lock-up	We[, our directors, executive officers and existing shareholders] have agreed with the underwriters, subject to certain exceptions, not to offer, sell, or dispose of any shares of our share capital or securities convertible into or exchangeable or exercisable for any shares of our share capital during the 180-day period following the date of this prospectus. See "Shares Eligible for Future Sale" and "Underwriting" for more information.
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of The Depository Trust Company on , 2021.
Depository	
Taxation	For Cayman Islands, PRC and U.S. federal income tax considerations with respect to the ownership and disposition of the ADSs, see "Taxation."
Risk Factors	See "Risk Factors" and other information included in this prospectus for discussions of the risks relating to investing in the ADSs. You should carefully consider these risks before deciding to invest in the ADSs.

Unless otherwise indicated, all information contained in this prospectus assumes no exercise of the option granted to the underwriters to purchase up to additional ordinary shares to cover over-allotments, if any, in connection with the offering.

The number of ordinary shares that will be outstanding immediately after this offering:

- is based upon 376,970,454 ordinary shares (including Class A ordinary shares and Class B ordinary shares) outstanding as of the date of this prospectus, assuming all outstanding warrants granted to the affiliates of certain Existing Equityholders of Atour Shanghai have been fully exercised and converted into 15,859,032 Class A ordinary shares immediately upon the completion of the Restructuring (which is expected to be completed prior to the completion of this offering);
- assumes no exercise of the underwriters' option to purchase additional ADSs representing Class A ordinary shares;
- excludes 17,923,060 Class A ordinary shares issuable upon the exercise of 17,923,060 share options outstanding as of the date of this prospectus, at a weighted average exercise price of US\$0.79 per share, which were granted pursuant to our Public Company Share Incentive Plan; and
- excludes 33,106,486 Class A ordinary shares reserved for future issuances upon the exercise of share options to be granted pursuant to our Public Company Share Incentive Plan.

**OUR SUMMARY CONSOLIDATED FINANCIAL DATA AND OPERATING DATA**

The following summary consolidated statements of comprehensive income data for the years ended December 31, 2019 and 2020, summary consolidated balance sheets data as of December 31, 2019 and 2020, and summary consolidated statements of cash flows data for the years ended December 31, 2019 and 2020 have been derived from the audited consolidated financial statements of the Company included elsewhere in this prospectus, which were prepared and presented in accordance with U.S. GAAP. The following summary consolidated statements of comprehensive income data for the three months ended March 31, 2020 and 2021, summary consolidated balance sheet data as of March 31, 2020 and 2021 and summary consolidated cash flows data for the three months ended March 31, 2020 and 2021 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus and have been prepared on the same basis as our audited consolidated financial statements. Our historical results are not necessarily indicative of results expected for future periods. You should read this Our Summary Consolidated Financial Data and Operating Data section together with the Company's consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

The following table presents the Company's summary consolidated statements of comprehensive income data for the years ended December 31, 2019 and 2020 and for the three months ended March 31, 2020 and 2021.

	Years Ended		Three Months Ended		
	December 31, 2019	December 31, 2020	March 31, 2020	March 31, 2021	
	RMB	RMB	RMB	RMB	US\$
(in thousands)					
<b>Summary Consolidated Statements of Comprehensive Income Data</b>					
<b>Revenues:</b>					
Manachised hotels	840,400	926,307	130,613	254,066	38,778
Leased hotels	614,829	496,470	52,661	124,891	19,062
Retail revenues and others	111,862	143,775	18,876	40,901	6,243
<b>Net revenues</b>	<b>1,567,091</b>	<b>1,566,552</b>	<b>202,150</b>	<b>419,858</b>	<b>64,083</b>
<b>Operating costs and expenses:</b>					
Hotel operating costs	(1,097,441)	(1,150,101)	(222,862)	(307,402)	(46,919)
Other operating costs	(81,337)	(78,746)	(12,104)	(25,223)	(3,850)
Selling and marketing expenses	(75,745)	(70,972)	(11,073)	(14,302)	(2,183)
General and administrative expenses	(138,241)	(131,366)	(30,748)	(40,617)	(6,199)
Technology and development expenses	(29,363)	(33,649)	(8,122)	(8,467)	(1,292)
Pre-opening expenses	(68,166)	(61,878)	(21,286)	(6,780)	(1,035)
<b>Total operating costs and expenses</b>	<b>(1,490,293)</b>	<b>(1,526,712)</b>	<b>(306,195)</b>	<b>(402,791)</b>	<b>(61,478)</b>
Other operating income	14,602	23,429	8,155	2,208	337
<b>Income (loss) from operations</b>	<b>91,400</b>	<b>63,269</b>	<b>(95,890)</b>	<b>19,275</b>	<b>2,942</b>
Interest income	240	707	148	390	60
Gain from short-term investments	22,165	11,046	3,431	2,137	326
Interest expenses	(4,294)	(1,481)	(500)	(1,565)	(239)
Other (expenses) income, net	(1,187)	1,883	76	1,022	156
<b>Income (loss) before income tax</b>	<b>108,324</b>	<b>75,424</b>	<b>(92,735)</b>	<b>21,259</b>	<b>3,245</b>
Income tax (expense) benefit	(47,493)	(37,602)	16,657	(9,790)	(1,494)
<b>Net income (loss)</b>	<b>60,831</b>	<b>37,822</b>	<b>(76,078)</b>	<b>11,469</b>	<b>1,751</b>
Less: net loss attributable to non-controlling interests	(4,129)	(4,229)	(2,154)	(772)	(118)
<b>Net income (loss) attributable to the Company</b>	<b>64,960</b>	<b>42,051</b>	<b>(73,924)</b>	<b>12,241</b>	<b>1,869</b>
Less: accretion of redeemable Series C shares	(48,964)	(52,881)	(12,841)	(13,868)	(2,117)
<b>Net income (loss) available to shareholders of the Company</b>	<b>15,996</b>	<b>(10,830)</b>	<b>(86,765)</b>	<b>(1,627)</b>	<b>(248)</b>

The following table presents the Company's summary consolidated balance sheets data as of December 31, 2019 and 2020 and March 31, 2021:

	As of December 31,		As of March 31,	
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
<b>Summary Consolidated Balance Sheets Data:</b>				
Cash and cash equivalents	763,232	824,546	884,941	135,068
Property and equipment, net	414,236	467,450	466,896	71,262
Total assets	1,648,533	1,985,716	2,107,310	321,637
Long-term borrowings, non-current portion	28,294	31,165	42,045	6,417
Deferred revenue (current and non-current)	372,467	415,865	439,515	67,083
Accrued expenses and other payables	261,315	378,532	419,941	64,096
<b>Total liabilities</b>	<b>1,119,778</b>	<b>1,419,919</b>	<b>1,529,618</b>	<b>233,464</b>
<b>Mezzanine equity</b>	<b>828,512</b>	<b>881,393</b>	<b>895,261</b>	<b>136,643</b>
<b>Total deficit</b>	<b>(299,757)</b>	<b>(315,596)</b>	<b>(317,569)</b>	<b>(48,470)</b>

The following table presents the Company's summary consolidated statements of cash flows data for the years ended December 31, 2019 and 2020 and for the three months ended March 31, 2020 and 2021.

	Years Ended		Three Months Ended		
	December 31,		March 31,		
	2019	2020	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	(in thousands)				
<b>Summary Consolidated Statements of Cash Flows Data:</b>					
Net cash generated from (used in) operating activities	224,114	118,670	(230,058)	5,593	854
Net cash generated from (used in) investing activities	264,859	(105,527)	(102,018)	(32,205)	(4,916)
Net cash (used in) generated from financing activities	(10,084)	48,011	38,316	87,007	13,280

#### Selected Quarterly Results of Operations

The following table sets forth our unaudited consolidated quarterly results of operations for the periods indicated. You should read the following table in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated quarterly financial information on the same basis as our consolidated financial statements. The unaudited consolidated quarterly financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair representation of our operating



results for the quarters presented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Selected Quarterly Results of Operations."

	For the Three Months Ended								
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	(in thousands)								
<b>Revenues:</b>									
Manachised hotels	150,953	203,687	239,324	246,436	130,613	198,584	295,762	301,348	254,066
Leased hotels	130,756	154,868	169,457	159,748	52,661	106,442	167,241	170,126	124,891
Retail revenues and others	21,155	26,318	28,087	36,302	18,876	32,821	40,812	51,266	40,901
<b>Net revenues</b>	<b>302,864</b>	<b>384,873</b>	<b>436,868</b>	<b>442,486</b>	<b>202,150</b>	<b>337,847</b>	<b>503,815</b>	<b>522,740</b>	<b>419,858</b>
<b>Operating costs and expenses:</b>									
Hotel operating costs	(226,707)	(271,422)	(288,449)	(310,863)	(222,862)	(265,698)	(331,203)	(330,338)	(307,402)
Other operating costs	(14,132)	(16,480)	(20,493)	(30,232)	(12,104)	(17,670)	(22,275)	(26,697)	(25,223)
Selling and marketing expenses	(14,467)	(18,503)	(18,436)	(24,339)	(11,073)	(19,206)	(20,370)	(20,323)	(14,302)
General and administrative expenses	(29,059)	(34,686)	(34,445)	(40,051)	(30,748)	(33,379)	(31,579)	(35,660)	(40,617)
Technology and development expenses	(5,996)	(6,470)	(7,917)	(8,980)	(8,122)	(8,027)	(8,677)	(8,823)	(8,467)
Pre-opening expenses	(9,523)	(15,309)	(18,955)	(24,379)	(21,286)	(24,393)	(8,662)	(7,537)	(6,780)
<b>Total operating costs and expenses</b>	<b>(299,884)</b>	<b>(362,870)</b>	<b>(388,695)</b>	<b>(438,844)</b>	<b>(306,195)</b>	<b>(368,373)</b>	<b>(422,766)</b>	<b>(429,378)</b>	<b>(402,791)</b>
Other operating income	1,012	265	10,023	3,302	8,155	3,065	3,463	8,746	2,208
<b>Income (loss) from operation</b>	<b>3,992</b>	<b>22,268</b>	<b>58,196</b>	<b>6,944</b>	<b>(95,890)</b>	<b>(27,461)</b>	<b>84,512</b>	<b>102,108</b>	<b>19,275</b>
Interest income	56	43	46	95	148	141	220	198	390
Gain from short-term investments	4,585	5,427	5,773	6,380	3,431	3,455	1,891	2,269	2,137
Interest expenses	(812)	(1,372)	(1,237)	(873)	(500)	(571)	(358)	(52)	(1,565)
Other (expense) income, net	(486)	665	(942)	(424)	76	605	1,101	101	1,022
<b>Income (loss) before income tax</b>	<b>7,335</b>	<b>27,031</b>	<b>61,836</b>	<b>12,122</b>	<b>(92,735)</b>	<b>(23,831)</b>	<b>87,366</b>	<b>104,624</b>	<b>21,259</b>
Income tax (expense) benefit	(5,465)	(10,441)	(20,795)	(10,792)	16,657	(2,545)	(24,966)	(26,748)	(9,790)
<b>Net income (loss)</b>	<b>1,870</b>	<b>16,590</b>	<b>41,041</b>	<b>1,330</b>	<b>(76,078)</b>	<b>(26,376)</b>	<b>62,400</b>	<b>77,876</b>	<b>11,469</b>
Less: Net (loss) income attributable to non-controlling interests	(673)	(50)	(995)	(2,411)	(2,154)	(1,717)	(751)	393	(772)
<b>Net income (loss) attributable to the Company</b>	<b>2,543</b>	<b>16,640</b>	<b>42,036</b>	<b>3,741</b>	<b>(73,924)</b>	<b>(24,659)</b>	<b>63,151</b>	<b>77,483</b>	<b>12,241</b>

## Key Operating Data

The following table presents key operating metrics of the Company for the periods indicated.

	As of December 31, 2019	As of December 31, 2020	As of March 31, 2021	
<b>Total hotels<sup>(1)</sup></b>				
Manachised hotels	391	537	575	
Leased hotels	29	33	33	
All hotels	420	570	608	
<b>Hotel rooms<sup>(1)</sup></b>				
Manachised hotels	44,983	61,782	66,267	
Leased hotels	4,104	4,836	4,854	
All hotels	49,087	66,618	71,121	
	Year Ended December 31, 2019	Year Ended December 31, 2020	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021
<b>Occupancy rate<sup>(2)</sup> (in percentage)</b>				
Manachised hotels	72.3%	66.9%	37.5%	59.6%
Leased hotels	83.0%	68.6%	34.6%	66.1%
All hotels	73.4%	67.1%	37.2%	60.0%
<b>ADR<sup>(2)</sup> (in RMB)</b>				
Manachised hotels	415.9	382.2	364.0	370.5
Leased hotels	530.1	467.7	444.3	458.6
All hotels	429.5	389.8	371.7	377.7
<b>RevPAR<sup>(2)</sup> (in RMB)</b>				
Manachised hotels	313.7	268.9	143.6	231.5
Leased hotels	463.7	339.4	161.4	320.2
All hotels	329.5	275.1	145.4	238.1

Note:

- (1) Includes 19 and 14 manachised hotels being requisitioned by the government for quarantine needs in response to the COVID-19 outbreak, which were not in operation as of December 31, 2020 and March 31, 2021, respectively.
- (2) Excludes, for purposes of calculating these key operating metrics, approximately 1,777 thousand, 1,146 thousand and 256 thousand room-nights related to hotel rooms that were requisitioned by the government for quarantine needs in response to the COVID-19 outbreak or otherwise became unavailable due to temporary hotel closures in 2020 and in the three months ended March 31, 2020 and 2021, respectively. The ADR and RevPAR are calculated based on the tax inclusive room rates.

	Three Months Ended								
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020 <sup>(1)</sup>	June 30, 2020 <sup>(1)</sup>	September 30, 2020 <sup>(1)</sup>	December 31, 2020 <sup>(1)</sup>	March 31, 2021 <sup>(1)</sup>
<b>Occupancy rate (in percentage)</b>									
Manachised hotels	64.4%	73.2%	76.4%	73.1%	37.5%	66.5%	77.5%	75.4%	59.6%
Leased hotels	78.6%	84.0%	85.8%	83.3%	34.6%	73.4%	81.7%	79.1%	66.1%
All hotels	66.2%	74.4%	77.3%	74.0%	37.2%	67.1%	77.9%	75.7%	60.0%
<b>ADR<sup>(2)</sup> (in RMB)</b>									
Manachised hotels	397.4	417.6	432.1	410.4	364.0	336.4	397.4	405.4	370.5
Leased hotels	499.4	534.0	550.5	532.8	444.3	391.9	494.0	511.3	458.6
All hotels	412.7	432.6	445.4	422.5	371.7	341.7	406.1	414.1	377.7
<b>RevPAR<sup>(2)</sup> (in RMB)</b>									
Manachised hotels	266.1	316.5	344.5	315.4	143.6	235.3	323.8	321.0	231.5
Leased hotels	412.8	471.0	497.5	471.3	161.4	305.1	427.5	428.0	320.2
All hotels	284.7	334.2	360.0	329.2	145.4	241.3	332.6	329.4	238.1

Notes:

- (1) Excludes, for purposes of calculating these key operating metrics, approximately 1,146 thousand, 287 thousand, 175 thousand, 169 thousand and 256 thousand room-nights related to hotel rooms that were requisitioned by the government for quarantine needs in response to the COVID-19 outbreak or otherwise became unavailable due to temporary hotel closures in each of the four quarters in 2020 and the first quarter in 2021, respectively.
- (2) The ADR and RevPAR are calculated based on the tax inclusive room rates.

## RISK FACTORS

*You should carefully consider the risks and uncertainties described below and the other information in this prospectus before making an investment in the ADSs. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs, and as a result, the market price of the ADSs could decline and you could lose all or part of your investment. In particular, as we are a China-based company incorporated in the Cayman Islands, you should pay special attention to the subsection headed "Risks Related to Doing Business in China" below. This prospectus also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Statement Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks and uncertainties described below and elsewhere in this prospectus.*

### **Risks Related to Our Business and Industry**

***Our operating results are subject to conditions typically affecting the hospitality industry in China, any of which could reduce our revenues and limit opportunities for growth.***

Our operating results are subject to conditions typically affecting the hospitality industry in China, including, among others:

- changes in national, regional or local economic conditions;
- contraction in the global economy or low levels of economic growth;
- competition from other hotels and vacation rental online marketplace companies;
- the attractiveness of our hotels to our guests;
- local market conditions such as an oversupply of, or a reduction in demand for, hotel rooms;
- adverse weather conditions, natural disasters or serious contagious diseases, such as COVID-19;
- the ability of third-party internet and other travel intermediaries who sell our hotel rooms to guests to attract and retain customers;
- the availability and cost of capital necessary for us and third-party hotel owners to fund investments, capital expenditures and service debt obligations;
- delays in or cancellations of planned or future development or refurbishment projects;
- seasonal and cyclical volatility in the hospitality industry;
- changes in desirability of geographic regions of the hotels in our business, geographic concentration of our operations and customers and shortages of desirable locations for development;
- the performance of managerial and other employees of our hotels; and
- increases in operating costs and expenses, particularly rents, due to inflation and other factors.

Changes in any of these conditions could adversely affect our occupancy rates, ADR and revenue per available hotel room, or otherwise adversely affect our results of operations and financial condition.

***If we are unable to compete successfully, our financial condition and results of operations may be harmed.***

The hospitality industry in China is highly competitive. Competition for guests and customers is primarily focused on hotel room rates, quality of accommodations, brand recognition, convenience of location, geographic coverage, quality and range of services, other lifestyle offerings, and guest amenities. We mainly compete with other branded and independent hotel operating companies,

national and international hotel brands and ownership companies. In addition, we may face competition from new entrants in the hospitality industry in China or increased competition from competitors who are expanding rapidly. Such competitors include vacation rental online marketplace companies. New and existing competitors may offer more competitive rates, greater convenience, superior services or amenities, or superior facilities, possibly attracting guests away from our hotels and resulting in lower occupancy and average daily rates for our hotels.

Competitors may also outbid us in the selection of sites for new leased hotel conversion, negotiate better management terms for potential manachised hotels or offer better terms to our existing manachised hotel owners, thereby slowing our anticipated pace of expansion. Furthermore, our typical guests may change their travel, spending and consumption patterns and choose to stay in other types of hotels. Any of these factors may have an adverse effect on our competitive position, results of operations and financial condition.

***We may not be able to manage our expected growth, which could adversely affect our operating results.***

We have experienced substantial growth in the past. Over the past few years, we increased the number of our hotels in China to 608 as of March 31, 2021, and we intend to continue to convert, operate and manage additional hotels in markets where we have a presence and in additional cities in China. Our expansion has placed, and will continue to place, substantial demands on our managerial, financial, operational, IT, and other resources. In order to manage and support our growth, we must continue to improve our existing managerial, operational and IT systems, including our financial and management controls, and recruit, train and retain qualified hotel management and other personnel. Our planned expansion will also require us to maintain consistent and high-quality accommodations and services to ensure that our brand does not suffer as a result of any deviations, whether actual or perceived, in our quality standards. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations or maintain our quality standards. If we are unable to do so, our results of operations and financial condition may be materially and adversely affected.

***Our expansion within existing markets and into new markets may present increased risk.***

Our expansion within markets where we already have a presence may adversely affect the financial performance of our hotels in operation in those markets and, as a result, negatively affect our overall results of operations. Furthermore, expansion into new markets may present operating and marketing challenges that are different from those that we currently encounter in our existing markets. Guests and franchisees in any new market may not be familiar with our brands and we may need more time to build brand awareness in that market through greater investments in advertising and promotional activities than we anticipated. We may find it more difficult in new markets to hire, motivate and keep qualified employees who share our vision, passion and culture. Expansion into new markets may also cause certain of our non-financial key performance indicators to decline, such as our ADR, occupancy rate and RevPAR, as new markets may have lower average hotel room rates than markets in which we currently have a presence and our new hotels tend to have a lower occupancy rate than our more mature hotels. Our inability to anticipate the changing demands that expanding operations will impose on our managerial, operational, IT, and other resources, or our failure to quickly adapt our systems and procedures to the demands of new markets, could result in lost revenues and increased expenses and otherwise harm our results of operations and financial condition.

***We may not be able to successfully identify, secure or operate additional hotel properties.***

We plan to open more hotels in markets where we have a presence and new cities in China to further grow our business. We may not be successful in identifying, leasing, managing and operating additional hotel properties at desirable locations and on commercially reasonable terms, or at all. In more developed cities, it may be difficult to increase the number of hotels because we or our

competitors may already have operations in such cities, rental prices may increase, or our competitors may be able to gain leases of properties before we can do so. In some cases, our competitors may be willing to enter into less favorable lease or hotel management arrangements in order to prevent us from securing a particular property. Alternatively, in less developed cities, demand for our hotels may not increase as rapidly as we may expect. In addition, even if we are able to successfully identify and lease or manage new hotel properties, new hotels may not generate the returns we expect. Furthermore, we may incur costs in connection with evaluating properties and negotiating with property owners, lessors and franchised hotel owners, including properties that we are subsequently unable to lease or manage. If we fail to successfully identify or compete for additional hotel properties, our ability to execute our growth strategy could be impaired and our business and prospects may be materially and adversely affected.

***Our limited operating history makes it difficult to evaluate our future prospects and results of operations.***

We believe that our future success depends on our ability to achieve sustainable and profitable growth. We have a limited operating history since we commenced our business operations in China in 2013. Our limited operating history and significant growth make it difficult to evaluate our historical performance or prospects. In addition, fluctuations in results could make period to period comparisons difficult. You should consider our future prospects in light of the risks and challenges encountered by a company with a limited operating history. These risks and challenges include, among others:

- the uncertainties associated with our ability to continue our growth and maintain profitability;
- preserving our competitive position in the upper midscale hotel segment of the hospitality industry in China;
- offering consistent and high-quality accommodations and services to retain and attract guests;
- implementing our strategy and modifying it from time to time to respond effectively to competition and changes in customer preferences;
- our ability to introduce new hotel and other lifestyle offerings to achieve our goal to become a leading lifestyle brand;
- increasing awareness of our Atour brand and continuing to develop customer loyalty; and
- recruiting, training and retaining qualified managerial and other personnel.

If we are unsuccessful in addressing any of these risks or challenges, our business may be materially and adversely affected.

***The COVID-19 outbreak has adversely affected, and may continue to adversely affect, our financial and operating performance.***

The travel industry has been severely affected by the outbreak of COVID-19 since the beginning of 2020 due to the reduced traveler traffic in China. In addition, after COVID-19 was declared by the World Health Organization as a Public Health Emergency of International Concern on January 31, 2020, many foreign countries issued travel bans to China which further harmed the travel industry in China. These measures could slow down the development of the Chinese economy and adversely affect global economic conditions and financial markets.

The Chinese government has also implemented strict nationwide containment measures against COVID-19, including travel restrictions, lock-downs of certain cities and hotel closures. Such containment measures negatively affected the key operating metrics of our leased and franchised hotels, including occupancy rates, ADR and RevPAR. Specifically, approximately 1,777 thousand room-nights, representing 8.6% of the total available room-nights throughout 2020, became temporarily

unavailable at various times throughout 2020. As a result of the COVID-19 outbreak in the first half of 2020 in China, the occupancy rate of our hotels decreased from 73.4% in 2019 to 67.1% in 2020. The ADR of our hotels decreased by 9.2% from RMB429.5 to RMB389.8 during the same years. Our RevPAR, as a result, decreased by 16.5% from RMB329.5 to RMB275.1 during the same years. Since February 2020 and up to the date of this prospectus, the Chinese governmental authorities had accumulatively requisitioned a total of 92 of our hotels (including approximately 1.1 million room-nights) in various locations and during different periods for the accommodation of medical support workers and for quarantine purposes in response to the COVID-19 outbreak. All other than one of these hotels were manachised hotels. As of the date of this prospectus, approximately 98% of our hotels had resumed normal operations, with a small number of manachised hotels remaining subject to governmental requisition for an indefinite period of time because of COVID-19. We did not generate any revenue relating to sales based continuing franchise fees from our manachised hotels used for quarantine purposes as the franchisees of such hotels were not required to pay us any continuing franchise fees during the quarantine periods.

Such events also increased the probability that franchisees will be unable to fund working capital and to repay or refinance indebtedness, which may cause our franchisees to declare bankruptcy. Such bankruptcies may result in termination of our franchise and management agreements and eliminate our anticipated income and cash flows. Moreover, bankrupted franchisees may not have sufficient assets to pay termination fees, other unpaid fees, reimbursements or unpaid loans owed to us. The spread of COVID-19 had also adversely affected our suppliers and other business partners. If any of our suppliers and other business partners experiences financial distress, suffers business disruptions, goes out of business or files for bankruptcy due to the COVID-19 outbreak, our business, results of operations and financial condition could be materially and adversely affected. In addition, if any of our employees or customers is suspected of having contracted or has contracted COVID-19 while he or she has worked or stayed in our hotels, we may under certain circumstances be required to quarantine our employees that are affected and the affected areas of our premises.

As COVID-19 remains a threat, its overall impacts on our business, liquidity and results of operations is unknown at this time. Moreover, COVID-19 may not be eliminated and a similar outbreak may recur. As a result, our occupancy rate in cities where such outbreak recur will be adversely affected. The potential economic downturn brought by and the duration of the COVID-19 pandemic are difficult to assess or predict and their actual effects will depend on many factors beyond our control. To the extent COVID-19 adversely affects our business, financial condition and results of operations, it may also heighten some of the other risks described in this "Risk Factors" section.

***If our brand reputation is harmed, it could have a material adverse effect on our business and results of operations.***

We believe our "Atour" and "Yaduo" brands are integral to our success, including the success of our sales and marketing efforts and our efforts to grow through hotel management arrangements. Our continued success in maintaining and enhancing our brand depends, to a large extent, on our ability to provide consistent and high-quality accommodations and services across our hotel chain, and design and introduce new accommodations and services to meet customer demands, as well as our ability to respond to competitive pressures. In addition, we must maintain our hotels' good condition and attractive appearance which requires ongoing renovations and other leasehold improvements, including periodic repair and replacement of furniture, fixtures and equipment. Our future lifestyle brand offerings, if any, also depend on successful execution of our brand strategy and customer perception of us as a leading and pioneering lifestyle brand. If we are unable to maintain and enhance our brand reputation or fail to execute our brand strategy, our occupancy and room rates may decline and our new lifestyle brand offerings may not be widely accepted by customers, which would adversely affect our business and results of operations.

***We may be adversely affected by any negative publicity concerning us and our business, shareholders, affiliates, directors, officers, other employees, business partners, other third parties as well as the industry in which we operate, regardless of its accuracy, that could harm our reputation and business.***

Our ability to attract and retain customers is highly dependent upon the external perceptions of our services, trustworthiness and business practices. Negative perceptions or publicity about us and our business, shareholders, affiliates, directors, officers, employees, business partners, other third parties as well as the industry in which we operate, even if related to isolated incidents, could erode trust and confidence and damage our reputation among existing and potential customers. In turn, this could decrease the demand for our products and services, increase regulatory scrutiny and detrimentally effect our business. In addition to traditional media, there has been an increasing use of social media platforms and similar devices in China, including instant messaging applications, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. Negative publicity concerning these parties could be related to a wide variety of matters, including, but are not limited to:

- alleged misconduct or other improper activities committed by our directors, officers, and employees, our franchisees and their personnel, as well as our business partners;
- false or malicious allegations or rumors about us or our directors, shareholders, affiliates, officers, employees and franchisees;
- complaints by our customers about our products and services;
- security breaches of private customer or transaction data;
- employment-related claims relating to alleged employment discrimination, wage and hour violations; and
- governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations.

The availability of information on instant messaging applications and social media platforms is virtually immediate as is its impact without affording us an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our company, shareholders, directors, officers and employees may be posted on such platforms at any time. The risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm our reputation, business, financial condition and results of operations.

Furthermore, our brand name and our business may be harmed by aggressive marketing and communication strategies by competitors and third parties. We may be subject to government or regulatory investigation or third-party claims as a result and we may be required to spend significant time and incur substantial costs to react to and address these consequences. There is no assurance that we will be able to effectively refute each of the allegations within a reasonable period of time, or at all. Additionally, public allegations, directly or indirectly, against us or our business partners, may be posted online by anyone on an anonymous basis. The availability of information on social media platforms is virtually immediate, as is its impact. Social media platforms may not necessarily filter or check the accuracy of information before publishing them and we are often afforded little or no time to respond. As a result, our reputation may be materially and adversely affected and our ability to attract and retain customers and maintain our market share and our financial conditions may suffer.



***We may not be successful in developing and achieving expected returns from our diversified hotel brand portfolio and co-branding collaboration, which could adversely affect our financial performance and condition.***

We intend to diversify our brand portfolio and mix of hospitality offerings. Since 2016, we have launched a variety of new brands to cater to varying customer needs and preferences, including ZHOTEL, Atour Light, Atour S, Atour X Hotel and A.T. House. We also collaborated with a variety of reputable third-party brands to develop our themed hotel brands and properties. Going forward, we plan to establish new brands and further collaborate with third-party brands to diversify our brand portfolio. However, any new brands or new co-branding collaboration that we have launched or may launch in the future may not achieve anticipated returns. The development of a new brand requires significant upfront market research and accurate prediction of customer preferences, followed by hotel development process that takes a considerable amount of time. We may not possess enough knowledge or experience in expanding into these new market segments and we may face more competition in such new market segments. We cannot assure you that our efforts in developing new hotel and co-branding collaboration will be successful. If a new hotel brand or a co-branding initiative is not well received by our customers, we may not be able to generate sufficient revenue to offset related costs and expenses, and our overall financial performance and condition may be adversely affected.

***Our growth depends on our ability to increase revenues generated by our existing and future hotels and from our existing and future members.***

While sales growth will depend in part on our plans for new hotel openings, deeper penetration into existing and new geographic markets and increased sales at our existing hotels will also affect our sales growth and will continue to be critical factors affecting our revenue and profit. Our ability to increase the revenues generated by our hotels depends in part on our ability to successfully implement our growth strategy and related initiatives. Our ability to penetrate further into the existing geographic markets where we already have a presence depends in part on our ability to successfully market ourselves and to maintain and increase sales to our existing members and attract more members to our *A-Card* membership program. We may not be able to achieve our targeted sales growth at our existing and future hotels, and sales at such hotels could decrease. In addition, we may not be able to achieve our targeted level of expansion within existing and new geographic markets. The occurrence of any of such events may have a material adverse effect on our business, financial condition and results of operations.

***Our costs and expenses may remain constant or increase even if our revenues decline.***

A significant portion of our operating costs for a particular period, including rent, is fixed. Accordingly, a decrease in our revenues could result in a disproportionately higher decrease in our earnings because our operating costs and expenses may not decrease proportionately. For example, during January and February, the months during which the Chinese New Year falls, our occupancy rates tend to decline and our revenues fall, but our expenses do not vary significantly since we continue to pay rent and salary, make regular repairs, conduct maintenance and renovations, and invest in other capital improvements on a continuous basis to maintain the attractiveness of our hotels. In addition, our conversion costs may increase as a result of increasing costs of materials and our labor costs may increase over time. However, we have a limited ability to pass increased costs on to guests through hotel room rate increases. Our total operating costs increased by 2.4% from RMB1,490.3 million in 2019 to RMB1,526.7 million in 2020, while our net revenue decreased slightly from RMB1,567.1 million in 2019 to RMB1,566.6 million in 2020, primarily due to decreases in occupancy rate and ADR of our hotels as a result of the COVID-19 outbreak. Therefore, our costs and expenses may remain constant or increase even if our revenues decline, which would adversely affect our net margins and results of operations.

***Some of our existing development pipeline may not be developed into new hotels, which could materially and adversely affect our growth prospects.***

As of March 31, 2021, we had 299 leased and manachised hotels with a total of 32,825 hotel rooms in our development pipeline, which we define as hotels under construction or approved for development under our hotel brands. The commitments of owners and developers with whom we have contracts are subject to numerous conditions, and the eventual development and construction of our development pipeline not currently under construction is subject to numerous risks, including, in certain cases, the owner's or developer's ability to obtain adequate financing and obtaining governmental or regulatory approvals. As a result, not every hotel in our development pipeline may develop into a new hotel that enters our system.

***We are subject to various operational risks inherent in the manachise business model.***

Our success could be adversely affected by the performance of our manachised hotels, which are subject to a variety of risks inherent in our manachise business model. Under the manachise business model, we manage hotels through the on-site hotel managers and HR representatives we appoint to each hotel and collect fees from franchisees. We plan to continue to increase the number of manachised hotels in the future. Our franchisees may not be able to develop hotel properties on a timely basis, which could adversely affect our growth strategy and may impact our ability to collect fees from them on a timely basis.

We oversee and manage the operations of our manachised hotels pursuant to various franchise and management agreements. However, we are not able to control the actions of our franchisees. Under those franchise and management agreements, our franchisees are typically responsible for developing hotel properties on a timely basis, bearing the costs and expenses of developing and operating the hotels, including costs of renovating the hotels to our standards and recruiting and employing hotel staff. However, if our franchisees have difficulties in accessing capital or are reluctant to make investments for the management or renovation of the hotels, we may not be able to force them to secure the required capital and the quality of our manachised hotels' operations may be thereby diminished. The risk can be magnified where such fanchisees own multiple hotels under our brand.

Besides, as the hospitality industry in China is subject to various hospitality industry, health and safety, construction, fire prevention and environmental laws and regulations, we cannot ensure that all of our franchisees or manachised hotels comply with these laws and regulations. We normally require our franchisees to secure relevant governmental approvals and permits for operating the hotels in our standard franchise and management agreements and require that our franchisees provide us with some basic approvals and permits, including, among others, business license, special industry license and fire prevention safety inspection certificates. However, some of our franchisees may fail to obtain or renew such approvals or permits in a timely manner, or at all. Any failure to obtain or renew such approvals or permits or to comply with the laws and regulations will negatively effect the operation of our manachised hotels, which will in turn have a material adverse effect on our results of operations.

As many factors affecting the operations of those hotels are beyond our control, we cannot assure you that the quality of the services in our manachised hotels are consistent with our standards and requirements. Although we send for routine inspection purposes regional managers and members of our quality control team to manachised hotels on a regular basis, we may not be able to identify problems in their operations and make responses on a timely basis. Our manachised hotels are also operated under our brand names. As a result, our image and reputation may suffer due to misuse of our brands by any of our franchisees, which may have a material adverse effect on our business and results of operations. In addition, like any operators in service-oriented industries, we are subject to customer complaints and we may face complaints from unsatisfied customers who are unhappy with the standard of service offered by our franchisees. Any complaints, regardless of their nature and validity,

may affect our reputation, thereby adversely affecting our results of operations. We may also have to incur additional costs in placating any customers or salvaging our reputation. We have closed a limited number of manachised hotels that did not comply with our brand and operating standards in the past. If any of our franchisees defaults or commits wrongdoing, such franchisee may not be in a position to sufficiently compensate us for losses which we have suffered as a result of such defaults or wrongdoings. While we ultimately can take action to terminate our franchisees that do not comply with the terms of our franchise and management agreements or commit wrongdoing, we may not be able to identify problems and make timely responses and, as a result, our image and reputation may suffer, which may have a material adverse effect on our results of operations.

In addition to quality standards, safety incidents such as fire accidents may occur at our manachised hotels despite our supervision. Any such occurrence may result in substantial reputational harm to us and our brands. In addition, if such safety incidents occur at any of the manachised hotels that do not possess the relevant licenses, permits or inspection certificate, there could be substantial negative publicity, thereby triggering government actions that could impact our entire hotel network, which in turn will have a material adverse impact on our business, results of operations and financial condition.

Although our proprietary information system can collect operational and financial data of each hotel, we may not be able to avoid fraud or manipulation of such data by some franchisees, which may adversely affect the ability to effectively respond to potential issues. Moreover, the term of lease for some of the properties of our franchisees is shorter than the typical term of our franchise and management agreements. We cannot assure you that upon expiration, these franchisees will be able to renew their leases in order to perform their franchise and management agreements with us.

***We may not be able to successfully attract new franchisees and compete for franchise and management agreements and, as a result, we may not be able to achieve our planned growth.***

Our growth strategy largely depends on our ability to further expand our presence through entering into franchise and management agreements with our franchisees. We believe that our ability to attract new franchisees and compete for franchise and management agreements with them depends primarily on our brand recognition and reputation, the results of our overall operations in general and the success of our current manachised hotels. Other competitive factors for franchise and management agreements include marketing support, membership program, efficiency of our central reservation system ("CRS") and IT infrastructure, our ability to provide systems and support to assist franchisees to operate their hotels cost-effectively.

The terms of any new franchise and management agreements that we obtain also depend on the terms that our competitors offer for those agreements. In addition, if the availability of suitable locations for new properties decreases, or governmental planning or other local regulations change, the supply of suitable properties for additional manachised hotels could diminish. If the performance of our manachised hotels is less successful than that of our competitors' hotels or if we are unable to offer terms as favorable as those offered by our competitors, we may not be able to compete effectively for new franchise and management agreements and we may not be able to attract as many new franchisees as we expect. As a result, we may not be able to achieve our planned growth and our business and results of operations may be materially and adversely affected.

***Our franchise and management agreements could be terminated early and we may not be able to renew our existing franchise and management agreements or renegotiate new franchise and management agreements when they expire.***

We franchise our brands to third parties pursuant to franchise and management agreements or other similar agreements. These franchise and management agreements may be renegotiated or may

expire. The versions of franchise and management agreements we have used during recent years typically have a fixed term of 8 to 15 years. We plan to renew our existing franchise and management agreements upon expiration or renegotiate with our franchisees for new franchise and management agreements. However, we may be unable to retain our franchisees on satisfactory terms, or at all. In addition, our franchise and management agreements could also be terminated early due to a number of reasons, including property disputes or defects, franchisees' financial difficulties, regulatory non-compliance, and others, many of which are beyond our control. If a significant number of our existing franchise and management agreements expire and new franchisees do not cover those expired franchises or a significant number of our franchisees terminate the franchise and management agreements with us early, our revenue and profit may decrease in the future, and our results of operations could be materially and adversely affected.

In addition, disputes could arise between us and our franchisees under our franchise and management agreements. We or our franchisees may take legal actions against each other in connection with such disputes. No assurance can be given as to the outcome of any such legal proceedings, which could have a material adverse effect on our business, results of operations and financial condition. Even if we and our related parties are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief, and criminal and civil liabilities and/or penalties.

As the hospitality industry in China is highly competitive, the terms of our franchise and management agreements are influenced by contract terms offered by our competitors. We cannot assure you that the terms of franchise and management agreements for new franchised hotels entered into or renewed in the future will be as favorable as the terms under our existing franchise and management agreements. If such agreements cannot be renewed on satisfactory terms upon expiration, our results of operations could be materially and adversely affected.

***Our failure to comply with franchise regulations may result in penalties to us and could have a material adverse effect on our business.***

In China, any entity engaging in franchise activities are subject to the supervision and administration of the Ministry of Commerce, or the MOC, and its local counterparts. Under the relevant regulations, franchisors are required to file their franchise agreements with the MOC or its local counterparts, and are required to report to the MOC regarding the franchise agreements that they executed, canceled, renewed or amended in the previous year within the first quarter of every year. Fifteen days after a franchisor first enters into a franchise agreement, the franchisor is required to make appropriate filing with the MOC or its local counterparts. We cannot guarantee that we will obtain all applicable approvals and make all appropriated filings pursuant to laws and regulations, and such non-compliance could subject us to fines and other penalties that may negatively affect our operation, which could result in a material adverse effect on our business. Besides, given the uncertainties in the interpretation of relevant laws and regulations, our management agreements or trademark license agreements may be determined to be franchise agreements by the relevant authorities, in which case we may be required to obtain approvals or make filings for such activities, and failure to do so may also subject us to fines and other penalties.

Besides, the franchise activities are subject to various laws and regulations. For example, before entering into franchise agreements, the franchisor is required to correctly, accurately and fully disclose and provide specified written information to the franchisee regarding the franchised businesses, which includes certain proprietary information. If we violate the disclosure requirements related to franchise activities, our franchisees may choose to terminate their franchise agreements with us, and we could be subject to fines and other penalties that may negatively affect our operation, which could result in a

material adverse effect on our business. Apart from that, all franchise agreements are required to include certain provisions, such as termination rights and payment obligations. If we are required to revise our agreements pursuant to applicable laws and regulations, such revised terms may be less favorable to us, which could materially diminish the economic value of our agreements.

***We may not be able to convert leased hotels on a timely or cost-efficient basis, which may adversely affect our growth strategy and business prospects.***

We fund and oversee the conversion of our leased hotels. Our involvement in the conversion of leased properties presents a number of risks, including conversion delays or cost overruns, which may result in increased project costs or lost revenues. We may be unable to recover conversion costs we incur for projects that are not pursued to completion. In addition, properties that we convert could become less attractive due to market saturation or oversupply, meaning we may be unable to recover conversion costs at the expected rate, or at all. Furthermore, we may not have available cash to complete projects that we have commenced, or we may be unable to obtain financing for conversion of future properties on favorable terms, if at all. If we are unable to successfully manage our hotel conversion activities to minimize these risks, our growth strategy and business prospects may be adversely affected.

***Our new leased hotels typically incurred significant pre-opening expenses during their development stages and generated relatively low revenues during their ramp-up stages, which may have a significant negative impact on our results of operations.***

During the development stages of each new leased hotel, significant pre-opening expenses will typically be incurred. During the ramp-up stage immediately after the opening of each new leased hotel, its occupancy rate increases gradually and its revenues may be insufficient to cover its operating costs, which are relatively fixed in nature. As a result, most newly opened leased hotels may not achieve profitability until they reach a mature level of operations. We may also be unable to recover development costs we incur for projects that are not completed. Any expansion of our leased hotel portfolio would incur significant pre-opening expenses during the development stage and relatively low revenues during the ramp-up stage of such newly opened leased hotels, whose expenses may have a significant negative impact on our results of operations. Properties that we develop could become less attractive due to market saturation, oversupply or changes in market demand, with the result that we may not be able to recover development costs as we expect, or at all.

***Our legal right to lease certain properties to operate our leased hotels could be challenged by property owners or other third parties, which could prevent us from continuing to operate our leased hotels or increase the costs associated with operating these hotels.***

We rely on leases with third parties who either own or lease the properties from the ultimate property owners to operate our leased hotels. The land use rights and other property rights with respect to properties we currently lease for our existing hotels could be challenged. As of the date of this prospectus, our lessors failed to provide us with the valid property ownership certificates and/or the land use rights certificates for approximately 7.8% of all of our leased hotels in terms of gross floor area. While we have performed due diligence to verify the rights of our lessors to lease such properties, including inspecting documentation issued by competent government authorities evidencing these lessors' land use rights and other property rights with respect to these properties, the lessees' rights under those leases could be challenged by other parties including government authorities in China. If the properties are deemed to be illegal constructions or the landlords do not have the rights to lease the properties to the lessees for hotel operations purposes, the lessors (instead of the lessees) may be subject to monetary penalties and the lease agreements may be invalidated. We may therefore be required to relocate our relevant hotels. In addition, some of our properties where our leased hotels are located are owned by governmental and other third-party organizations, and such leases are subject to present and future policies in China related to government-owned properties or other similar types of properties. In the event that we could no longer operate on such sites, we may suffer financial losses.

We also cannot assure you that we can always keep good title of the properties we lease currently or will lease in the future, free and clear of all liens, encumbrances and defects. If the ultimate owner of the property changes after the original owner of such property mortgages such property to any third party, lessees' legal rights under the lease agreement may be affected adversely and we may not rank senior in the right of continuing occupying the property. In addition to the above risks, we also face potential disputes with property owners, primary lease holders or third parties. Such disputes, whether or not resolved in our favor, may divert management attention, involve significant cost, harm our reputation and otherwise disrupt our business.

***Failure to comply with lease registration under PRC law may subject both parties to such leases to fines or other penalties that may negatively affect our ability to operate our leased hotels.***

Under PRC law, all lease agreements are required to be registered with the local housing bureau, including those relating to the leased properties underlying our leased hotels. While the majority of our standard lease agreements require the lessors to make such registrations, most of our leases entered into in connection with our leased hotels as of the date of this prospectus have not been registered as required by PRC law, which may expose both lessors and lessees to potential monetary fines ranging from RMB1,000 to RMB10,000 for each non-registration. Some of our rights under the unregistered leases may also be subordinated to the rights of other interested third parties.

In addition, in some instances where the lessors or lessees are not the ultimate owners of hotel properties, no consents or permits have been obtained from the property owners, the primary lease holders or competent government authorities, as applicable, for the subleases of the hotel properties to certain of our hotels, which could potentially invalidate the leases for our hotel properties or lead to the renegotiation of such leases that result in terms less favorable to us or even relocation of our relevant hotels. Some of the properties leased from third parties were also subject to mortgages at the time the leases were signed. Moreover, the property ownership or leasehold in connection with our manachised hotels could be subject to similar third-party claims.

***Failure to comply with land- and property-related requirements under PRC law may subject lessors to fines or other penalties that may negatively affect our ability to operate our leased hotels.***

Lessors of our hotel properties are required to comply with various land- and property-related laws and regulations to enable them to lease effective titles of their properties for our hotel use. For example, before any properties located on state-owned land in China with allocated or leased land use rights or on land owned by collective organizations may be leased to third parties, lessors should obtain appropriate approvals from competent government authorities. In addition, properties used for hotel operations and the underlying land should be approved for hospitality use or appropriate commercial use purposes by competent government authorities. Some of the lessors of our hotel properties have not obtained the required governmental approvals, including approvals of the properties for hospitality use purposes. As of the date of this prospectus, for approximately 23.4% of all of our leased hotels in terms of gross floor area, the lessors have not obtained the required governmental approvals for the properties to be used for hospitality use purposes. Failure to comply with the land- and property-related laws and regulations may subject the lessors to monetary fines or other penalties and may lead to the invalidation or termination of the leases and relocation of our relevant leased hotels, and therefore may adversely affect our results of operations. While some lessors have agreed to indemnify lessees against the losses resulting from the lessors' failure to obtain the required approvals, there is no assurance that the lessees will be able to successfully enforce such indemnification obligations against the lessors or that such indemnification can cover losses from all the property defects. As a result, we may suffer significant losses resulting from the lessors' failure to obtain required approvals to the extent that the lessees are not fully indemnified by the lessors.

***The lease agreements for our leased hotels could be terminated early, the existing leases may not be renewed on commercially reasonable terms and the rents paid by us could increase substantially, which could materially and adversely affect our operations.***

The terms of leases for leased hotels typically provide, among other things, that the lease could be terminated under certain legal or factual conditions. If any such lease were terminated early, operations of the related hotel property may be interrupted or discontinued and costs may be incurred by us to relocate to another location. Furthermore, we may be liable to our lessors, guests and other vendors and may be required to pay losses and damages due to our default under relevant contracts. As a result, our business, results of operations and financial condition could be materially and adversely affected.

Although we intend to renew existing leases of certain of our leased hotels, there can be no assurance that we will be able to renew such leases and maintain current hotel operations on satisfactory terms, or at all. In particular, we may experience increased rent payments and increased operating cost in connection with renegotiating leases. If we fail to maintain current hotel operations on satisfactory terms upon expiration of the leases, the respective operating costs of our company may increase and overall profits generated from hotel operations may decrease. If we are unable to pass on increased costs to our guests through room rate increases, the operating margins and earnings of our company could decrease and our results of operations could be materially and adversely affected.

Our leases typically allow us to terminate the lease early under limited circumstances, and in some instances, our leases contain a term which requires us to pay the contingent rent for our wrongful early termination of such agreements. If disputes between us and our landlords occur in the future, and resolved in favor of our landlords, we may need to pay losses and damages to the landlords and as a result, our business, results of operations and financial condition could be materially and adversely affected.

***Default in payment by franchisees and/or corporate account clients that have large account receivable balances could adversely impact our cash flows, working capital, results of operations and financial condition.***

Our accounts receivable include amounts due from our franchisees and corporate clients whose employees are guests in our leased hotels. Our corporate clients may choose to settle with us directly, and we typically require our franchisees to pay various fees pursuant to their franchise and management agreements with us on a monthly basis. Our net accounts receivable balance was RMB80.3 million, RMB140.1 million and RMB146.3 million as of December 31, 2019 and 2020 and March 31, 2021.

We are subject to the risk that we may be unable to collect accounts receivable in a timely manner, or at all. An extended period of hotel room vacancy or decrease in room rates, which may be the result of a variety of factors such as unfavorable economic conditions in China and globally, may adversely affect our ability to collect accounts receivable in a timely manner, or at all. Such risk was higher as a result of the outbreak of COVID-19 resulting in financial difficulties of certain of our franchisees. We extended credit terms to certain franchisees during the pandemic as part of our support for franchisees. As a result, our franchisees and/or corporate account clients may not be able to pay us in a timely fashion and our accounts receivable and allowance for doubtful accounts may accordingly increase. Our liquidity and cash flows from operations may be adversely affected if our accounts receivable cycles or collections periods lengthen or if we encounter a material increase in defaults of payment of our account receivable.

In order to mitigate such risks, we conduct rigorous due diligence checks on prospective franchisees and regularly assess the creditworthiness of corporate account clients. However, these mitigating efforts cannot ensure that we will be able to collect accounts receivable. If the accounts receivable cannot be collected in time, or at all, a significant amount of bad debt expense will occur,

and our business, financial condition and results of operation will likely be materially and adversely affected.

***Interruption or failure of our technology platform or IT system could impair our ability to effectively provide accommodations and services, which could damage our reputation.***

Our ability to provide consistent and high-quality services across our hotel chain depends on the continued operation of our technology platform and IT system. Any damage to, or failure of, our technology platform or IT system could interrupt our service. Our technology platform and IT system are vulnerable to damage or interruption as a result of power loss, telecommunications failures, computer viruses, hackers, fires, floods, earthquakes, or other attempts or incidents to harm our systems, and similar events. We rely on cloud servers maintained by third-party service providers to store most of our data. Problems with our cloud service provider or the telecommunications network providers with whom it contract could adversely affect the experience of our guests. Our cloud service provider could decide to cease providing us with services without adequate prior notice. Any change in service levels at our cloud servers or any errors, defects, disruptions, or other performance problems with our platform could harm our brand and may damage the data of our guests. In addition, our servers may also be vulnerable to break-ins, sabotage and vandalism. Some of our systems are not fully redundant and our disaster recovery planning does not account for all possible scenarios. In addition, our technology platform, IT system and related technologies may become outdated and we may not be able to replace or introduce upgrades as quickly as our competitors or within budgeted costs for such upgrades. If we experience frequent, prolonged or persistent technology platform or IT system failures, the quality of our services and our reputation could be harmed. The steps we need to take to increase the reliability and redundancy of our technology platform and IT system may be costly, which could reduce our operating margin, and may not be successful in reducing the frequency or duration of any failures or service interruptions.

Moreover, our business also relies upon the overall performance of the internet infrastructure and telecommunications networks in China. Almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology (MIIT). Moreover, we have entered into contracts with various subsidiaries of a limited number of telecommunications service providers at provincial level and rely on them to provide us with data communications capacity through local telecommunications lines. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the telecommunications networks provided by telecommunications service providers. Our platform regularly serves a large number of guests, franchisees and suppliers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected.

***If our IT capabilities and infrastructure fail to keep up with our growing business needs, industry trends or technological developments, our business, results of operations and financial condition may be materially and adversely affected.***

We have experienced substantial growth in the past and plan to further expand our business in the future. Our expansion has placed, and will continue to place, substantial demands on our IT capabilities and infrastructure. In order to manage and support our growth, we must continue to improve our IT systems, including investments in IT infrastructure and recruitment and training of IT personnel. We cannot assure you that the development of our IT capabilities and infrastructure will keep up with our



growing business needs. If we fail to do so, our business, results of operations and financial condition may be materially and adversely affected.

Furthermore, the hospitality industry is rapidly evolving and subject to continuous technological changes. Our success will depend on our ability to keep up with the changes in technology and user behavior resulting from new developments and innovations. For example, as we provide our product and service offerings across a variety of mobile systems and devices, we are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. If any changes in such mobile operating systems or devices degrade the functionality of our services or give preferential treatment to competitive services, the usage of our services could be adversely affected. In addition, we have invested in developing our data analytics and other technologies to improve our customer services and operational efficiency, but there is no guarantee that such investments may result in our anticipated outcomes or returns.

Technological innovations may also require substantial capital expenditures in product or service development as well as in modification of products, services or infrastructure. We cannot assure you that we can obtain financing to cover such expenditure. See "—We require significant capital to fund our operations, growth and technological investments. If we cannot obtain sufficient capital on acceptable terms, our business, financial condition and prospects may suffer." If we fail to adapt our products and services to such changes in an effective and timely manner, we may suffer from decreased user traffic and user base, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

***The growth of third-party websites and other hotel reservation intermediaries and travel consolidators may adversely affect our margins and profitability.***

Some of our hotel rooms are reserved through third-party websites and other hotel reservation intermediaries and travel consolidators to whom we pay commissions for such services, including Trip.com, who is also our shareholder. We believe that such intermediaries and consolidators aim to have consumers develop loyalties to their reservation systems rather than to hotel brands such as ours. In addition, as the competitive landscape of the third-party hotel reservation intermediary business changes, we may be forced to enter into exclusive agreement with one of them or other types of arrangements, which may further strengthen such intermediary's market position at the expense of ours. If these intermediaries and consolidators become a significant channel through which our guests make reservations, they may be able to negotiate higher commissions, reduced room rates, or other significant concessions from us, which could adversely affect our margins and profitability. These intermediaries and consolidators also may reduce our bookings by de-ranking our hotels in search results on their platforms. Although our contracts with many hospitality intermediaries offer preferential commission rates to hotels, we may not be able to renegotiate these contracts upon their expiration with terms as favorable as existing terms of these contracts.

***We face risks associated with the misconduct of our employees, business partners and their employees and other related personnel.***

We rely on our employees to maintain and operate our business and have implemented an internal code of conduct to guide the actions of our employees. However, we do not have control over the actions of our employees, our business partners and their employees, and any misbehavior of our employees could materially and adversely affect our reputation and business. Despite the security measures we have implemented, we may be vulnerable to misconduct committed by our employees, our business partners and their employees and other related personnel. If an actual or perceived misconduct occurs, the market perception of the effectiveness of our services could be harmed, we may lose current and potential customers, and we may be exposed to legal and financial risks, including

those from legal claims, regulatory fines and penalties, which in turn could adversely affect our business, reputation and results of operations.

***If we fail to maintain our relationships with our members and corporate account clients, our business and financial condition could be materially and adversely affected.***

Historically, we have derived a portion of our revenues from our loyalty program members and from our cooperation arrangements with certain corporate account clients. In 2020, approximately 80.1% of our room-nights were sold to our *A-Card* members and corporate account clients through our direct sales channels. We expect that these members and corporate account clients will contribute to the growth of our business in the near future.

We cannot assure you that our members will remain loyal patrons of our hotels and that our corporate account clients will agree to renew the relevant cooperation agreements upon their expiration, or enter into new agreements with us on substantially similar terms. Our negotiating position with corporate account clients also is limited given the competition in China's hospitality industry. If we fail to enhance or maintain our relationships with our members, and the frequency of member stays at our hotels declines as a result, or if our corporate account clients decline to renew their cooperation agreements or propose new agreements with commercial terms less favorable to us, our business and financial condition could be materially and adversely affected.

***The cessation, reduction or taxation of program benefits of our A-Card loyalty program could adversely affect our brand and guest loyalty.***

We manage the *A-Card* loyalty program for our brand. Program members accumulate points based on eligible stays and hotel charges as well as purchase of our retail products and redeem the points for a range of benefits including free rooms and other items of value. The program is an important aspect of our business and of the affiliation value for hotel owners under management and franchise contracts. Currently, the program benefits are not taxed as income to members under PRC tax laws. If the program awards and benefits are materially altered, curtailed or taxed such that a material number of *A-Card* members choose to no longer participate in the program, this could adversely affect our business.

***Scalpers may exploit our A-Card loyalty program by reserving rooms at member-only price and resell such room reservation to our prospective guests, which could adversely affect our guests' hotel experience and harm our brand and business.***

We offer our *A-Card* members certain discounts to room price as part of the membership benefits. Scalpers have tried to and may continue to exploit these *A-Card* room discounts by reserving rooms at a lower member-only price and resell to a non-member guest at a higher price. Such exploitation not only results in losses of our revenue but also adversely affects our guests' hotel experience and harms our brand and business. To prevent such exploitation and ensure the quality of our guests' hotel experience, we have taken various measures. Nevertheless, there can be no assurance that our efforts against such exploitation will be successful. If we fail to effectively prevent scalpers from exploiting our *A-Card* loyalty program, our guests' hotel experience could be harmed and we will suffer loss of revenue, which could in turn adversely affect our brand, reputation and business.

***We face various risks associated with our brand license agreements in connection with our themed hotels and our licensors which could adversely affect our business and results of operations.***

Our themed hotels are developed under license agreements which grant us the right to use certain intellectual property such as our business partners' brand names, trademarks and logos. These license agreements typically have terms between one to 10 years, some of which are not automatically

renewable, and give the licensor the right to terminate the license agreement due to certain reasons like material breach or non-performance of such license agreements. We may not be able to renew any or some of the existing license agreements. We believe our ability to retain our license agreements depends, in large part, on our relationships with our licensors. Any events or developments adversely affecting those relationships could adversely affect our ability to maintain and renew our license agreements on similar terms or at all. The termination or lack of renewal of one or more of our license agreements, or the renewal of a license agreement on less favorable terms, could have a material adverse effect on our business, financial condition and results of operations. While we may enter into additional license agreements in the future, the terms of such license agreements may be less favorable than the terms of our existing license agreements. In addition, our collaboration with licensors are generally non-exclusive. Licensors may work with our competitors or new participants in the market. This lowers entry barrier for market players who plan to enter the themed hotel market and operate hotels based on the same non-exclusive licensed intellectual property rights, resulting in more competition and creating pricing pressure.

If we breach any obligations set forth in any of our license agreements, we could be subject to monetary and other penalties and our rights under such license agreements could be terminated, either of which could have a material adverse effect on our business, financial condition and results of operations.

The success of our themed hotels is also partially dependent on the reputation of our licensors and their intellectual property rights and the ability of our licensors to protect and maintain the intellectual property rights that we use in connection with our hotels, all of which may be harmed by factors outside our control, including unfavorable publicity or negative news regarding us or our licensors, which could adversely affect our reputation and our results of operations.

***Any failure to protect our trademarks and other intellectual property rights could have a negative impact on our business.***

We believe our brand, trade name, trademarks and other intellectual property are critical to our success. "Atour" and "Yaduo" represent a well recognized brand in China's hospitality industry and the success of our business depends in part upon our continued ability to use our brand, trade names and trademarks to increase brand awareness and to further develop our brand. Although we have registered "Yaduo", "Atour" and other logos related to our business as trademarks in China, there is no assurance that any issued patents or registered trademarks will adequately protect our intellectual property, or that such patents and trademarks will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Besides, our trade secrets may leak or otherwise become available to, or be independently discovered by, our competitors or other third parties. Some of our trademark applications may not be granted for various reasons, including existence of prior registrations, applications or rights, or rejection by the authorities in their discretion. If our trademark applications are not granted, we may have to use different marks for affected products or services, or seek other alternative arrangements, which might not be available on commercially reasonable terms, if at all.

In addition, we consider our technology platform and IT system to be key components of our competitive advantage and our growth strategy. There can be no assurance that our future computer software copyright applications will be granted. Monitoring and preventing the unauthorized use of our intellectual property is difficult. Any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation. If there is a third party using similar brand or logos that attempt to cause confusion or diversion of customer demands away from us, preventing such behavior could be difficult, costly and time-consuming and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. The unauthorized use of our trademarks or the use of confusingly similar brands could diminish the value of our brand and its market acceptance, competitive advantages and goodwill.

The measures we take to protect our brand, trade names, trademarks and other intellectual property rights may be costly, involve substantial management time and resources to enforce and may fail to prevent their unauthorized use by third parties. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. There is no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our brand, trade names, trademarks and other intellectual property rights, we may lose these rights and our business may suffer materially.

In addition, once our registered trademarks have expired, we will be able to renew our trademark registrations for another ten years upon paying a renewal fee. If we are unable to renew or maintain one or more trademark registrations, our ability to use such trademarks could be impaired, which could materially and adversely affect the performance of our existing franchise and management agreements, our ability to enter into future franchise and management agreements, and our business and results of operations.

***We may be liable for intellectual property infringement relating to intellectual properties of third parties, which may materially and adversely affect our business, financial condition and prospects.***

We cannot assure you that other aspects of our operations do not or will not infringe upon or violate intellectual property rights (including but not limited to trademarks, patents, copyrights, know-how) or other rights (including but not limited to portrait right) owned or held by third parties. We have been involved in claims against us alleging our infringement of third-party intellectual property rights on certain computer software. Any such intellectual property rights infringement claim could result in costly remedial measures and may adversely affect our business and financial condition. We have adopted systematic methods to reduce our exposure to the risks of intellectual property infringement claims. However, we cannot assure you those methods are sufficient to shield us from third party liabilities for intellectual property infringement, or our efforts will be considered favorably by a given court or relevant governmental authority. Liabilities for intellectual property infringement, or allegations of such infringement, may impose a burden on our management, cause penalties, lead to unfavorable media coverage and damage to our reputation, or even cause PRC authorities to impose sanctions on us, including, in serious cases, suspending our operation, which may materially and adversely affect our business, financial condition and prospects.

***Failure to retain our senior management team and other key employees could harm our business and operations.***

Our future success significantly depends upon the continuing service of our senior management team, including, our founder, Chairman of Board of Directors and Chief Executive Officer, Mr. Haijun Wang. If one or more members of our senior management team or other key employees are unable or unwilling to continue in their present position, we may not be able to replace them easily, or at all. As a result, our business could be severely disrupted and our financial condition and results of operations could be materially and adversely affected. We do not carry key person insurance on any of our senior management team. In addition, our senior management team has limited experience in running public companies, which will require us to expend additional resources in hiring additional support staff and incur additional costs and expenses.

***If we are not able to recruit, train and retain qualified managerial and other employees, our brand and our business may be materially and adversely affected.***

Our ability to continue to conduct and expand our operations depends on our ability to attract and retain a large and growing number of qualified personnel in China. Our ability to meet our labor needs, including our ability to find qualified personnel to fill positions that become vacant, while controlling labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labor laws and regulations. If we are unable to locate, attract or retain qualified personnel, or manage leadership transition successfully, the quality of service we provide to customers and franchisees may decrease and our financial performance may be adversely affected. In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase our labor costs, our financial performance could be materially and adversely affected.

In particular, our hotel managers and HR representatives are responsible for managing our franchised hotels and interact with our guests on a daily basis and are critical to maintaining our consistent and high-quality accommodations and services, as well as our established brand and reputation. We aim to recruit, train and retain entrepreneurial, motivated and customer-oriented hotel managers and HR representatives with backgrounds and experience in hotel, service and other industries. We must recruit and train qualified hotel managers and HR representatives on a timely basis to keep pace with our rapid growth. There may be a limited supply of such qualified individuals in some of the metropolitan markets in China where we have operations and other cities into which we intend to expand. In addition, criteria such as dedication to work and commitment to high-quality of customer service are difficult to ascertain during the recruitment process. We also must provide continuous training to our hotel managers and HR representatives so that they can stay abreast of changes in our hotel operations and consumer preferences and demands, and meet and implement our quality standards. If we fail to recruit, train and retain qualified hotel managers and HR representatives, our quality standards may decrease in one or more of our hotels and our franchised hotels' operation may be adversely affected, which in turn may have a material and adverse effect on our brand, our business, and our financial condition and results of operations.

***We may not be successful in developing and achieving expected returns from our new products or services, including our innovative scenario-based retail services.***

In addition to our hotel offerings, we are also currently engaged in other innovative business lines, including our scenario-based retail (including our expanding private label product offerings). There is no guarantee that we may further expand our product service offerings, attract more customers, and drive customer spendings on such businesses.

In particular, our scenario-based retail services are subject to various potential liabilities and risks commonly associated with e-commerce or online retail, including, among others:

- product liability disputes and related liabilities;
- food safety disputes and related liabilities;
- intellectual property infringement disputes and related liabilities;
- portrait right infringement disputes and liabilities associated with the marketing materials that we use to promote our products;

- disputes and liabilities related to pricing, advertisements, consumer protection, privacy and data security;
- non-compliance risks under various laws and regulations, including those laws and regulations relating to online platforms.
- risks related to refund policy, storage and transportation of our products;
- fluctuations in the price of raw materials;
- reliance on third-party manufacturers for our private label products and their ability to produce and supply products in compliance with our specifications;
- lack of effective control over our franchisees, who act as distributors for our retail products; and
- inventory impairment risks.

Going forward, we plan to build lifestyle brands around hotel offerings and further diversify our non-hotel brand portfolio. However, any new products or services that we have launched or may launch in the future may not achieve anticipated returns. The development of a new product or service requires significant upfront market research and accurate prediction of customer preferences, followed by development process that takes a considerable amount of time as well as significant sales and marketing activities. We cannot assure you that our efforts in developing new products or services will be successful. If a new product or service is not well received by our customers, we may not be able to generate sufficient revenue to offset related costs and expenses, and our overall financial performance and condition may be adversely affected.

***If we were to be sued for product liability, we could face substantial liabilities that exceed our resources.***

The third-party and private label products that we sell through our scenario-based retail business could lead to the filing of product liability claims where someone may allege that the products that we sold failed to perform as designed or caused certain injuries or losses. We may be subject to product liability claims resulting from misuse of the products that we sold and we currently do not maintain any product liability insurance. A product liability claim could result in substantial damages and be costly and time-consuming for us to defend. If we cannot successfully defend ourselves against product liability claims, we will incur substantial liabilities and reputational harm. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- costs of litigation;
- distraction of management's attention from our primary business;
- the inability to market relevant products on our retail stores and online platforms;
- decreased demand for such products;
- damage to our business reputation;
- substantial monetary awards to customers or other claimants;
- loss of sales; or
- termination of existing agreements by our partners and potential partners failing to partner with us.

***Any lack of requisite approvals, licenses or permits applicable to our online retail business may have a material and adverse impact on our business, financial condition and results of operations.***

Our online retail business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including but not limited to the Ministry of Commerce and the MIIT. Together, these government authorities promulgate and enforce regulations that cover many aspects of the operation of the online retail industry, including entry into the industry, the scope of permissible business activities, licenses and permits for various business activities, and foreign investment. If the PRC government considers that we were operating without the proper approvals, licenses or permits, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material and adverse effect on our results of operations. In addition, if we are unable to maintain and renew one or more of our licenses and certificates, or making appropriate reports or filings, we may be subject to sanctions and enforcement actions, which could adversely and materially affect our business, financial condition and results of operations.

***If we are unable to conduct sales and marketing activities cost-effectively, our business, financial condition and results of operations may be materially and adversely affected.***

We rely on our sales and marketing efforts to enlarge our customer base and drive the spending of our customers. In particular, effective sales and marketing activities are crucial to the expansion and success of our scenario-based retail business. Our sales and marketing activities may not be well received by the market and may not result in the levels of sales that we anticipate. We also may not be able to retain or recruit a sufficient number of experienced sales and marketing personnel, or to train newly hired sales and marketing personnel, which we believe is critical to implementing our sales and marketing strategies cost-effectively. Further, sales and marketing approaches and tools in China's hospitality industry are evolving rapidly. This requires us to continually enhance the effectiveness and efficiency of our sales and marketing activities and experiment with new methods to keep pace with industry developments and customer preferences. Failure to engage in sales and marketing activities in a cost-effective manner may reduce our market share, cause our sales to decline, slow down the growth of our scenario-based retail business, negatively impact our profitability, and materially harm our business, financial condition and results of operations.

***We may be liable for improper use or appropriation of personal information provided by our customers.***

Our business involves collecting and retaining large volumes of internal and customer data, including personal information as our various information technology systems enter, process, summarize and report such data. We also maintain information about various aspects of our operations as well as regarding our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our customers and employees expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect, and to take adequate security measures to safeguard such information.

The PRC regulatory and enforcement regime regarding privacy and data security is evolving. The PRC Criminal Law, as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits institutions, companies and their employees from selling or otherwise illegally disclosing a citizen's personal information obtained during the course of performing duties or providing services or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the PRC National People's Congress issued the Cyber Security Law of the PRC, which became effective on June 1, 2017. Pursuant to the Cyber Security Law of the PRC, network operators must not, without users' consent, collect their personal information, and may only collect users' personal information necessary to provide their services. Providers are also

obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. The Civil Code of the PRC (issued by the PRC National People's Congress on May 28, 2020 and effective from January 1, 2021) provides main legal basis for privacy and personal information infringement claims under the Chinese civil laws. PRC regulators, including the Cyberspace Administration of China, MIIT, and the Ministry of Public Security have been increasingly focused on regulation in the areas of data security and data protection. We expect that these areas will receive greater and continued attention and scrutiny from regulators and the public going forward, which could cause us to incur substantial compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to civil litigations brought by relevant individuals; administrative penalties, including fines, suspension of business, website closure, and revocation of prerequisite licenses; and our reputation and results of operations could be materially and adversely affected.

While we take various measures to comply with all applicable data privacy and protection laws and regulations, there is no guarantee that our current security measures and those of our third-party service providers may always be adequate for the protection of our customer, employee or company data; and like all companies, we have experienced data incidents from time to time. In addition, given the size of our customer base and the types and volume of personal data on our system, we may be a particularly attractive target for computer hackers, foreign governments or cyber terrorists. Unauthorized access to our proprietary internal and customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of the networks of our third-party service providers, or other misconduct. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our proprietary internal and customer data change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. Unauthorized access to our proprietary internal and customer data may also be obtained through inadequate use of security controls. Any of such incidents may harm our reputation and adversely affect our business and results of operations. In addition, we may be subject to negative publicity about our security and privacy policies, systems, or measurements from time to time.

Any failure to prevent or mitigate security breaches, cyber-attacks or other unauthorized access to our systems or disclosure of our customers' data, including their personal information, could result in loss or misuse of such data, interruptions to our service system, diminished customer experience, loss of customer confidence and trust, impairment of our technology infrastructure, and harm our reputation and business, resulting in significant legal and financial exposure and potential lawsuits.

***We are subject to various hospitality industry, health and safety, construction, fire prevention and environmental laws and regulations that may subject us to liability.***

Each hotel in our chain must hold a basic business license and a special industry license issued by the local public security bureau and must have hotel operation included in the business scope of their respective business license. In addition, each of our hotels must complete fire prevention safety inspection/commitment with the local public security bureau and obtain hygiene permits and environmental impact assessment approvals. We also need to obtain approvals and make filings for most of our hotel construction projects with fire prevention authorities and construction authorities. Our business also is subject to various health and safety and environmental laws and regulations that affect our operations and conversion activities in the jurisdictions in which we operate, including construction, building, zoning, environmental protection, food safety, public safety, health and sanitary requirements.

As of the date of this prospectus, a small number of our leased hotels have not obtained approvals from or made appropriate filings with applicable fire prevention authorities, construction authorities,



environmental protection authorities or public security bureau, and a small number of our hotels selling or serving food have not obtained the relevant approvals from health administrations for such activities. As a result of these non-compliance matters, we have been and may be subject to monetary damages, the suspension or disruption of our operations or conversion activities, or other administrative penalties or investigations, which could materially and adversely affect our financial condition and results of operations.

We cannot assure you that we or our employees comply with or will comply with all present and future laws and regulations related to our business, including without limitation to hospitality industry, health, safety, construction, fire prevention and environmental laws and regulations. Such non-compliance may subject us to monetary damages, the imposition of fines or other administrative penalties or investigations against us, or the suspension of our operations or conversion activities, which in turn could materially and adversely affect our financial condition and results of operations. Furthermore, new regulations could also require us to retrofit or modify our hotels or incur other significant expenses. Any failure by us to control the use of, or to adequately restrict the discharge of, hazardous substances in our conversion activities, or otherwise operate in compliance with environmental laws, could subject us to potentially significant monetary damages and fines or suspension of our business operations, which could materially and adversely affect our financial condition and results of operations.

Owners of our manachised hotels are subject to these same permit and safety requirements. Although our manachised hotel arrangements require the hotel owners to obtain and maintain all required permits or licenses, we have limited control over the manachised hotel owners. Any failure to obtain and maintain the required permits or licenses may require us to delay opening of a manachised hotel or to forgo or terminate our manachised hotel arrangement, which could harm our brand, result in lost management revenues and subject us to potential indirect liability. Each of the foregoing could materially and adversely affect our financial condition and results of operations.

***Accidents, injuries or prohibited activities in our hotels may adversely affect our reputation and subject us to liability.***

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests) taking place in hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of our hotels could adversely affect our safety reputation among guests, harm our brand, decrease our overall occupancy rates, and increase our costs by requiring us to implement additional safety measures. In addition, if accidents, injuries or prohibited activities occur at any of our hotels, we may be held liable for costs or damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses, and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

***The restaurants operated by our hotels face risks related to instances of food-borne illnesses and other food safety accidents.***

Some of our hotels directly operate the restaurant located in the hotels. The restaurant business is susceptible to food-borne illnesses and other food safety accidents. We cannot assure you that our internal controls and training will be effective in preventing all food-borne illnesses.

Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by third-party food suppliers and distributors outside of our control and the risk of multiple locations being affected rather than a single restaurant. New illnesses resistant to any precautions may develop in the future, or diseases with long incubation periods could arise that could give rise to claims or allegations on a retroactive basis. Reports in the

media of instances of food-borne illnesses could result in fines and other penalties and, if highly publicized, negatively impact restaurant sales, forcing the closure of some restaurants and affect our customers' confidence in our hotel business. Furthermore, other illnesses, such as hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of the restaurants' food products and significantly increase such restaurants' costs, which may also adversely affect the results of operations of the relevant hotels.

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

Losses caused by epidemics, adverse weather conditions, natural disasters and other catastrophes, earthquakes or typhoons, are either uninsurable or too expensive to justify insuring against in China. In the event an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a hotel, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any financial obligations related to the hotel. Similarly, war (including the potential for war), terrorist activity (including threats of terrorist activity) and travel-related accidents, as well as geopolitical uncertainty and international conflict, may affect travel and may in turn have a material adverse effect on our business and results of operations. In addition, we may not be adequately prepared in contingency planning or recovery capability in relation to a major incident or crisis, and as a result, our operational continuity may be adversely affected and our reputation may be harmed.

***We have limited insurance coverage.***

Our property insurance covers the assets that we own at our leased hotels and the buildings in which our leased hotels operate. We also require our manachised hotel owners to purchase customary insurance policies but they may fail to satisfy these requirements. If we are held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. Even if the amounts and claims are within the limits and scope of our insurance coverage, the insurance provider may not be able to make the compensation payment to us in a timely manner. Any business disruptions or natural disasters may result in us incurring substantial costs and diversion of our corporate and business resources.

***If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.***

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control over financial reporting in accordance with the requirements applicable to a U.S. public company. In connection with the audits of our consolidated financial statements as of and for the fiscal years ended December 31, 2019 and 2020, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, or PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified is our company's lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to properly address complex U.S. GAAP accounting issues and related disclosures in accordance with U.S. GAAP and financial reporting requirements set forth by the SEC. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal

control for purposes of identifying and reporting material weaknesses and other control deficiencies in our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional deficiencies may have been identified.

Following the identification of the material weakness and other control deficiencies, we have taken measures and plan to continue to take measures to remediate these deficiencies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control Over Financial Reporting." However, the implementation of these measures may not fully address such weakness and deficiencies in our internal control over financial reporting. Our failure to correct these deficiencies or our failure to discover and address any other deficiencies could result in inaccuracies in our financial statements and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting could significantly hinder our ability to prevent fraud.

After we become a public company in the United States, we will be subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report from management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2022. In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal control over financial reporting or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other or more material weaknesses or deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our consolidated financial statements for prior periods.

***If we grant employee share options and other share-based compensation in the future, our net profit could be adversely affected.***

In 2017, our PRC subsidiary Atour Shanghai adopted the 2017 Share Incentive Plan, or the 2017 PRC Plan. In 2021, we adopted the Public Company Share Incentive Plan, or the Public Company Plan, at the Cayman Islands' level in preparation for this offering, to replace the 2017 PRC Plan. The purpose of the Public Company Plan is to recognize and reward participants for their contribution to

our company, to attract suitable personnel and to provide incentives to them to remain with and further contribute to us. See "Management—Public Company Plan."

Under the Public Company Plan, the maximum aggregate number of Class A ordinary shares we are authorized to issue pursuant to equity awards granted thereunder, subject to certain adjustments pursuant to the terms thereof, is 51,029,546 Class A ordinary shares, which have been reserved for issuance pursuant to the Public Company Plan accordingly. The awards representing 14,196,882 Class A ordinary shares previously granted to participants under the 2017 PRC Plan have been fully replaced by the awards issued under the Public Company Plan prior to the completion of this offering. As of the completion of this offering, a total of share options corresponding to underlying Class A ordinary shares have been granted to the participants under the Public Company Plan, including 14,196,882 share options granted or will be granted to participants under the 2017 PRC Plan in exchange for cancellation of their outstanding awards previously granted under the 2017 PRC Plan.

Pursuant to the Public Company Plan, the vesting condition for 14,849,482 share options granted thereunder will be satisfied upon completion of this offering; and as a result, we expect to, upon the date of the completion of this offering, record a material amount of cumulative share-based compensation expenses for those awards for which the vesting conditions have been satisfied as of such date. Had such vesting condition been satisfied as of March 31, 2021, we would have recognized share-based compensation expenses of RMB51.9 million (US\$7.9 million) for those awards for which service conditions had been satisfied as of such date.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we expect to grant additional share-based awards to our employees in the future. As a result, our expenses associated with share-based awards may increase, which may have an adverse effect on our results of operations.

***Failure to comply with PRC laws and regulations related to labor and employee benefits may subject us to penalties or additional cost.***

Companies operating in China are required to comply with various laws and regulations related to labor and employment benefits. For example, companies are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing provident funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Apart from that, if a company intends adopt flexible working hour arrangement and comprehensive working hour scheme, it shall fulfill the requirements in relevant regulations, and make filings with labor authorities, or the company will be subject to penalties and may be required to pay extra fees to its employees.

We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations, including those relating to obligations to make social insurance payments, contribute to the housing provident funds, as well as make all filing for comprehensive working hour scheme. Besides, to efficiently administrate the contribution of employment benefit plans of our employees in some cities, we engage third-party agents to make the contribution for our employees. Our failure to make contributions to various employee benefit plans and in complying with applicable PRC labor-related laws may subject us to fines, penalties, government investigations or labor disputes and we could be required to make up the contributions for these plans as well as to pay late fees and fines, which may adversely affect our financial condition and results of operations.

***We have entered into, and may in the future enter into, strategic transactions to complement our organic growth which may not be successful.***

We have entered into, and may in the future enter into, strategic transactions to complement our organic growth, including pursuing selective acquisitions, asset dispositions, joint venture and other types of alliances with business partners. Our potential acquisition and investment targets include high quality manachised hotels, boutique regional hotels and influential lifestyle brands. If we decide to pursue strategic transactions, we may not be successful in identifying suitable opportunities or completing such transactions or investments, and our competitors may be more effective in executing and closing strategic arrangements in competitive bid situations than us. Our ability to enter into and complete strategic transactions may be restricted by, or subject to, various approvals under PRC law or may not otherwise be possible, may result in a possible dilutive issuance of our securities, or may require us to seek additional financing. We also may experience difficulties integrating acquired operations, services, corporate cultures and personnel into our existing business and operations. Strategic transactions may also expose us to potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from our existing business, and the potential loss of, or harm to, relationships with our employees or guests as a result of our integration of new businesses. In addition, following completion of strategic transactions, our management and resources may be diverted from their core business activities due to the integration process, which may harm the effective management of our business. Furthermore, we may not achieve the expected level of any synergy benefits on integration and/or the actual cost of delivering such benefits may exceed the anticipated cost. Any of these factors may have an adverse effect on our competitive position, results of operations and financial condition.

***We require significant capital to fund our operations, growth and technological investments. If we cannot obtain sufficient capital on acceptable terms, our business, financial condition and prospects may suffer.***

We require significant capital and resources for our operations and continued growth. We expect to make significant investments in the expansion and operations of our hotel network and lifestyle brand portfolio, and the development of our technological capabilities, which may increase our net cash used in operating activities. Our sales and marketing expenses may also increase to retain existing customers and attract new customers.

Our ability to obtain additional capital in the future is subject to a number of uncertainties, including our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry, and macro-economic and other conditions in China and globally. If we cannot obtain sufficient capital on acceptable terms to meet our capital needs, we may not execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected.

***If we are unable to access funds to maintain our hotels' condition and appearance, or if our franchisees fail to make investments necessary to maintain or improve their properties, the attractiveness of our hotels and our reputation could suffer and our hotel occupancy rates may decline.***

In order to maintain our hotels' condition and attractiveness, ongoing renovations and other leasehold improvements, including periodic replacement of furniture, fixtures and equipment, are required. In particular, we manachise properties leased or owned by franchisees under the terms of franchise and management agreements, substantially all of which require our franchisees to comply with standards that are essential to maintaining the relevant product integrity and our reputation. We depend on our franchisees to comply with these requirements by maintaining and improving properties through investments, including investments in furniture, fixtures, amenities and personnel. Such investments and expenditures require ongoing funding and, to the extent we or our franchisees cannot fund these expenditures from existing cash or cash flow generated from operations, we or our franchisees must borrow or raise capital through financing. We or our franchisees may not be able to access capital and our franchisees may be unwilling to spend available capital when necessary, even if required by the terms of our franchise and management agreements. If we or our franchisees fail to make investments necessary to maintain or improve the properties, our hotel's attractiveness and reputation could suffer, we could lose market share to our competitors and our RevPAR may decline.

***Increasing focus on environmental, social and governance matters may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations on environmental, social and governance matters may subject us to penalties and adversely affect our business, financial condition and results of operation.***

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance ("ESG") issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and the PRC government or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition, and the price of our ADSs could be materially and adversely effected.

***We may be involved in legal and administrative proceedings in the ordinary course of our business. Any adverse outcome of these legal proceedings could have a material adverse effect on our business, results of operations and financial condition.***

We, our shareholders, directors, officers, employees or affiliates are or may be involved in various legal and administrative proceedings in the ordinary course of business from time to time, involving governmental authorities competitors, business partners, customers and employees, among others. Claims arising out of actual or alleged violations of law could be asserted under a variety of laws, including but not limited to intellectual property laws, contract laws, tort laws, unfair competition laws, labor and employment laws, privacy laws, tax laws, foreign exchange laws, and property laws. No assurances can be given as to the outcome of any pending legal and administrative proceedings, which could have a material adverse effect on our business, results of operations and financial condition. Even if we and our related parties are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive reliefs, and criminal and civil liabilities and/or penalties.

***We are subject to third-party payment processing-related risks.***

We accept payments through major third-party online payment channels in China, as well as bank transfers and credit cards. We may also be susceptible to fraud, user data leakage and other illegal activities in connection with the various payment methods we offer. In addition, our business depends on the billing, payment and escrow systems of the third-party payment service providers to maintain accurate records of payments by customers and collect such payments. If the quality, utility, convenience or attractiveness of these payment processing and escrow services declines, or if we have to change the pattern of using these payment services for any reason, the attractiveness of our company could be materially and adversely affected. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and become unable to accept the current online payments solutions from our customers, and our business, financial condition and results

of operations could be materially and adversely affected. Business involving online payment services is subject to a number of risks that could materially and adversely affect third-party online payment service providers' ability to provide payment processing and escrow services to us, including:

- dissatisfaction with these online payment services or decreased use of their services;
- increasing competition, including from other established Chinese internet companies, payment service providers and companies engaged in other financial technology services;
- changes to rules or practices applicable to payment systems that link to third-party online payment service providers;
- breach of customers' personal information and concerns over the use and security of information collected from our customers;
- service outages, system failures or failures to effectively scale the system to handle large and growing transaction volumes;
- increasing costs to third-party online payment service providers, including fees charged by banks to process transactions through online payment channels, which would also increase our costs of revenues; and
- failure to manage funds accurately or loss of funds, whether due to employee fraud, security breaches, technical errors or otherwise.

***Seasonality of our business and national or regional special events may cause fluctuations in our results of operations and financial condition, and adversely affect our profitability.***

The hospitality industry is subject to fluctuations in revenues due to seasonality. The periods during which our properties experience higher revenues vary from property to property, depending principally upon their location, type of property and competitive mix within the specific location. Generally, the first quarter, in which both the New Year and Spring Festival holidays fall, accounts for a lower percentage of our annual revenues than the other quarters of the year. In addition, certain special events, such as large-scale exhibition, concerts or sports events, may increase the demand for our hotels significantly as such special events may attract travelers into and within the regions in China where we operate hotels. Based on historical results, we generally expect our net revenues generated from our hotel offerings to be higher in the second and third quarters of each year than in each of the first and fourth quarters due to general travel and consumption patterns in China.

***Our advertising, promotional and branding content may subject us to penalties and other administrative actions.***

Under PRC advertising laws and regulations, we are obligated to monitor our advertising, promotional and branding content to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC government authorities may force us to terminate our advertising operations or revoke our licenses.

We cannot assure you that all the content contained in our advertisements or other branding content or materials is true and accurate as required by, and complies in all aspects with, the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. We conduct certain advertising, promotional and branding activities through social media and other online channels, and relevant content may also be subject to these PRC advertising laws and regulations. If we are found to be in violation of applicable PRC advertising laws and

regulations, we may be subject to penalties and our reputation may be harmed, which may negatively affect our business, financial condition, results of operations and prospects.

## **Risks Related to Doing Business in China**

### ***Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial condition and results of operations.***

We conduct all of our operations in China and all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a significant portion of productive assets in China is still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies, restricting the inflow and outflow of foreign capital and providing preferential treatment to particular industries or companies. The PRC government also has significant authority to exert influence on the ability of a China-based company, such as our company, to conduct its business. As the PRC economy has become increasingly linked with the global economy, China is affected in various respects by downturns and recessions of major economies around the world. The various economic and policy measures enacted by the PRC government to forestall economic downturns or bolster China's economic growth could materially affect our business. Any adverse change in the economic conditions in China, policies of the PRC government or laws and regulations in China could have a material adverse effect on the overall economic growth of China and, in turn, our business.

### ***Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.***

Our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As a significant part of our business is conducted in China, our operations are principally governed by PRC laws and regulations. However, since the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Uncertainties due to evolving laws and regulations could also impede the ability of a China-based company, such as our company, to obtain or maintain permits or licenses required to conduct business in China. In the absence of required permits or licenses, governmental authorities could impose material sanctions or penalties on us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other PRC government authorities (including local government authorities), thus making strict compliance with all regulatory requirements impractical, or in some circumstances impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and



may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

Furthermore, if China adopts more stringent standards with respect to environmental protection or corporate social responsibilities, we may incur increased compliance cost or become subject to additional restrictions in our operations.

Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

***Uncertainties exist with respect to the enactment timetable, interpretation and implementation of the laws and regulations with respect to our online platform business operation.***

Our online platform business is subject to various internet-related laws and regulations. These internet-related laws and regulations are relatively new and evolving, and their enactment timetable, interpretation and implementation involve significant uncertainties.

For example, On February 7, 2021, the State Administration for Market Regulation, or the SAMR, promulgated Guidelines to Anti-Monopoly in the Field of Platform Economy, or the Anti-Monopoly Guidelines for Platform Economy. The Anti-Monopoly Guidelines for Platform Economy provides operational standards and guidelines for identifying certain internet platforms' abuse of market dominant position which are prohibited to restrict unfair competition and safeguard users' interests, including without limitation, prohibiting personalized pricing using big data and analytics, selling products below cost without reasonable causes, actions or arrangements seen as exclusivity arrangements, using technology means to block competitors' interface, using bundle services to sell services or products. In addition, internet platforms' compulsory collection of user data may be viewed as abuse of dominant market position that may have the effect to eliminate or restrict competition. In October 2020, the Standing Committee of the National People's Congress officially released the draft for the first reading of the Personal Information Protection Law, or the Draft Personal Information Protection Law. The Draft Personal Information Protection Law provides the basic regime for personal information protection, including without limitation, stipulating an expanded definition of personal information, providing a long-arm jurisdiction in cross-border scenarios, emphasizing individual rights, and prohibiting rampant infringement of personal information, such as stealing, selling, or secretly collecting personal information.

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the E-commerce Law, which came into effect on January 1, 2019. The E-commerce Law imposes a series of requirements on e-commerce operators including e-commerce platform operators, merchants operating on the platform and the individuals and entities carrying out business online. The platform governance measures we adopt in response to the enhanced regulatory requirements may fail to meet these requirements and may lead to penalties or our loss of merchants to those platforms, or to complaints or claims made against us by customers on our platforms.

As there are uncertainties regarding the enactment timetable, interpretation and implementation of the existing and future internet-related laws and regulations, we cannot assure you that our business operations will comply with such regulations in all respects and we may be ordered to terminate certain

of our business operations that are deemed illegal by the regulatory authorities and become subject to fines and/or other sanctions.

***The audit report included in this prospectus is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board and as such, our investors are deprived of the benefits of such inspection.***

As a public company with securities listed on a national exchange, we will be required to have our financial statements audited by an independent registered public accounting firm registered with the PCAOB. A requirement of being registered with the PCAOB is that if requested by the SEC or PCAOB, such accounting firm is required to make its audits and related audit work papers be subject to regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities due to various state secrecy laws and the revised Securities Law, the PCAOB currently does not have free access to inspect the work of our auditor. This lack of the PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our auditor. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections, which could cause investors in our stock to lose confidence in our audit procedures and the quality of our financial statements.

***The recent enactment of the Holding Foreign Companies Accountable Act may result in de-listing of the ADSs.***

Over the past decade, U.S. SEC and PCAOB and the Chinese counterparts, namely, the China Securities Regulatory Commission, or the CSRC, and PRC Ministry of Finance have been in an impasse over the ability of the PCAOB to have access to the audit work papers and inspect the audit work of China based accounting firms, including our auditor. In May 2013, the PCAOB entered into a Memorandum of Understanding on Enforcement Cooperation (the "MOU") with the CSRC, and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. Despite the MOU, on December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. On April 21, 2020, the SEC and the PCAOB reiterated in another joint statement the greater risk associated with the PCAOB's inability to inspect audit work paper and practices of accounting firms in China, with respect to their audit work of U.S. reporting companies.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by laws in China, on December 2, 2020, U.S. Congress passed S. 945, the Holding Foreign Companies Accountable Act (the "HFCAA"). The HFCAA has been signed by the President into law. Pursuant to the HFCAA, the SEC is required to propose rules to prohibit the securities of any registrant from being listed on any of the U.S. securities exchanges or traded "over the counter" if the PCAOB is unable to inspect the work of the accounting firm for three consecutive years. On March 24, 2021, the SEC issued amendments to Form 20 and sought public comment in response to the HFCAA. Consistent with the HFCAA, these amendments require the submission of documentation to the SEC establishing that a "commission-identified registrant" (as defined in the amendments) is not owned or controlled by a governmental entity in that foreign jurisdiction and also require disclosure in a foreign issuer's annual report regarding the audit arrangements of, and governmental influence on, such registrant. As of the date of this prospectus, the SEC is also actively assessing how best to implement other requirements of the HFCAA, including the identification process and the trading prohibition requirements.

The enactment of the HFCAA and other efforts to increase U.S. regulatory access to audit work papers could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected as uncertainty remains over whether there will be a compromise solution. In the worst case, our ADSs could be delisted if we were unable to cure the situation to meet the PCAOB inspection requirement in time.

In addition, on August 6, 2020, the President's Working Group on Financial Markets, or PWG, released a report recommending that the SEC take steps to implement the five recommendations, including enhanced listing standards on U.S. stock exchanges with respect to PCAOB inspection of accounting firms. This would require, as a condition to initial and continued listing on a U.S. stock exchange, PCAOB access to work papers of the principal audit firm for the audit of the listed company. The report permits the new listing standards to provide for a transition period until January 1, 2022 for listed companies, but would apply immediately to new listings once the necessary rulemakings and/or standard-setting are effective. It is unclear if and when the SEC will make rules to implement the recommendations proposed in the PWG report, especially in light of its ongoing rulemaking pursuant to the HFCAA. Any of these factors and developments could potentially lead to a material adverse effect on our business, prospects, financial condition and results of operations.

***Proceedings instituted by the SEC against Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.***

In December 2012, the SEC instituted administrative proceedings against the "big four" PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain PRC-based companies that are publicly traded in the United States.

On January 22, 2014, the administrative law judge, or the ALJ, presiding over the matter rendered an initial decision that each of the firms had violated the SEC's rules of practice by failing to produce audit papers and other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months.

On February 6, 2015, the four China-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with the SEC requirements could ultimately lead to the delisting of our ordinary shares from the Nasdaq or the termination of the registration of our ordinary shares under the Securities Exchange Act of 1934, or both, which would substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

***You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the prospectus based on foreign laws.***

We are an exempted company incorporated under the laws of the Cayman Islands. We conduct all of our operations in China. In addition, all our senior executive officers reside within China for a significant portion of the time and all of them are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside China.

The recognition and enforcement of foreign judgments are basically provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the Cayman Islands or many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment if it is decided as having violated the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

The SEC, U.S. Department of Justice and other U.S. authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies and non-U.S. persons, including company directors and officers, in certain emerging markets, including China. Legal and other obstacles to obtaining information needed for investigations or litigation or to obtaining access to funds outside the United States, lack of support from local authorities, and other various factors make it difficult for the U.S. authorities to pursue actions against non-U.S. companies and individuals, who may have engaged in fraud or other wrongdoings. Additionally, public shareholders investing in our ADSs have limited rights and few practical remedies in emerging markets where we operate, as shareholder claims that are common in the United States, including class actions under securities law and fraud claims, generally are difficult or impossible to pursue as a matter of law or practicality in many emerging markets, including China. As a result of all of the above, you may have more difficulties in protecting your interests in your emerging market investments.

***We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.***

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and services of any debt we may incur. Our PRC subsidiaries' ability to distribute dividends is based upon its distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us.

To address the persistent capital outflow and the RMB's depreciation against the U.S. dollar, the People's Bank of China and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures since 2016, including stricter vetting procedures for

China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. For instance, the Circular on Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review, or the SAFE Circular 3, issued on January 26, 2017, provides that the banks shall, when dealing with dividend remittance transactions from domestic enterprise to its offshore shareholders of more than US\$50,000, review the relevant board resolutions (or resolutions of partners), original tax filing form and audited financial statements of such domestic enterprise based on the principle of genuine transaction. The PRC government may strengthen its capital controls from time to time and our PRC subsidiaries' dividends and other distributions may be subject to tightened scrutiny in the future. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC resident enterprises unless reduced under treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are tax resident.

***The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.***

Under PRC law, legal documents for corporate transactions, including agreements and contracts, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with SAMR. A company chop or seal may serve as the legal representation of the company towards third parties even when unaccompanied by a signature.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application, which will then be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees.

Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may restrict or delay us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business.***

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, or FIEs, in China, capital contributions to our PRC subsidiaries are subject to registration with SAMR or its local counterpart and registration with a local bank authorized by SAFE. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches and

(ii) any of our PRC subsidiaries may not procure loans which exceed the difference between its total investment amount and registered capital or, as an alternative, they may only procure loans subject to the calculation approach and limitation as provided by the People's Bank of China.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the renminbi fund converted from their foreign exchange capital for expenditure beyond their business scopes, providing entrusted loans or repaying loans between nonfinancial enterprises. The SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective on June 9, 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including, but not limited, to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted renminbi shall not be provided as loans to its non-affiliated entities. On October 23, 2019, SAFE further issued the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment, or the Circular 28, which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China as long as such investments do not violate then effective negative list for foreign investments and the target investment projects are genuine and in compliance with laws. In addition, Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments. As this circular is relatively new, there remains uncertainty as to its interpretation and application and any other future foreign exchange-related rules. Violations of these circulars could result in severe monetary or other penalties.

***Fluctuations in exchange rates could have an adverse effect on our results of operations and the value of your investment.***

The value of the renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. Since June 2010, the renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. Since October 1, 2016, renminbi has joined the International Monetary Fund's basket of currencies that make up the Special Drawing Right (SDR) along with the U.S. dollar, the euro, the Japanese yen and the British pound. In the fourth quarter of 2016 the renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress towards interest rate liberalization and renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the renminbi and the U.S. dollar in the future.

There remains significant international pressure on the Chinese government to adopt a flexible currency policy to allow the renminbi to appreciate against the U.S. dollar. Significant revaluation of the RMB may have a material adverse effect on your investment. All of our net revenues and costs are

denominated in renminbi. Any significant revaluation of RMB may adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, the ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars into renminbi for capital expenditures and working capital and other business purposes, appreciation of renminbi against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs, and if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

***Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.***

The PRC government imposes controls on the convertibility of the renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive all of our revenues in renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than renminbi. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

***Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.***

Among other things, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, establish additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the PRC Ministry of Commerce, or the MOFCOM, under certain circumstances, be notified in advance of any change-of-control transaction in which a foreign investor takes control of an affiliated PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the SAMR should be notified in advance of any concentration of undertaking if certain thresholds are triggered.

Transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the SAMR before they can be completed. In addition, the PRC national security reviews rules which became effective in September 2011 requiring mergers and acquisitions by foreign investors of PRC companies engaged in military-related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM and the SAMR, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.***

The SAFE issued Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Overseas Special Purpose Companies, or Circular No. 75, on October 21, 2005, which became effective on November 1, 2005. Under Circular 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. See "Regulation—Regulations on Offshore Financing".

We are committed to complying with and to ensuring that our shareholders and beneficial owners who are subject to these regulations will comply with the relevant SAFE rules and regulations. However, due to inherent uncertainty in the implementation of the regulatory requirements by the PRC authorities, such registration might not be always practically available in all circumstances as provided in those regulations.

We have requested shareholders or beneficial owners who directly or indirectly hold shares in our Cayman Islands holding company and are known to us as being PRC residents to complete their registration with or to obtain approval by the local SAFE, the National Development and Reform Commission, or the NDRC, or MOFCOM branches. However, we may not be informed of the identities of all the PRC individuals or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with the SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by SAFE, NDRC and MOFCOM regulations. Any failure or inability by such shareholders, beneficial owners or our subsidiaries to comply with SAFE, NDRC and MOFCOM regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiary's ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.



***Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, or the SAFE Circular 7. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon the completion of this offering. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and there may be additional restrictions on the ability of them to exercise their stock options or remit proceeds gained from sale of their stock into the PRC. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See "Regulation—Regulations on Employee Share Option Plans."

In addition, the State Administration of Taxation, or SAT, has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares or restricted share units vest, will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their share options, restricted shares or restricted share units. In addition, the sales of our ADSs or shares held by such PRC individual employees after their exercise of the options, or the vesting of the restricted shares or restricted share units, are also subject to PRC individual income tax. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities. See "Regulation—Regulations on Employee Share Option Plans."

***If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and ADS holders.***

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with its "de facto management body" within the PRC is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT, issued a circular, known as SAT Circular 82, and was amended on 2017, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82,

an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (iv) not less than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC.

We believe our company is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that our company is a PRC resident enterprise for enterprise income tax purposes, we will be subject to PRC enterprise income on our worldwide income at the rate of 25%. Furthermore, we will be required to withhold a 10% withholding tax from dividends we pay to our shareholders (including our ADS holders) that are non-resident enterprises. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of ADSs or ordinary shares, if such gain is treated as derived from a PRC source. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the sale or other disposition of ADSs or ordinary shares by such shareholders (including ADS holders) may be subject to PRC tax at a rate of 20% (which in the case of dividends may be withheld at source). These rates may be reduced by an applicable tax treaty, but it is unclear whether non-PRC shareholders (including ADS holders) of our company would, in practice, be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ADSs or ordinary shares.

***We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.***

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Bulletin 7. SAT Bulletin 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity securities through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets.

On October 17, 2017, the SAT issued the Public Notice on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the

applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under SAT Bulletin 7 and/or SAT Bulletin 37. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Bulletin 7 and/or SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these bulletins, or to establish that our company should not be taxed under these bulletins, which may have a material adverse effect on our financial condition and results of operations.

***Regulation and censorship of information disseminated over the internet in China may adversely affect our business and reputation and subject us to liability for information displayed on our website.***

The PRC government has adopted regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses, and the closure of the concerned websites. The website operator may also be held liable for such censored information displayed on or linked to the websites. If our self-owned online store or content is found to be in violation of any such requirements, we may be penalized by relevant authorities, and our operations or reputation could be adversely affected.

### **Risks Related to the ADSs and This Offering**

***An active trading market for our ordinary shares or the ADSs may not develop and the trading price for the ADSs may fluctuate significantly.***

We have been approved to list the ADSs on the Nasdaq. We have no current intention to seek a listing for our ordinary shares on any stock exchange. Prior to the completion of this offering, there has been no public market for the ADSs or our ordinary shares, and we cannot assure you that a liquid public market for the ADSs will develop. The initial public offering price for the ADSs was determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the trading price of the ADSs after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

In addition, investing in securities of issuers based in emerging market countries, including China, frequently involves a greater degree of risks and uncertainties when compared to investments in securities of issuers located in more established markets. These factors may affect your ability to sell the ADSs at your desired price and time. If an active and liquid market for the ADSs does not develop or is not maintained, the market price and liquidity of the ADSs may be materially and adversely affected.

***We will incur additional costs as a result of being a public company.***

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. These additional costs could negatively affect our financial results. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including regulations implemented by the Nasdaq, may increase legal and financial compliance costs and make some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts to comply with new laws, regulations and standards, we fail to comply, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

***You must rely on the judgment of our management as to the use of the net proceeds from this offering, and such use may not produce income or increase our ADS price.***

Our management will have considerable discretion in the application of the net proceeds received by us.

You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase our ADS price. The net proceeds from this offering may be placed in investments that do not produce income or that lose value.

***The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.***

The trading price of the ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for the ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our net revenues, earnings and cash flows;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new offerings, solutions and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- announcements of new regulations, rules or policies relevant to our business;
- additions or departures of key personnel;
- our controlling shareholder's business performance and reputation;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which the ADSs will trade.

In the past, shareholders of public companies have often brought securities class-action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class-action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

***Because our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.***

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US\$            per ADS, representing the difference between the initial public offering price of US\$            per ADS and our net tangible book value per ADS as of March 31, 2021, after giving effect to the net proceeds we receive from this offering. See "Dilution" for a more complete description of how the value of your investment in the ADSs will be diluted upon the completion of this offering.

***If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.***

The trading market for the ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade the ADSs, the market price for the ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for the ADSs to decline.

***Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.***

Our authorized and issued ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to            votes per share. We will issue Class A ordinary shares represented by our ADSs in this offering. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holders thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

Upon the completion of this offering, Mr. Haijun Wang will beneficially own            Class B ordinary shares. Mr. Haijun Wang will beneficially own approximately            % of our total issued and outstanding share capital immediately after the completion of this offering and            % of the aggregate voting power of our total issued and outstanding share capital immediately after the completion of this offering due to the disparate voting powers associated with our dual-class share structure, assuming the underwriters do not exercise their option to purchase additional ADSs. As a result of the dual-class share structure and the concentration of ownership, holders of Class B ordinary shares will have considerable influence over matters such as decisions regarding mergers and consolidations, election of directors, and other significant corporate actions. Such holders may take actions that are not in the best interest of us or our other shareholders. This concentration of

ownership may discourage, delay, or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

***The dual-class structure of our ordinary shares may adversely affect the trading market for our ADSs.***

Certain shareholder advisory firms have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our ordinary shares may prevent the inclusion of our ADSs representing Class A ordinary shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our ADSs. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our ADSs.

***We will be a "controlled company" as defined under the Nasdaq Stock Market corporate governance rules. As a result, we will qualify for, and intend to rely on, exemptions from certain corporate governance requirements that would otherwise provide protection to shareholders of other companies.***

Following the completion of this offering, we will be a "controlled company" as defined under the Nasdaq corporate governance rules because Mr. Haijun Wang will own more than 50% of our total voting power. For so long as we remain a controlled company, we may rely on certain exemptions from the corporate governance rules, including the rule that we have to establish a nominating and corporate governance committee composed entirely of independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements. Even if we cease to be a controlled company, we may still rely on exemptions available to foreign private issuers, including being able to adopt home country practices in relation to corporate governance matters. See the sections of this prospectus captioned "Risk Factors—Risks Related to the ADSs and this Offering—We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies" and "—As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq corporate governance standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq corporate governance standards."

***The sale or availability for sale of substantial amounts of ADSs could adversely affect their market price.***

Sales of substantial amounts of ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of the ADSs and could materially impair our ability to raise capital through equity offerings in the future. The ADSs sold in this offering will be freely tradable without restriction or further registration under the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future, subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. There will be           ADSs (representing           ordinary shares) issued and outstanding immediately after this offering, or           ADSs (representing           ordinary shares) if the underwriters exercise their option to purchase additional ADSs in full. In connection with this

offering, we, our directors, executive officers, existing shareholders and holders of share-based awards have agreed, subject to certain exceptions, not to sell any ordinary shares or ADSs for 180 days. However, the underwriters may release these securities from these restrictions at any time, subject to applicable regulations of the Financial Industry Regulatory Authority, Inc. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of the ADSs. See "Underwriting" and "Shares Eligible for Future Sale" for a more detailed description of the restrictions on selling our securities after this offering.

***Techniques employed by short sellers may drive down the market price of the ADSs.***

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity have centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations, and any investment in the ADSs could be greatly reduced or even rendered worthless.

***Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on a price appreciation of the ADSs for a return on your investment.***

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in the ADSs as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may pay a dividend out of either profit or a share premium account, provided always that in no

circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in the ADSs will likely depend entirely upon any future price appreciation of the ADSs. There is no guarantee that the ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in the ADSs.

***The approval of the China Securities Regulatory Commission may be required in connection with this offering under PRC law.***

The Regulations on Mergers of Domestic Enterprises by Foreign Investors, or the M&A Rules, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval, and any failure to obtain or a delay in obtaining CSRC approval for this offering may subject us to sanctions imposed by the CSRC and other PRC regulatory agencies.

Our PRC counsel, has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the approval of this offering and the listing and trading of our ADSs on the Nasdaq under the M&A Rules because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation; (ii) Atour Shanghai was a foreign-invested enterprise before it was acquired by Atour Hong Kong.

However, our PRC legal counsel has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering, and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC legal counsel, and hence, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. If it is determined in the future that CSRC approval is required for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies for failure to seek CSRC approval for this offering. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of the ADSs. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for this offering, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such an approval requirement could have a material adverse effect on the trading price of the ADSs.



***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.***

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England and Wales, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law may be narrower in scope or less developed than they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. In addition, while under Delaware law, controlling shareholders owe fiduciary duties to the companies they control and their minority shareholders, under Cayman Islands law, our controlling shareholders do not owe any such fiduciary duties to our company or to our minority shareholders. Accordingly, our controlling shareholders may exercise their powers as shareholders, including the exercise of voting rights in respect of their shares, in such manner as they think fit, subject only to very limited equitable constraints. One of the examples of such constraint is that the exercise of voting rights to amend the memorandum or articles of association of a Cayman Islands company must be exercised in good faith for the benefit of the Company as a whole.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association, special resolutions which have been passed by shareholders, register of mortgages and charges, and a list of current directors) or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association that will become effective immediately prior to completion of this offering to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. If we choose to follow home country practice, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act (As Revised) of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see "Description of Share Capital—Differences in Corporate Law."

***It may be difficult for overseas regulators to conduct investigations or collect evidence within China.***

Shareholder claims that are common in the United States, including securities law class actions and fraud claims, generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for

shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the local authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the United States have not been efficient in the absence of a mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation of rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

***Certain judgments obtained against us by our shareholders may not be enforceable.***

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands and substantially all of our assets are located outside of the United States. All of our current operations are conducted in China. In addition, most of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and China, see "Enforceability of Civil Liabilities." However, the deposit agreement gives you the right to submit claims against us to binding arbitration, and arbitration awards may be enforceable against us and our assets in China even when court judgments are not.

***ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.***

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial for any claim they may have against us or the depository arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depository were to oppose a jury trial based on this waiver, the court would have to determine whether the waiver was enforceable based on the facts and circumstances of the case in accordance with applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, or by a federal or state court in the State of New York, which has nonexclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this would be the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depository in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holders or beneficial owners may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us

or the depository. If a lawsuit is brought against us or the depository under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including outcomes that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or the ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depository of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

***[The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the ordinary shares underlying your ADSs.***

As an exempted company incorporated in the Cayman Islands, we are not obliged by the Companies Act (As Revised) to call shareholders' annual general meetings. Our Amended and Restated Memorandum and Articles of Association provide that we may (but are not obliged to) each year hold a general meeting as our annual general meeting. As a holder of ADSs, you will not have any direct right to attend general meetings of our company or to cast any votes at such meetings. You will only be able to exercise the voting rights which attach to the ordinary shares underlying your ADSs indirectly by giving voting instructions to the depository in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depository, as holder of the ordinary shares underlying your ADSs. Upon receipt of your voting instructions, the depository may try to vote the ordinary shares underlying your ADSs in accordance with your instructions. If we ask for your instructions, then upon receipt of your voting instructions, the depository will try to vote the underlying ordinary shares in accordance with those instructions. If we do not instruct the depository to ask for your instructions, the depository may still vote in accordance with instructions you give, but it is not required to do so. You will not be able to directly exercise any right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. When a general meeting is convened, you may not receive sufficient advance notice of the meeting to enable you to withdraw the shares underlying your ADSs and become the registered holder of such shares prior to the record date for the general meeting to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our amended and restated articles of association that will become effective immediately prior to completion of this offering, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the ordinary shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, the depository will notify you of the upcoming vote and deliver our voting materials to you, if we ask it to. We cannot assure you that you will receive the voting materials in time to ensure you can direct the depository to vote your shares. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the shares underlying your ADSs are voted and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.]

***You may be subject to limitations on the transfer of your ADSs.***

Your ADSs are transferable on the books of the depository. However, the depository may close its books at any time or from time to time when it deems it expedient in connection with the performance

of its duties. The depositary may close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.***

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies, including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we remain an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

***We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.***

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q, quarterly certifications by the principal executive and financial officers or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the Nasdaq. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. For example, U.S. domestic issuers are required to file annual reports within 60 to 90 days from the end of each fiscal year. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

***As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq corporate governance listing standards.***

As an exempted company incorporated in the Cayman Islands and listed on the Nasdaq, we are subject to corporate governance listing standards of Nasdaq. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards. We currently intend to follow

Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the Nasdaq that listed companies must have: (i) a majority of independent directors; (ii) a nominating/corporate governance committee composed entirely of independent directors; and (iii) a majority of independent directors and that the audit committee consist of at least three members. To the extent that we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would enjoy under Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

***There can be no assurance that we will not be a passive foreign investment company, or PFIC, for the current or any future taxable year, which could result in adverse U.S. federal income tax consequences to U.S. investors in the ADSs or our ordinary shares.***

In general, a non-U.S. corporation is a PFIC for U.S. federal income tax purposes for any taxable year in which (i) 50% or more of the average value of its assets (generally determined on a quarterly basis) consists of assets that produce, or are held for the production of, passive income, or (ii) 75% or more of its gross income consists of passive income. For purposes of these calculations, a non-U.S. corporation that owns, directly or indirectly, at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties (other than certain royalties derived in an active business), and certain investment gains. Cash is generally a passive asset for these purposes. Goodwill is generally characterized as an active asset to the extent it is associated with business activities that produce active income.

Based on the manner in which we currently conduct our business, the expected composition of our income and assets and the expected value of our assets (including goodwill, which is based on the expected price of the ADSs in this offering), we do not expect to be a PFIC for our current taxable year or the foreseeable future. However, our PFIC status for any taxable year is an annual factual determination that can be made only after the end of that year. Our PFIC status for any taxable year will depend on the composition of our income and assets and the value of our assets from time to time, including the value of our goodwill (which may be determined, in large part, by reference to our market capitalization, which could be volatile). Therefore, our risk of being or becoming a PFIC will increase if our market capitalization declines while we hold a substantial amount of cash (including cash raised in this offering) and financial investments. In addition, if in the future we change the type of services we provide with respect to our franchised hotels, our PFIC status for any taxable year may depend on whether and to what extent our income from franchised hotels will be treated as derived in the active conduct of a trade or business within the meaning of applicable Treasury regulations. Because of these uncertainties, there can be no assurance that we will not be a PFIC for our current or any future taxable year. If we were a PFIC for any taxable year during which a U.S. taxpayer held ADSs or ordinary shares, the U.S. taxpayer generally would be subject to adverse U.S. federal income tax consequences, including increased tax liability on disposition gains and "excess distributions" (subject to alternative treatment if the U.S. taxpayer is able to and does make a valid mark-to-market election) and additional reporting requirements. See "Taxation—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains statements that constitute forward-looking statements. Many of the forward-looking statements contained in this prospectus can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "estimate" and "potential," among others.

Forward-looking statements appear in a number of places in this prospectus and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to of various factors, including, but not limited to, those identified under the section entitled "Risk Factors" in this prospectus. These risks and uncertainties include factors relating to:

- general economic, political, demographic and business conditions in China and globally;
- fluctuations in inflation and exchange rates in China and globally;
- our ability to implement our growth strategy;
- our ability to compete and conduct our business in the future;
- the availability of qualified personnel and the ability to retain such personnel;
- the expected growth and competition in the hospitality industry in China;
- changes in government policies and regulation;
- other factors that may affect our financial condition, liquidity and results of operations; and
- other risk factors discussed under "Risk Factors."

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

## USE OF PROCEEDS

We expect to receive total estimated net proceeds from this offering of approximately US\$            million, or approximately US\$            million if the underwriters exercise their option to purchase additional ADSs in full, based on the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus, after deducting underwriting discounts and commissions. A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$            per ADS would increase (decrease) the net proceeds to us from this offering by US\$            million, assuming the number of ADSs offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

We plan to use the net proceeds of this offering primarily for the following purposes:

- approximately        % for expanding and strengthening our hotel network in China, including funding the capital expenditures and expenses related to opening of new hotels across different Atour hotel brands and the continuous upgrades of existing hotel facilities;
- approximately        % for developing new products and services for our diversified hotel portfolio, strengthening our membership program and enhancing our branding efforts;
- approximately        % for enhancing our IT infrastructure and technologies, including digital operating systems and data analytics, to further enhance our customer experience as well as operating efficiency;
- approximately        % for selectively pursuing strategic transactions including mergers & acquisitions, joint ventures and investments in China's hospitality and lifestyle industry; as of the date of the prospectus, we have not identified any specific target; and
- approximately        % for general corporate and working capital purposes.

If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus. In utilizing the proceeds from this offering, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, and only if we satisfy the applicable government registration and approval requirements. We cannot assure you that we will be able to meet these requirements on a timely basis, if at all. See "Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may restrict or delay us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business." Additionally, while there is no statutory limit on the amount of capital contribution that we can make to our PRC subsidiaries, loans provided to our PRC subsidiaries are subject to certain statutory limits. See "Regulation—Regulations on Offshore Financing" for more information about such statutory limits.

We are able to use all of the net proceeds from this offering for investment in our operations in the PRC by funding our PRC subsidiaries through capital contributions which is not subject to any statutory limit on the amount under PRC laws and regulations. We expect that the net proceeds from this offering to be used in the PRC will be in the form of RMB and, therefore, our PRC subsidiaries will need to convert any capital contributions or loans from U.S. dollars into Renminbi in accordance with applicable PRC laws and regulations. All of the net proceeds from this offering would be available for investment in our operations in the PRC, subject to the foregoing statutory limits on the amount of loans provided to our PRC subsidiaries and the laws and regulations on the conversion from U.S. dollars into Renminbi.

## DIVIDEND POLICY

We have not previously declared or paid any cash dividend or dividend in kind.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Regulation—Regulations on Dividend Distribution." and "Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment."

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying the ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to the ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, net of the fees and expenses payable thereunder. See "Description of American Depositary Shares."



## CAPITALIZATION

We are currently in the process of completing the Restructuring and upon its consummation and prior to the completion of this offering, we will adjust our share capital and issue new Class A ordinary shares to affiliates of certain existing equityholders of Atour Shanghai, or the Existing Equityholders, pursuant to the Restructuring, such that our shareholding structure will substantially reflect Atour Shanghai's current ownership structure. As a result of the Restructuring and prior to the completion of this offering, we will (i) beneficially own 100% of equity interest in Atour Shanghai through Atour Hong Kong, and (ii) consolidate the financial results of Atour Shanghai and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. In connection with the Restructuring, our authorized share capital was classified into Class A ordinary shares and Class B ordinary shares on February 3, 2021.

The table below sets forth our capitalization as of March 31, 2021:

- on an actual basis;
- on a *pro forma* basis to give effect to (i) the termination of the preferential rights held by certain equity holders of Atour Shanghai on April 8, 2021; (ii) the repurchase of 8,822,664 ordinary shares from a shareholder with a cash consideration of RMB111.26 million in May 2021; and (iii) the distribution of RMB20.6 million in cash to certain shareholders in May 2021; and
- on a *pro forma* as adjusted basis to give effect to (i) the termination of the preferential rights held by certain equity holders of Atour Shanghai on April 8, 2021; (ii) the repurchase of 8,822,664 ordinary shares from a shareholder with a cash consideration of RMB111.26 million in May 2021; (iii) the distribution of RMB20.6 million in cash to certain shareholders in May 2021; and (iv) the issuance and sale of Class A ordinary shares in this offering, and the receipt of approximately US\$ million in estimated net proceeds, considering an offering price of US\$ per ADS (the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus), after deduction of the underwriting discounts and commissions payable by us, and the use of proceeds therefrom.

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of March 31, 2021				Pro Forma as Adjusted	
	Actual	Actual	Pro Forma		RMB	US\$
	RMB	US\$	RMB	US\$	RMB	US\$
<b>Long-term borrowings, non-current portion</b>	42,045	6,417	42,045	6,417		
<b>Mezzanine equity</b>						
Redeemable Series B shares (USD0.0001 par value, 48,394,000 shares authorized, issued and outstanding; Redemption value of RMB303,416 as of March 31, 2021; Liquidation preference of RMB230,147 as of March 31, 2021; and none outstanding on a pro forma and pro forma as adjusted basis as of March 31, 2021)	167,500	25,565	—	—		
Redeemable Series C shares (USD0.0001 par value, 104,896,800 shares authorized, issued and outstanding; Redemption value of RMB727,761 as of March 31, 2021; Liquidation preference of RMB727,761 as of March 31, 2021; and none outstanding on a pro forma and pro forma as adjusted basis as of March 31, 2021)	727,761	111,078	—	—		
<b>Total mezzanine equity</b>	895,261	136,643	—	—		
<b>Deficit</b>						
Series A shares (USD0.0001 par value; 60,912,400 shares authorized, issued and outstanding; Liquidation preference of RMB73,336 as of March 31, 2021; and none outstanding on a pro forma and pro forma as adjusted basis as of March 31, 2021)	43	7	—	—		
Ordinary shares (USD0.0001 par value; 2,785,796,800 shares authorized as of March 31, 2021; 171,589,918 shares issued and outstanding; and 376,970,453 shares issued and outstanding on a pro forma basis as of March 31, 2021 and shares issued and outstanding on a pro forma as adjusted basis as of March 31, 2021)	130	20	274	42		
Additional paid-in capital	—	—	763,255	116,495		
Accumulated deficit	(307,969)	(47,005)	(307,969)	(47,005)		
Accumulated other comprehensive income	426	65	426	65		
<b>Total (deficit) equity attributable to shareholders of the Company</b>	(307,370)	(46,913)	455,986	69,597		
Non-controlling interests	(10,199)	(1,557)	(10,199)	(1,557)		
<b>Total capitalization</b>	619,737	94,590	487,832	74,457		

Notes:

- (1) The *pro forma* as adjusted information discussed above is illustrative only. Our additional paid-in capital, total (deficit) equity attributable to shareholders of the Company and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.
- (2) A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ per ADS, which is the midpoint of the estimated range of the initial public offering price shown on the cover page of this prospectus, would increase (decrease) each of additional paid-in capital, total (deficit) equity attributable to shareholders of the Company and total capitalization by US\$ million.

## DILUTION

If you invest in the ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per Class A ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

Our net tangible book value as of March 31, 2021 was approximately US\$85.0 million, or US\$0.22 per ordinary share as of that date. Net tangible book value represents the amount of our consolidated assets, less intangible assets, goodwill and the amount of our total consolidated liabilities. Dilution is determined by subtracting net tangible book value per ordinary share as adjusted from the initial public offering price per ordinary shares. Because the Class A ordinary shares and Class B ordinary shares have the same dividend and other rights, except for voting and conversion rights, the dilution is presented based on all issued and outstanding ordinary shares, including Class A ordinary shares and Class B ordinary shares.

Without taking into account any other changes in such net tangible book value after December 31, 2020, other than to give effect to our issuance and sale of ADSs offered in this offering at an assumed initial public offering price of US\$ per ADS, the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus, after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2021 would have been approximately US\$ million, or US\$ per ordinary share and US\$ per ADS, to existing shareholders and an immediate dilution in net tangible book value of US\$ per Class A ordinary share, or US\$ per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution at an assumed initial public offering price of US\$ per ADS, the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus and all ADSs are exchanged for Class A ordinary shares:

Initial public offering price per ordinary share	US\$
Net tangible book value per ordinary share as of March 31, 2021	US\$
Pro forma net tangible book value per ordinary share as adjusted to give effect to this offering	US\$
Amount of dilution in net tangible book value per ordinary share to new investors in this offering	
Amount of dilution in net tangible book value per ADS to new investors in this offering	US\$

The pro forma information discussed above is illustrative only.

The following table summarizes, on a pro forma basis as of March 31, 2021, the differences between the existing shareholders and the new investors with respect to the number of ordinary shares purchased from us in this offering, the total consideration paid and the average price per ordinary share paid at the initial public offering price of US\$ per ADS, the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus, before deducting underwriting discounts and commissions and estimated offering expenses. The total number of ordinary

shares does not include Class A ordinary shares underlying the ADSs issuable upon the exercise of the over-allotment option to purchase additional ADSs granted to the underwriters.

	Ordinary shares Purchased		Total Consideration Amount (in thousands of US\$)		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount	Percent	US\$	US\$
Existing shareholders						
New investors						
Total						

The discussion and tables above also assume no exercise of any share options outstanding under our Public Company Plan as of the date of this prospectus. As of the completion of this offering, we have granted share options corresponding to Class A ordinary shares under our Public Company Plan, including 14,196,882 share options granted or to be granted to participants in our 2017 PRC Plan in exchange for cancellation of their outstanding awards previously granted under the 2017 PRC Plan. 17,923,060 of share options remain outstanding and unvested as of the date of this prospectus. To the extent that any of these share options become vested, there will be further dilution to new investors in our company.

## ENFORCEABILITY OF CIVIL LIABILITIES

### Cayman Islands

We were incorporated in the Cayman Islands in order to enjoy the following benefits:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to, the following:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constitutional documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

All of our operations are conducted in China, and substantially all of our assets are located in China. All of our directors and executive officers are nationals or residents of jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, and JunHe LLP, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Maples and Calder (Hong Kong) LLP has informed us that there is uncertainty with regard to Cayman Islands law related to whether a judgment obtained from the U.S. courts under civil liability provisions of U.S. securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company, such as our company. As the courts of the Cayman Islands have yet to rule on making such a determination in relation to judgments obtained from U.S. courts under civil liability provisions of U.S. securities laws, it is uncertain whether such

judgments would be enforceable in the Cayman Islands. Maples and Calder (Hong Kong) LLP has informed us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands is not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty, and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

## **PRC**

We have been advised by JunHe LLP, our PRC legal counsel, that there is uncertainty as to whether the courts of the PRC would enforce judgments of United States courts or Cayman Islands courts obtained against us or these persons predicated upon the civil liability provisions of the United States federal and state securities laws. JunHe LLP has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or in the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company for disputes relating to contracts or other property interests in the PRC, if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit.

However, it would be difficult for foreign shareholders to establish sufficient nexus to the PRC for a PRC court to have jurisdiction pursuant to the PRC Civil Procedures Law by virtue only of holding the ADSs or ordinary shares.

## CORPORATE HISTORY AND STRUCTURE

### *Our Corporate History*

Atour Shanghai was established in 2013. We currently conduct all of our businesses in China through Atour Shanghai and its subsidiaries.

We established Atour Lifestyle Holdings Limited as our holding company in the Cayman Islands on April 10, 2012 in anticipation of future capital raising from international investors. Atour Hong Kong was incorporated on March 5, 2021 in Hong Kong.

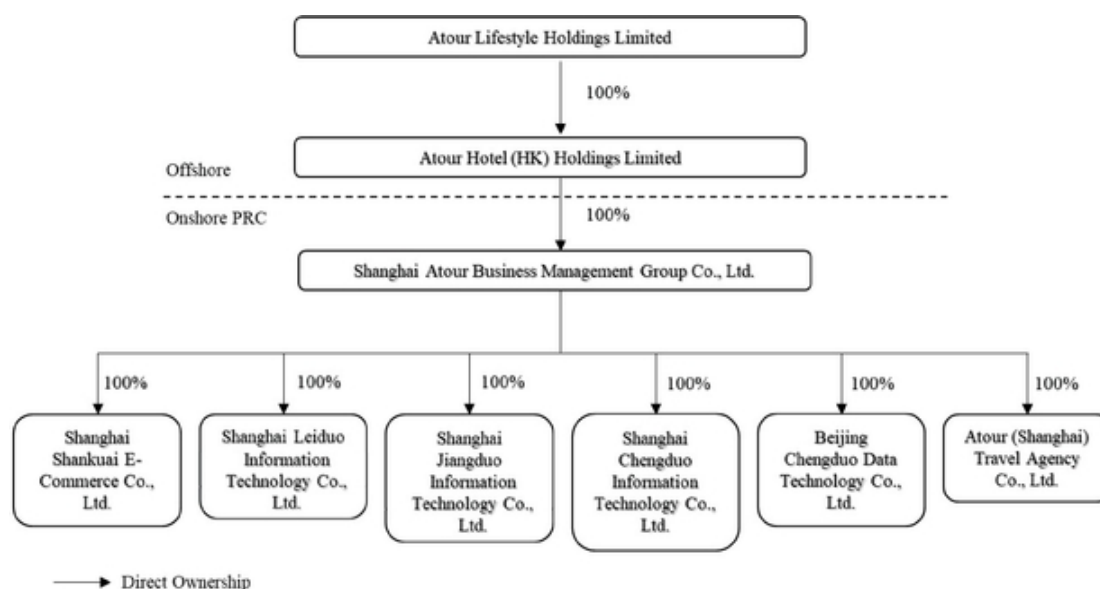
Atour Lifestyle Holdings Limited owns 100% of the equity interest in Atour Hong Kong, and Atour Hong Kong recently acquired 100% of the equity interest in Atour Shanghai, which controls all of our business operations within the PRC.

### *Restructuring*

We are currently undertaking the Restructuring. Upon the consummation of the Restructuring, which is expected to occur prior to the completion of this offering, (i) we will adjust our share capital and issue new Class A ordinary shares to the affiliates of certain Existing Equityholders of Atour Shanghai who, as of the date of this prospectus, hold warrants to acquire a total of 15,859,032 Class A ordinary shares in our company in proportion to their respective equity ownership in Atour Shanghai, such that the shareholding structure of our company at the Cayman Islands level would be substantially similar to the current equity ownership structure of Atour Shanghai, (ii) we expect that these warrant holders will exercise these warrants in full to acquire a total of 15,859,032 Class A ordinary shares underlying such warrants, and (iii) the affiliates of such Existing Equityholders will become parties to and be bound by the terms of our shareholders agreement dated March 3, 2021.

### *Our Corporate Structure*

The following diagram illustrates our corporate structure, including all of our significant subsidiaries within and outside of the PRC, immediately upon the completion of this offering, after giving effect to the consummation of the Restructuring.



Note:

- (1) Immediately after the completion of this offering, assuming the underwriters do not exercise their option to purchase additional ADSs, (i) Mr. Haijun Wang, our founder, Chairman of Board of Directors and Chief Executive Officer, will beneficially own % of our total issued and outstanding ordinary shares and % of aggregate voting power; (ii) the other existing principal shareholder, in aggregate, will beneficially own % of our total issued and outstanding ordinary shares and % of the aggregate voting power; and (iii) public investors in this offering, in aggregate, will beneficially own % of our total issued and outstanding ordinary shares and % of the aggregate voting power.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. During the periods presented in this section, all of our business was conducted by Atour Shanghai and its subsidiaries in China. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

### OVERVIEW

We are the largest upper midscale hotel chain in China in terms of room number as of the end of 2020, according to Frost & Sullivan.

Through our hotel network, loyalty program and data and technology capabilities, we have been tirelessly exploring new possible ways to set the new trends for China's hospitality industry and expand our offerings beyond our hotels. We distinguish ourselves from our peers in the following aspects:

- *Hotel network with a distinct portfolio of lifestyle brands.* We offer our guests a diversified collection of lifestyle hotel brands, each created with a unique personality under the unified ethos of inclusivity and presence of humanness. As of March 31, 2021, our hotel network covered 608 hotels spanning 131 cities in China, with a total of 71,121 hotel rooms, including 575 manachised hotels with a total of 66,267 manachised hotel rooms, in addition to a pipeline of 299 hotels with a total of 32,825 rooms under development. Our guests can book a stay with us and access our rich product and service offerings through offline and online channels, including our mobile app and Weixin/WeChat mini program.
- *"A-Card" loyalty program with strong customer stickiness.* We built our A-Card loyalty program to enhance our engagement with guests and provide them with a unique and personalized experience. As of March 31, 2021, our A-Card loyalty program had amassed more than 25 million registered individual members. In 2020, approximately 44.7% of our room-nights were sold to our A-Card members.
- *Proprietary data and technology capabilities.* To provide our customers with personalized services and products, we have developed a comprehensive digital management system, which improves customer experience and operational efficiency in room reservation, room management, pricing and membership benefits. We use our data technology to identify market trends and inform our hotel management decisions, and make our hotel services and retail products more relatable to customers through seamless integration into our rooms and other consumption scenarios throughout our hotels.

In addition, we are the first hotel chain in China to develop a scenario-based retail business, according to Frost & Sullivan. We design our guest room amenities, work closely with manufacturers to deliver top-quality products, and carefully place the relevant products in guest rooms. Each of our guest rooms incorporates a fully immersive shopping destination, enabling us to further strengthen our brand elasticity with our guests. As of March 31, 2021, we had developed a total of 1,136 SKUs for scenario-based retail. The GMV generated from our retail business was RMB82.8 million and RMB107.2 million for 2019 and 2020, respectively, representing a year-over-year increase of 29.5%, and reached RMB32.6 million for the three months ended March 31, 2021. In 2020, the average transaction value per room reservation reached RMB517.5 for our scenario-based retail business.

We mainly use the manachise model to expand our hotel network in a less capital-intensive manner. We also lease the properties of the hotels we operate. As of March 31, 2021, we had 33 leased

hotels and 575 manachised hotels. The number of our manachised hotels grew at a CAGR of 86.2% between 2015 and 2020.

We primarily derive our revenues from (i) franchise and management fees from our manachised hotels and sales of hotel supplies to manachised hotels, (ii) operations of our leased hotels, and (iii) sales of our retail products in connection with our scenario-based retail business. We generated net revenues of RMB1,567.1 million and RMB1,566.6 million for the years ended December 31, 2019 and 2020, respectively, and RMB202.2 million and RMB419.9 million (US\$64.1 million) for the three months ended March 31, 2020 and 2021, respectively. We had net income of RMB60.8 million and RMB37.8 million for the years ended December 31, 2019 and 2020, respectively, and net loss of 76.1 million and net income of RMB11.5 million (US\$1.8 million) for the three months ended March 31, 2020 and 2021, respectively. We had EBITDA (non-GAAP) of RMB182.5 million and RMB161.2 million for the years ended December 31, 2019 and 2020, respectively, and we had negative EBITDA of RMB70.7 million and EBITDA of RMB45.9 million (US\$7.0 million) for the three months ended March 31, 2020 and 2021, respectively. For reconciliation of our net income to EBITDA (non-GAAP), see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measure."

## FACTORS AFFECTING OUR RESULTS OF OPERATIONS

### General Factors Affecting Our Results of Operations

Our results of operations are subject to general economic conditions and conditions affecting the hospitality industry in general, which include, among others:

- *Changes in the national, regional or local economic conditions in China.* Our financial performance, particularly our ability to drive growth, depends upon the demand for our hotel offerings, which is closely linked to the general economy and is sensitive to business and individual discretionary spending levels in China. While the hospitality industry in China has been benefitting from the significant growth experienced by the PRC economy in recent years, the recent COVID-19 outbreak has negatively affected our industry and led to slowdowns in growth. Despite the substantial improvements in social and economic conditions in China since the COVID-19 outbreak peaked in March 2020, there remain uncertainties regarding the general economic conditions and demand for our hotel offerings. Our costs and expenses may also be affected by China's inflation level. Other macro-economic factors beyond our control may also affect our results of operations. For example, any prolonged recurrence of other contagious diseases, social instability or significant natural disasters may have a negative impact on the demand for our hotel offerings.
- *PRC government policies and regulations.* Our business is subject to various compliance and operational requirements under PRC laws. In particular, each of our hotels is required to comply with license requirements and laws and regulations with respect to hospitality industry, internet platform, construction, building, zoning, environmental protection, food safety, public safety, health and sanitary requirements. Any changes to the existing laws and regulations in the future may increase our compliance efforts at significant cost. See "Risk Factors—We are subject to various hospitality industry, health and safety, construction, fire prevention and environmental laws and regulations that may subject us to liability."
- *Industry competition.* The hospitality industry in China is highly competitive. We compete primarily with both domestic and international branded hotel chains and independent hotels. Competition in the hospitality industry is generally focused on hotel room rates, quality of accommodations, brand recognitions, convenience of locations, geographic coverages, quality and range of services, other lifestyle offerings and guest amenities.

- *Seasonality.* The hospitality industry is subject to fluctuations in revenues due to seasonality. The periods during which our properties experience higher revenues vary from property to property, depending principally upon their locations, types of property and competitive mix within the specific locations. Generally, the first quarter, in which both the New Year and Spring Festival holidays fall, accounts for a lower percentage of our annual revenues than the other quarters of the year. In addition, certain special events, such as large-scale exhibitions, concerts or sports events, may increase the demand for our hotels significantly as such special events may attract travelers into and within the regions in China where we operate hotels. Based on historical results, we generally expect our hotel revenues for each hotel to be higher in the second and third quarters of each year than in each of the first and fourth quarters due to general travel and consumption patterns in China.
- *COVID-19 pandemic.* As a result of the COVID-19 outbreak, governmental authorities in China implemented a series of control measures, including lockdowns, closures, quarantines, and travel bans, which significantly affected the performance of the hospitality industry. In compliance with the government health emergency rules, approximately 1,777 thousand room-nights, representing 8.6% of the total available room-nights throughout 2020, became temporarily unavailable at various times throughout 2020, substantially all of which were from our franchised hotels. As of March 31, 2021, 14 of our hotels were still under government requisition for quarantine purpose. Our occupancy rate, RevPAR and ADR were negatively affected, especially in the first half of 2020, but have substantially recovered since the third quarter of 2020. Despite the overall steady recovery, the rebound of COVID-19 in certain areas and the government's "stay-at-home" policy during the Spring Festival in China resulted in temporary downward pressure on our occupancy rate, RevPAR and ADR in the first quarter of 2021. For a detailed discussion of the risks associated with the COVID-19 outbreak and our recovery since the third quarter of 2020, see "—Key Performance Indicators" and "Risk Factors—Risks Related to our Business and Industry—The COVID-19 outbreak has adversely affected, and may continue to adversely affect, our financial and operating performance."

### **Specific Factors Affecting Our Results of Operations**

While our business is affected by factors relating to general economic conditions and the hospitality industry in China, we believe that our results of operations are also affected by company-specific factors, including, among others:

- *The total number of hotels and hotel rooms in our hotel network.* Our revenues largely depend on the size of our hotel network. Furthermore, we believe the expanded geographic coverage of our hotel network will enhance our brand recognition. We mainly adopt a "franchise" model to operate the vast majority of the hotels in our hotel network. As a result, whether we can successfully increase the number of hotels and hotel rooms in our hotel chain is largely affected by our ability to franchise additional hotel properties at desirable locations on commercially favorable terms and to maintain the quality of service at our hotels and the value of our brand.
- *The fixed-cost nature of our business.* A significant portion of our operating costs and expenses, including rent and base salary, is relatively fixed. As a result, an increase in our revenues achieved through higher RevPAR generally will result in higher profitability. *Vice versa*, a decrease in our revenues could result in a disproportionately larger decrease in our profits because our operating costs and expenses are unlikely to decrease proportionately.
- *The proportion of mature hotels in our hotel portfolio.* The operation of each hotel typically involves three stages: development, ramp-up and mature operations. We define mature hotels as those that have been in operation for more than six months. It typically takes six months for our newly opened hotels to ramp up before such hotels can generate normal and stable revenues.

During the ramp-up stage, when the occupancy rate is relatively low, revenues generated from these new hotels may be insufficient to cover their operating costs. The pre-opening expenses incurred during the development stage of our leased hotels, the lower franchise management fees generated by our managed hotels during the ramp-up stage and the lower profitability during the ramp-up stage for our hotels may have a significant negative impact on our overall financial performance. The table below illustrates the number of our hotels in development stage, ramp-up stage and mature operation stage as of December 31, 2019 and 2020 and March 31, 2021.

	As of December 31, 2019		As of December 31, 2020 <sup>(1)</sup>		As of March 31, 2021 <sup>(1)</sup>	
	Number of hotels	Percentage of total hotels in the three stages	Number of hotels	Percentage of total hotels in the three stages	Number of hotels	Percentage of total hotels in the three stages
Development stage	283	40.3%	288	33.6%	299	33.0%
Ramp-up stage	113	16.1%	109	12.7%	103	11.4%
Mature stage	307	43.7%	461	53.7%	505	55.7%

Note:

(1) Includes 19 and 14 managed hotels being requisitioned by the government for quarantine needs in response to the COVID-19 outbreak, which were not in operation as of December 31, 2020 and as of March 31, 2021, respectively.

- The growth of our A-Card members and their levels of engagement.* Our tier-based A-Card loyalty program is a fully digitized membership program that unites all our hotel and lifestyle brands. We currently offer five tiers of membership from welcome level to infinite level, each corresponding to a different class of member benefits, privileges and rewards. Joining welcome level is completely free, and it takes six room-nights or 2,800 Jimu points to upgrade to the third tier—gold level. Alternatively, entry-level guests can also pay RMB199 to upgrade to gold level directly and enjoy the corresponding rewards. Our A-Card members contribute to a significant portion of our revenue. As of March 31, 2021, we had more than 25 million registered individual members. Our member base has been growing rapidly, with a CAGR of 79.6% between 2015 and 2020. In 2019 and 2020, our individual members contributed to 39.3% and 44.7% of total room-night reservations, respectively. If we are able to further grow the size of our member base and increase customer stickiness of our loyalty program, we will be able to further increase our revenue and reduce our customer acquisition expenses.
- The growth and profitability of our scenario-based retail business.* In addition to hotel service offerings, we also operate an innovative scenario-based retail business embedded in our hotel rooms as well as through our e-stores. The growth and profitability of this retail business depends on the variety, attractiveness and pricing of our lifestyle products, as well as the development, procurement, sales, transportation and storage expenses.

## KEY PERFORMANCE INDICATORS

We utilize a set of non-financial and financial key performance indicators which our senior management reviews frequently. The review of these indicators facilitates timely evaluation of the performance of our business and effective communication of results and key decisions, allowing our business to react promptly to changing customer demands and market conditions.

### Non-Financial Key Performance Indicators

Our non-financial key performance indicators consist of the increase in total number of hotels and hotel rooms in our hotel chain and RevPAR achieved by our hotels.

*Increase in total hotels and hotel rooms.* As we continue to scale our presence by leveraging our strong brand reputation, the total number of our hotels increased from 420 as of December 31, 2019 to 570 as of December 31, 2020, and further increased to 608 as of March 31, 2021. Similarly, the total number of our hotel rooms increased from 49,087 as of December 31, 2019 to 66,618 as of December 31, 2020, and further increased to 71,121 as of March 31, 2021. We had net increase in the number of our hotels of 168 in 2019 and 150 in 2020. Due to the impacts of the COVID-19 outbreak which peaked in China in early 2020, we had a certain number of hotels temporarily closed or requisitioned by the government authorities for quarantine purpose at various times in 2020 and in the first quarter of 2021, substantially all of which were manachised hotels. As of March 31, 2021, we had a total of 299 hotels with a total of 32,825 rooms under development.

	As of December 31, 2019	As of December 31, 2020	As of March 31, 2021	
<b>Total hotels<sup>(1)</sup></b>				
Manachised hotels	391	537	575	
Leased hotels	29	33	33	
All hotels	420	570	608	
<b>Hotel rooms<sup>(1)</sup></b>				
Manachised hotels	44,983	61,782	66,267	
Leased hotels	4,104	4,836	4,854	
All hotels	49,087	66,618	71,121	
<b>Occupancy rate<sup>(2)</sup> (in percentage)</b>				
Manachised hotels	72.3%	66.9%	37.5%	59.6%
Leased hotels	83.0%	68.6%	34.6%	66.1%
All hotels	73.4%	67.1%	37.2%	60.0%
<b>ADR<sup>(2)</sup> (in RMB)</b>				
Manachised hotels	415.9	382.2	364.0	370.5
Leased hotels	530.1	467.7	444.3	458.6
All hotels	429.5	389.8	371.7	377.7
<b>RevPAR<sup>(2)</sup> (in RMB)</b>				
Manachised hotels	313.7	268.9	143.6	231.5
Leased hotels	463.7	339.4	161.4	320.2
All hotels	329.5	275.1	145.4	238.1

Notes:

- (1) Includes 19 and 14 manachised hotels being requisitioned by the government for quarantine needs in response to the COVID-19 outbreak, which were not in operation as of December 31, 2020 and March 31, 2021, respectively.
- (2) Excludes, for purposes of calculating these key operating metrics, approximately 1,777 thousand, 1,146 thousand and 256 thousand room-nights related to hotel rooms that were requisitioned by the government for quarantine needs in response to the COVID-19 outbreak or otherwise became unavailable due to temporary hotel closures in 2020 and in the three months ended March 31, 2020 and 2021, respectively. The ADR and RevPAR are calculated based on the tax inclusive room rates.

*RevPAR.* RevPAR is calculated as the total revenue during a period divided by the number of available rooms of such hotel during the same period. As a commonly used operating measure in the hospitality industry, RevPAR is largely affected by occupancy rate and ADR, as discussed below.

Occupancy rates of our hotels mainly depend on the locations of our hotels, product and service offerings, the effectiveness of our sales and brand promotion efforts, our ability to effectively manage hotel reservations, the performance of managerial and other employees of our hotels, as well as our ability to respond to competitive pressure. We set the room rates of our hotels primarily based on the location of a hotel, room rates charged by our competitors within the same locality, seasonality, and our relative brand and product strengths. To drive our occupancy rates and room rates, we focus on continuing to improve our guests' hotel and retail experiences and increasing the stickiness of our loyalty program members, through continuously improving our service quality, expanding our hotel brand portfolios, and integrating technologies into our customer service and hotel operations.

The following table presents certain selected operating data of our company as of and for the dates and periods indicated, which are discussed in more detail in the following paragraphs. Our revenues have been and will continue to be significantly affected by these operating measures which are widely used in the hospitality industry.

	Three Months Ended								
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020 <sup>(1)</sup>	June 30, 2020 <sup>(1)</sup>	September 30, 2020 <sup>(1)</sup>	December 31, 2020 <sup>(1)</sup>	March 31, 2021 <sup>(1)</sup>
<b>Occupancy rate (in percentage)</b>									
Manachised hotels	64.4%	73.2%	76.4%	73.1%	37.5%	66.5%	77.5%	75.4%	59.6%
Leased hotels	78.6%	84.0%	85.8%	83.3%	34.6%	73.4%	81.7%	79.1%	66.1%
All hotels	66.2%	74.4%	77.3%	74.0%	37.2%	67.1%	77.9%	75.7%	60.0%
<b>ADR<sup>(2)</sup> (in RMB)</b>									
Manachised hotels	397.4	417.6	432.1	410.4	364.0	336.4	397.4	405.4	370.5
Leased hotels	499.4	534.0	550.5	532.8	444.3	391.9	494.0	511.3	458.6
All hotels	412.7	432.6	445.4	422.5	371.7	341.7	406.1	414.1	377.7
<b>RevPAR<sup>(2)</sup> (in RMB)</b>									
Manachised hotels	266.1	316.5	344.5	315.4	143.6	235.3	323.8	321.0	231.5
Leased hotels	412.8	471.0	497.5	471.3	161.4	305.1	427.5	428.0	320.2
All hotels	284.7	334.2	360.0	329.2	145.4	241.3	332.6	329.4	238.1

Notes:

- (1) Excludes, for purposes of calculating these key operating metrics, approximately 1,146 thousand, 287 thousand, 175 thousand, 169 thousand and 256 thousand room-nights related to hotel rooms that were requisitioned by the government for quarantine needs in response to the COVID-19 outbreak or otherwise became unavailable due to temporary hotel closures in each of the four quarters in 2020 and the first quarter in 2021, respectively.
- (2) The ADR and RevPAR are calculated based on the tax inclusive room rates.

**Occupancy rates.** In 2019, the occupancy rates of our hotels experienced a steady quarter-to-quarter increase, subject to normal seasonal fluctuations. However, the occupancy rates of our hotels decreased from 74.0% during the fourth quarter of 2019 to 37.2% during the first quarter of 2020. This decrease was primarily due to the significant drops in levels of business and leisure travel during the COVID-19 outbreak in China. As a result of Chinese government's effective control of the pandemic and the recovery of the tourism industry and consumer confidence in general, the occupancy rates of our hotels steadily returned to 67.1%, 77.9% and 75.7% in the second, third and fourth quarters of 2020, respectively, indicating our strong recovery after the pandemic became largely contained within China. The occupancy rates of our hotels, however, decreased to 60.0% in the first quarter of 2021, primarily due to the rebound of COVID-19 in certain areas of and the government's "stay-at-home" policy during the Spring Festival in China. We expect that occupancy rates of our hotels will increase in the second and third quarters of 2021 as the impact of COVID-19 subsides. Our management is of the view that the steady recovery in occupancy rate lays a solid foundation for the recovery of our ADR in 2021.

**ADR.** In 2019, the ADR of our hotels experienced a steady quarter-to-quarter increase, subject to normal seasonal fluctuations. However, the ADR of our hotels decreased from RMB422.5 during the fourth quarter of 2019 to RMB371.7 during the first quarter of 2020. Such decrease was primarily due to the significant drops in levels of business and leisure travel during the COVID-19 outbreak in China.

Because the recovery of ADR tended to be slower than the recovery of occupancy rate, our ADR further decreased to RMB341.7 during the second quarter of 2020. As a result of Chinese government's effective control of the pandemic and the recovery of the tourism industry, our ADR returned to RMB406.1 and RMB414.1 in the third and fourth quarters of 2020, respectively, indicating our strong recovery after the pandemic was largely contained within China. However, primarily due to the rebound of COVID-19 in certain areas of and the government's "stay-at-home" policy during the Spring Festival in China, the ADR of our hotels decreased to RMB377.7 in the first quarter of 2021. We expect that the ADR of our hotels will increase in the second and third quarters of 2021 as the impact of COVID-19 subsides.

*RevPAR.* Affected by the foregoing, our RevPAR decreased by 55.8% from RMB329.2 in the fourth quarter of 2019 to RMB145.4 in the first quarter of 2020. Our RevPAR rapidly improved after the pandemic was largely contained within China in the second half of 2020, returning to RMB332.6 and RMB329.4 in the third and fourth quarters of 2020, respectively. However, primarily due to the rebound of COVID-19 in certain areas of and the government's "stay-at-home" policy during the Spring Festival in China, our RevPAR decreased to RMB238.1 in the first quarter of 2021. We expect our RevPAR will increase in the second and third quarters of 2021 as our occupancy rates and ADR recover.

### Key Components of Results of Operations

Our financial key performance indicators consist of our net revenues, operating costs and expenses, and "EBITDA (non-GAAP)" which are discussed in more detail in the following paragraphs.

*Net revenues.* We primarily derive our revenues from (i) franchise and management fees from our manachised hotels and sales of hotel supplies and other products to our manachised hotels, (ii) operations of our leased hotels, and (iii) sales of our retail products in connection with our scenario-based retail business. The following table sets forth the revenues generated from our manachised and leased hotels, and retail business and others, both in absolute amount and as a percentage of net revenues for the periods indicated.

	Year Ended December 31, 2019		Year Ended December 31, 2020		Three Months Ended March 31, 2020		Three Months Ended March 31, 2021			
	RMB	%	RMB	%	RMB	%	RMB	US\$	%	
(in thousands except percentage)										
Revenues:										
Manachised hotels	840,400	53.6	926,307	59.1	130,613	64.6	254,066	38,778	60.5	
Leased hotels	614,829	39.2	496,470	31.7	52,661	26.1	124,891	19,062	29.7	
Retail revenues and others	111,862	7.1	143,775	9.2	18,876	9.3	40,901	6,243	9.7	
Net revenues	1,567,091	100.0	1,566,552	100.0	202,150	100.0	419,858	64,083	100.0	

- Manachised hotels.* In the year ended December 31, 2019, we generated revenues of RMB840.4 million from our manachised hotels, which accounted for 53.6% of our net revenues for the period. In the year ended December 31, 2020, we generated revenues of RMB926.3 million from our manachised hotels, which accounted for 59.1% of our net revenues for the period. In the three months ended March 31, 2020 and 2021, we generated revenues of RMB130.6 million and RMB254.1 million from our manachised hotels, respectively, which accounted for 64.6% and 60.5% of our net revenues for the respective periods. We expect that the absolute amount and the weight of revenues from our manachised hotels will increase in the foreseeable future as we continuously scale up our manachised hotel network to further strengthen our market leadership in the hospitality industry. As of March 31, 2021, we had 298 manachised hotels under development.

We select franchised hotels based on a variety of factors, including the attractiveness of the location, the quality of the franchised property and the background, and business ideology and value of the franchisee. We manage our franchised hotels and impose the same high service quality and operational standards on all franchised hotels as our leased hotels to ensure the quality and consistency of our service and product offerings across our hotel network. We authorize a franchised hotel to use our relevant hotel brand names, logos and relevant trademarks. The franchisee is responsible for the hotel's construction, renovation and maintenance. We provide guidance to the franchisee on the construction or renovation of the hotel and require the hotel to meet our standards before approving it to commence operations. We appoint and train hotel managers and on-site HR representatives who are responsible for hiring hotel staff and managing daily operations of our franchised hotels. We also provide our franchisees with comprehensive management services, including central reservation, revenue management, sales and marketing support, technology support, quality assurance inspections and other operational support and information.

Our franchise and management agreements for our franchised hotels typically run for a fixed term of 8 to 15 years. We generally charge our franchisees an upfront franchise fee at a rate of RMB4,000 to RMB6,000 per room, depending on the brand of the franchised hotel, as well as fees related to pre-opening services, including information system installation service. After a franchised hotel opens, we generally charge the franchisee a monthly franchise and management fee of 5% to 6% of the gross revenues generated by each franchised hotel depending on the hotel brand. Furthermore, we charge our franchisees a fixed monthly hotel managers fee, fees for purchase of hotel supplies and other products, and other on-going service fees, such as system and accounting support fees. We do not expect any material franchise and management agreements to be terminated in the foreseeable future.

- *Leased hotels.* In the year ended December 31, 2019, we generated revenues of RMB614.8 million from our leased hotels, which accounted for 39.2% of our net revenues for the period. In the year ended December 31, 2020, we generated revenues of RMB496.5 million from our leased hotels, which accounted for 31.7% of our net revenues for the period. In the three months ended March 31, 2020 and 2021, we generated revenues of RMB52.7 million and RMB124.9 million from our leased hotels, respectively, which accounted for 26.1% and 29.7% of our net revenues for the periods, respectively. We expect that revenues from our leased hotels will remain relatively stable in the foreseeable future. As of March 31, 2021, we had one leased hotel under development.

For our leased hotels, we lease properties from real estate owners or lessors and we are responsible for hotel development and customization to conform to our standards, as well as for repairs and maintenance and operating costs and expenses of properties over the term of the lease. We are also responsible for all aspects of hotel operations and management, including hiring, training and supervising the hotel managers and employees required to operate our hotels and purchasing supplies. Our typical lease term ranges from 10 to 20 years. We typically enjoy an initial three- to six-month rent-free period. After that, we generally pay fixed rent on a monthly or quarterly basis for the first two years of the lease term, after which we are generally subject to a modest increase every two to five years within the lease term. We do not expect any material lease agreements to be terminated in the foreseeable future.

The rent is generally paid upfront at the beginning of each payment period and we recognize the total rental expense on a straight-line basis over the initial lease term.



- Retail revenues and others.* Besides the revenues discussed above, we also generate a growing portion of revenues from our other business as we continue to diversify our monetization methods and drive customer spending, primarily including our scenario-based retail business. In the year ended December 31, 2019, we generated revenues of RMB111.9 million from retail and other business, which accounted for 7.1% of our net revenues for the period. In the year ended December 31, 2020, we generated revenues of RMB143.8 million from retail and other business, which accounted for 9.2% of our net revenues for the period. In the three months ended March 31, 2020 and 2021, we generated revenues of RMB18.9 million and RMB40.9 million from retail and other business, respectively, which accounted for 9.3% and 9.7% of our net revenues for the periods, respectively. We expect that the absolute amount and the weight of revenues from our other business will steadily increase in the foreseeable future as we continue to expand our hotel network and our lifestyle product offerings and scenario-based retail operations.

*Operating Costs and Expenses.* Our operating costs and expenses consist of costs for hotel operation, other operating costs, selling and marketing expenses, general and administrative expenses, technology and development expenses, and pre-opening expenses. The following table sets forth the components of our operating costs and expenses, both in absolute amount and as a percentage of net revenues for the periods indicated.

	Year Ended December 31, 2019		Year Ended December 31, 2020		Three Months Ended March 31, 2020		Three Months Ended March 31, 2021		
	RMB	%	RMB	%	RMB	%	RMB	US\$	%
Net Revenue	1,567,091	100.0	1,566,552	100.0	202,150	100.0	419,858	64,083	100.0
Operating costs and expenses:									
Hotel operating costs	1,097,441	70.0	1,150,101	73.4	222,862	110.2	307,402	46,919	73.2
Other operating costs	81,337	5.2	78,746	5.0	12,104	6.0	25,223	3,850	6.0
Selling and marketing expenses	75,745	4.8	70,972	4.5	11,073	5.5	14,302	2,183	3.4
General and administrative expenses	138,241	8.8	131,366	8.4	30,748	15.2	40,617	6,199	9.7
Technology and development expenses	29,363	1.9	33,649	2.1	8,122	4.0	8,467	1,292	2.0
Pre-opening expenses	68,166	4.3	61,878	3.9	21,286	10.5	6,780	1,035	1.6
<b>Total operating costs and expenses</b>	<b>1,490,293</b>	<b>95.1</b>	<b>1,526,712</b>	<b>97.5</b>	<b>306,195</b>	<b>151.5</b>	<b>402,791</b>	<b>61,478</b>	<b>95.9</b>

- Hotel operating costs.* Our hotel operating costs account for a substantial majority of our total operating costs and expenses, which consist of costs and expenses directly attributable to the operation of our leased and manachised hotels.

	Year Ended December 31, 2019	Year Ended December 31, 2020	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021	
	RMB	RMB	RMB	RMB	US\$
Hotel operating costs					
Manachised hotels	597,302	616,678	111,809	162,510	24,804
Leased hotels	500,139	533,423	111,053	144,892	22,115
Total hotel operating costs	1,097,441	1,150,101	222,862	307,402	46,919

- Manachised hotel operating costs primarily include costs of hotel supplies and other products sold to our manachised hotels as well as compensation and benefits for manachised hotel managers and on-site HR representatives. Compensation and benefits are recouped by us in the form of monthly hotel managers fees. We aim to manage the growth

rate of these costs while we increase the revenue of franchised hotels through fast expansion in the number of such hotels.

- Leased hotel operating costs primarily include rental and utility costs for hotel properties, compensation and benefits for our hotel-based employees, costs of hotel room consumable products and depreciation and amortization of leasehold improvements. These costs are relatively fixed. We aim to manage these costs while we increase the revenue of leased hotels.

We anticipate that our hotel operating costs will increase as we continue to open new hotels. However, we aim to continue to manage our hotel operating costs as a percentage of our net revenues as we continue to achieve economies of scale and manage our operating costs and expenses through application of technologies.

- *Other operating costs.* Besides our hotel operating costs, we also incur other operating costs, primarily costs of our lifestyle products in relation to our retail business. We anticipate that such operating costs will increase as we continuously expand our lifestyle product offerings and scenario-based retail operations throughout our hotel network.
- *Selling and marketing expenses.* Our selling and marketing expenses consist primarily of commissions to travel intermediaries, expenses for marketing programs and materials, and compensation and benefits for our sales and marketing personnel. We expect that our selling and marketing expenses will increase as our sales increase and as we further expand into new geographic locations, promote our brand, and further promote our retail business to more customers.
- *General and administrative expenses.* Our general and administrative expenses consist primarily of compensation and benefits for our corporate and regional office and other relevant employees, travel and communication expenses of our general and administrative staff, costs of third-party professional services, and office expenses for corporate and regional offices including depreciation and amortization expense of office equipment and software. We expect that our general and administrative expenses will increase in the near term as we hire additional personnel and incur additional costs in connection with the expansion of our business and with becoming a public company, including costs of enhancing our internal controls. As we improve our economies of scale, the general and administrative expenses as a percentage of our net revenues will gradually decrease in the long term.
- *Technology and development expenses.* Our technology and development expenses consist of (i) staff costs incurred for the self-developed hotel operation and reservation systems, (ii) servers and cloud infrastructure costs, (iii) other expenses related to technology and development functions. We expect that our technology and development expenses will increase in the near term as we improve IT infrastructure capabilities and capacity and leverage on technology to improve our operating efficiency.
- *Pre-opening expenses.* Our pre-opening expenses are incurred in connection with development activities of our leased hotels and consist primarily of rental expenses and staff costs incurred during the relevant hotel pre-opening period. Our pre-opening expenses are largely determined by the number of pre-opening hotels in the pipeline and the rental expenses incurred during the

development stage. The following table sets forth the components of our pre-opening expenses for the periods indicated.

	Year Ended	Year Ended	Three	Three Months Ended	
	December 31, 2019	December 31, 2020	Months Ended March 31, 2020	March 31, 2021	
	RMB	RMB	RMB	RMB	US\$
	(in thousands)				
Rental expenses	64,582	56,286	20,291	5,846	892
Personnel cost	2,084	3,877	645	759	116
Others	1,500	1,715	350	175	27
<b>Total pre-opening expenses</b>	<b>68,166</b>	<b>61,878</b>	<b>21,286</b>	<b>6,780</b>	<b>1,035</b>

**EBITDA (non-GAAP).** We use earnings before interest expenses, interest income, income tax expense and depreciation and amortization, or EBITDA, a non-GAAP financial measure, as a financial metric to assess our results of operations before the impact of financing transactions and income taxes. We believe that EBITDA (non-GAAP) is widely used by other companies in the hospitality industry and may be used by investors as a measure of our financial performance. In 2019, 2020, and the three months ended March 31, 2020 and 2021, our EBITDA (non-GAAP) reached RMB182.5 million, RMB161.2 million, negative RMB70.7 million and RMB45.9 million (US\$7.0 million) respectively. For a reconciliation of our net income to EBITDA (non-GAAP), see "—Non-GAAP Financial Measure."

## TAXATION

### Cayman Islands

We were incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to income, corporation or capital gains tax in the Cayman Islands. In addition, our payment of dividends, if any, is not subject to withholding tax in the Cayman Islands.

### Hong Kong

Under the current Hong Kong S.A.R. Inland Revenue Ordinance, our intermediary holding company in Hong Kong is subject to Hong Kong S.A.R. profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong S.A.R. A two-tiered profits tax rates regime was introduced in 2018 where the first HK\$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. Under the Hong Kong tax law, our intermediary holding company in Hong Kong is exempted from income tax on their foreign derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

### PRC

Our subsidiaries in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or EIT Law, which became effective on January 1, 2008, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to VAT at a rate of 3%, 6%, 9%, or 13% on the services we provide and related surcharges. We are also subject to surcharges on VAT payments in accordance with PRC law.

The ultimate shareholders of Atour is Cayman Islands holding company. The direct shareholder of Atour Shanghai, which is a Hong Kong enterprise, may receive dividends from Atour Shanghai. The PRC EIT Law and its implementing rules provide that dividends paid by a PRC entity to a nonresident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In October 2019, the State Administration of Taxation promulgated the Administrative Measures for Nonresident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 35, which became effective on January 1, 2020. SAT Circular 35 provides that nonresident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, Atour Hong Kong may be able to benefit from the 5% withholding tax rate for the dividends it receives from its PRC subsidiaries, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and ADS holders."

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We prepare our financial statements in conformity with U.S. generally accepted accounting principles ("**U.S. GAAP**"), which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recent available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

An accounting policy is considered critical if it is most important to portraying our financial condition and results and involves management's most difficult, subjective or complex judgments. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus.

## Revenue recognition

Our revenue is primarily derived from contracts of manachised hotels with third party franchisees, products and services in leased hotels, as well as sales of lifestyle products via the e-commerce platforms and hotel shops.

### (1) *Manachised hotel revenues*

The franchise and management agreements primarily contain the following promised goods or services:

- Intellectual Property ("IP") license grants the right to access our hotel system IP, including brand names.
- Pre-opening services (e.g. information system installation service, and services related to the assistance on employees training and other hotel opening preparation activities).
- Hotel management services include providing day-to-day management services of the hotels for the franchisees.
- Sales of hotel supplies and other products.

The promises to provide pre-opening services (e.g. information system installation service, and services related to the assistance on employees training and other hotel opening preparation activities) are not considered distinct performance obligation because they are highly interrelated with the IP license. Therefore, the promises to provide these pre-opening services have been combined with the related IP license as a single performance obligation.

Manachised hotel revenues are derived from franchise and management agreements where the franchisees are primarily required to pay (i) upfront franchise fees, (ii) continuing franchise fees, which primarily consist of on-going franchise and management fees and hotel managers fees; and (iii) fees for purchase of hotel supplies and other products.

The transaction prices are allocated to the performance obligations based on the estimated standalone selling prices of each components.

Upfront franchise fees are typically fixed and collected upfront and recognized as revenue on straight-line basis over the term of the franchise contract. We do not consider that the upfront franchise fees give rise to a significant financing component, since the primary purpose of the upfront franchise fee is to protect us from failure by franchisees to comply with the terms in the contract.

On-going franchise and management fees are generally calculated as a certain percentage of the revenues of the manachised hotel, which are due and payable on a monthly basis and revenue is recognized over time as services are rendered. Hotel managers fees are also billed and collected monthly and revenue is recognized over time as services are rendered.

Revenue from sales of hotel supplies and other products is recognized at a point of time when the control of the goods is transferred to the customers, generally when the goods are delivered to the customer and the customer has obtained the physical possession and legal title of the goods.

In certain cases, we also provide hotel renovation services to franchisees to convert their buildings suitable for hotel use. When the renovation revenue can be reasonably measured, such revenue is recognized progressively over time using the output method, based on the surveys of performance by our experts who review the work performed to date under each contract. When the renovation revenue cannot be reasonably measured, such revenue is recognized only to the extent of contract costs incurred that are expected to be recovered. The hotel renovation service revenue is included in manachised hotels revenues—other transactions with the franchisees in the consolidated statements of comprehensive income.

(2) *Leased hotel revenues*

Leased hotel revenues are primarily derived from the rental of rooms, food and beverage sales and other ancillary services, including but not limited to laundry, parking and conference reservation. Each of these products and services represents a distinct performance obligation and, in exchange for these products and services, we receive fixed amounts based on published 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 services revenue are recognized when they have been delivered or rendered to the guests as the respective performance obligations are satisfied.

(3) *Retail revenues*

Revenues from sales from lifestyle products through the e-commerce platforms and hotel shops are recognized when the control of the goods is transferred to the customers, generally when the goods are delivered to the customer and the customer has obtained the physical possession and the legal title of the goods.

*Customer loyalty program*

We invite our customers to participate in a membership program with different tiers of membership. Members could pay a membership fee for a higher membership tier.

Under the membership program, members earn loyalty points, which generally expire two years after being earned and 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. We are responsible for providing or arranging for the provision of those free or discounted goods or services in exchange. We are acting as a principal if the members redeem the points for the room nights in leased hotels or other lifestyle products. We are acting as an agent if the members redeem the points for room nights in manachised hotels.

For points earned in leased hotels, a portion of the leased hotel revenues is deferred until the members redeem points. For points earned in manachised hotels, we collect a loyalty program management fee from manachised hotels at a fixed rate per point. Such loyalty program management fee is recognized on a net basis by netting off refunds to manachised hotels when members redeem the points for room nights in manachised hotels, and is included in manachised hotels revenues—other transactions with the franchisees in the consolidated statements of comprehensive income.

We estimate breakage for loyalty points that members will never redeem based on our historical experience and expectations of future member behavior and reassess the estimate at the end of each reporting period. The estimated breakage for points earned in manachised hotels are also recognized as manachised hotels revenues—other transactions with the franchisees in the consolidated statements of comprehensive income.

Membership fee from our customer loyalty program is recognized on a straight-line basis over the membership period, which is included in other revenues in the consolidated statements of comprehensive income.

**Impairment of long-lived assets**

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of impairment testing of long-lived assets of leased hotel, we have concluded that an individual hotel is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. When there were circumstances that require the long-lived

assets of a hotel be tested for possible impairment, we first compare undiscounted cash flows generated by the assets to the carrying amount. If the carrying amount of the long-lived assets is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Key assumptions in the determination of fair value include reasonable sales growth assumption in generating after-tax cashflows that would be used by a market participant in the determination of a purchase price for the respective hotel. Estimates of forecasted cash flows are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions.

### Share-based compensation

We account for the compensation cost from share-based payment transactions with employees based on the grant-date fair value of the equity instrument issued. The grant-date fair value of the award is recognized as compensation expense, over the period during which an employee is required to provide service in exchange for the award, which is generally the vesting period. When no future services are required to be performed by the employee in exchange for an award of equity instruments, and if such award does not contain a performance or market condition, the cost of the award is expensed on the grant date.

Awards granted to employees with performance conditions attached are measured at fair value on the grant date and are recognized as the compensation expenses in the period and thereafter when the performance goal becomes probable to achieve.

The fair value of the share options granted is estimated on the date of grant using the binomial option pricing model with the following key assumptions used.

	Year Ended December 31,		Three Months Ended
	2019	2020	March 31, 2021
Risk-free rate of return	3.10%~3.20%	2.90%~3.10%	3.2%
Volatility	32.10%~33.68%	34.30%~34.40%	34.61%~34.82%
Expected dividend yield	0%	0%	0%
Fair value of ordinary share (in RMB)	6.12~9.94	10.54~10.93	11.93~20.96
Exercise multiple	2.2	2.2	2.2
Expected term	10	10	10

### Fair value of our ordinary shares

Prior to this offering, we have been a private company with no quoted market prices for our ordinary shares. We therefore need to make estimates of the fair value of our ordinary shares at various dates for the purposes of at the date of grant of a share-based award as one of the inputs in determining the grant date fair value of the award.

The following table sets forth the fair value of our ordinary shares estimated at different times with the assistance from an independent valuation firm.

<u>Date</u>	<u>Fair Value per Ordinary Shares</u>	<u>Discount for Lack of Marketability (DLOM)</u>	<u>Discount Rate</u>
July 31, 2017	2.85	18.00%	16.00%
September 30, 2017	3.55	17.00%	15.00%
June 30, 2018	5.44	17.00%	15.00%
December 31, 2018	6.12	17.00%	15.00%
March 31, 2019	7.62	17.00%	15.00%
December 31, 2019	9.94	17.00%	14.00%
June 30, 2020	10.54	17.00%	14.00%
September 30, 2020	10.93	17.00%	14.00%
December 31, 2020	11.93	14.00%	14.00%
March 31, 2021	20.96	12.00%	13.00%

In determining the fair value of our ordinary shares, we applied the income approach as the primary approach based on our discounted future cash flow using our best estimate as of the valuation date. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our future financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The option-pricing method was used to allocate equity value of our company to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid. This method requires making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management.

The major assumptions used in calculating the fair value of ordinary shares include:

- **Weighted average cost of capital, or WACC:** The WACCs were determined in consideration of factors including risk-free rate, comparative industry risk, equity risk premium, company size and nonsystematic risk factors.
- **Comparable companies:** In deriving the WACCs, which are used as the discount rates under the income approach, certain publicly traded companies engaged in hotel businesses were selected for reference as our guideline companies.
- **Discount for lack of marketability, or DLOM:** DLOM was quantified by the Black-Scholes model. Under this option-pricing method, which assumed that the put option is struck at the average price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors such as timing of a liquidity event, for instance an initial public offering, and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value is and thus the higher the implied DLOM is.

The lower DLOM is used for the valuation, the higher the determined fair value of the ordinary shares becomes. DLOM remained in the range of 18.0% to 12.0% in the period from July 31, 2017 to March 31, 2021.

The fair value of our ordinary shares increased from RMB2.85 per share as of July 31, 2017 to RMB 20.96 per share as of March 31, 2021, which was primarily due to (i) the organic growth of our business, evidenced by our expanding hotel network throughout China as well as the rapid



growth of our innovative retail business and our membership base; (ii) the expected improvement in our financial performances, taking into account the expected strong recovery post the COVID-19 outbreak as a result of increased domestic travels in China; (iii) the realignment of our business growth strategy in 2021, focusing on quality growth driven by operation efficiency and margin improvements; and (iv) the decrease in the discount rate of the marketability of our shares.

- Once a public trading market of the ADSs has been established in connection with the completion of this offering, it will no longer be necessary for us to estimate the fair value of our ordinary shares in connection with our accounting for granted share based awards.

## **Income taxes**

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as operating loss and tax credit carryforwards, if any. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or tax laws is recognized in the consolidated statements of comprehensive income in the period the change in tax rates or tax laws is enacted.

We reduce the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence, it is "more-likely-than-not" that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed at each reporting period based on a "more-likely-than-not" realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, and our experience with operating loss and tax credit carryforwards, if any, not expiring.

We recognize in our financial statements the impact of a tax position if that position is "more-likely-than-not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more-likely-than-not" recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Interest and penalties recognized related to unrecognized tax benefits are classified as income tax expense in the consolidated statements of comprehensive income.

## **Recent accounting announcements**

A list of recently issued accounting pronouncements that are relevant to us is included in "Note 2(ai)—Recently issued accounting pronouncements" of our consolidated financial statements included elsewhere in this prospectus.

## **RESULTS OF OPERATIONS**

The following table sets forth a summary of our consolidated results of operations, both in absolute amount and as a percentage of net revenues for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. We have grown rapidly since we opened our first Atour Hotel in 2013. Our relatively limited operating history makes it difficult to predict our future operating results. We

believe that the period-to-period comparison of operating results should not be relied upon as being indicative of future performance.

	Year Ended December 31, 2019		Year Ended December 31, 2020		Three Months Ended March 31, 2020		Three Months Ended March 31, 2021		
	RMB	%	RMB	%	RMB	%	RMB	US\$	%
(in thousands except percentage)									
<b>Revenues:</b>									
Manachised hotels	840,400	53.6	926,307	59.1	130,613	64.6	254,066	38,778	60.5
Leased hotels	614,829	39.2	496,470	31.7	52,661	26.1	124,891	19,062	29.7
Retail revenues and others	111,862	7.1	143,775	9.2	18,876	9.3	40,901	6,243	9.7
<b>Net revenues</b>	<b>1,567,091</b>	<b>100.0</b>	<b>1,566,552</b>	<b>100.0</b>	<b>202,150</b>	<b>100.0</b>	<b>419,858</b>	<b>64,083</b>	<b>100.0</b>
<b>Operating costs and expenses:</b>									
Hotel operating costs	(1,097,441)	(70.0)	(1,150,101)	(73.4)	(222,862)	(110.2)	(307,402)	(46,919)	(73.2)
Other operating costs	(81,337)	(5.2)	(78,746)	(5.0)	(12,104)	(6.0)	(25,223)	(3,850)	(6.0)
Selling and marketing expenses	(75,745)	(4.8)	(70,972)	(4.5)	(11,073)	(5.5)	(14,302)	(2,183)	(3.4)
General and administrative expenses	(138,241)	(8.8)	(131,366)	(8.4)	(30,748)	(15.2)	(40,617)	(6,199)	(9.7)
Technology and development expenses	(29,363)	(1.9)	(33,649)	(2.1)	(8,122)	(4.0)	(8,467)	(1,292)	(2.0)
Pre-opening expenses	(68,166)	(4.3)	(61,878)	(3.9)	(21,286)	(10.5)	(6,780)	(1,035)	(1.6)
<b>Total operating costs and expenses</b>	<b>(1,490,293)</b>	<b>(95.1)</b>	<b>(1,526,712)</b>	<b>(97.5)</b>	<b>(306,195)</b>	<b>(151.5)</b>	<b>(402,791)</b>	<b>(61,478)</b>	<b>(95.9)</b>
Other operating income	14,602	0.9	23,429	1.5	8,155	4.0	2,208	337	0.5
<b>Income (loss) from operation</b>	<b>91,400</b>	<b>5.8</b>	<b>63,269</b>	<b>4.0</b>	<b>(95,890)</b>	<b>(47.4)</b>	<b>19,275</b>	<b>2,942</b>	<b>4.6</b>
Interest income	240	0.0	707	0.0	148	0.1	390	60	0.1
Gain from short-term investments	22,165	1.4	11,046	0.7	3,431	1.7	2,137	326	0.5
Interest expenses	(4,294)	(0.3)	(1,481)	(0.1)	(500)	(0.2)	(1,565)	(239)	(0.4)
Other (expense) income, net	(1,187)	(0.1)	1,883	0.1	76	0.0	1,022	156	0.2
<b>Income (loss) before income tax</b>	<b>108,324</b>	<b>6.9</b>	<b>75,424</b>	<b>4.8</b>	<b>(92,735)</b>	<b>(45.9)</b>	<b>21,259</b>	<b>3,245</b>	<b>5.1</b>
Income tax (expense) benefit	(47,493)	(3.0)	(37,602)	(2.4)	16,657	8.2	(9,790)	(1,494)	(2.3)
<b>Net income (loss)</b>	<b>60,831</b>	<b>3.9</b>	<b>37,822</b>	<b>2.4</b>	<b>(76,078)</b>	<b>(37.6)</b>	<b>11,469</b>	<b>1,751</b>	<b>2.7</b>
Less: net loss attributable to non- controlling interests	(4,129)	(0.3)	(4,229)	(0.3)	(2,154)	(1.1)	(772)	(118)	(0.2)
<b>Net income (loss) attributable to the Company</b>	<b>64,960</b>	<b>4.1</b>	<b>42,051</b>	<b>2.7</b>	<b>(73,924)</b>	<b>(36.6)</b>	<b>12,241</b>	<b>1,869</b>	<b>2.9</b>

### Non-GAAP Financial Measure

We use earnings before interest expenses, interest income, income tax expense and depreciation and amortization, or EBITDA, a non-GAAP financial measure, as a financial metric to assess our results of operations before the impact of financing transactions and income taxes. We believe that EBITDA (non-GAAP) is widely used by other companies in the hospitality industry and may be used by investors as a measure of our financial performance. Given the significant investments that we have made in leasehold improvements, depreciation and amortization expense comprises a significant portion of our cost structure. We believe that EBITDA will provide investors with a useful tool for comparability between periods because it eliminates depreciation and amortization expense attributable to capital expenditures. The presentation of EBITDA should not be construed as an indication that our future results will be unaffected by other charges and gains we consider to be outside the ordinary course of our business.

The use of EBITDA has certain limitations. Depreciation and amortization expense for various long-term assets, income tax, interest income and expenses have been and will be incurred and are not reflected in the presentation of EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBITDA does not consider capital expenditures and other investing activities and should not be considered as a measure of our liquidity. We compensate for these limitations by providing the relevant disclosure of our depreciation and amortization, interest expenses, interest income, income tax expense, both in our reconciliation to the U.S. GAAP financial measure and in our consolidated financial statements, all of which should be considered when evaluating our performance.

The term EBITDA is not defined under U.S. GAAP, and EBITDA is not a measure of net income, operating income, operating performance or liquidity presented in accordance with U.S. GAAP. When assessing our operating and financial performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance measure that is calculated in accordance with U.S. GAAP. In addition, our EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA in the same manner as we do.

A reconciliation of net income which is the most directly comparable U.S. GAAP measure to EBITDA (non-GAAP), is provided below:

	Year Ended	Year Ended	Three Months Ended	Three Months Ended	
	December 31, 2019	December 31, 2020	March 31, 2020	March 31, 2021	
	RMB	RMB	RMB	RMB	US\$
	(in thousands)				
<b>Net income (loss)</b>	60,831	37,822	(76,078)	11,469	1,751
Interest expenses	4,294	1,481	500	1,565	239
Interest income	(240)	(707)	(148)	(390)	(60)
Income tax expense (benefit)	47,493	37,602	(16,657)	9,790	1,494
Depreciation and amortization	70,095	84,955	21,672	23,424	3,575
<b>EBITDA (Non-GAAP)</b>	<b>182,473</b>	<b>161,153</b>	<b>(70,711)</b>	<b>45,858</b>	<b>6,999</b>

### Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

*Net revenues.* Our net revenues increased significantly from RMB202.2 million for the three months ended March 31, 2020 to RMB419.9 million for the three months ended March 31, 2021.

- Manachised hotels.* Revenues from our manachised hotels increased significantly by 94.5% from RMB130.6 million for the three months ended March 31, 2020 to RMB254.1 million for the three months ended March 31, 2021. The increase was primarily attributable to the increase in the number of our manachised hotels from 413 as of March 31, 2020 to 575 as of March 31, 2021 as a result of increased popularity of our hotel brands among travelers and our franchise partners and further diversification of our brand portfolio. In addition, RevPAR of our manachised hotels increased from RMB143.6 in the first quarter of 2020, during which the massive outbreak of COVID-19 caused a significant impact on the entire hospitality industry, to RMB231.5 in the first quarter of 2021, during which COVID-19 was relatively in control with isolated outbreaks in certain areas of China. We waived certain franchise and management fee from our franchisees following the outbreak of COVID-19 pandemic during the first quarter of 2020, resulting in temporary losses in revenues during such period.
- Leased hotels.* Revenues from our leased hotels increased significantly by 137.2% from RMB52.7 million for the three months ended March 31, 2020 to RMB124.9 million for the three months ended March 31, 2021. This increase was primarily due to the increase in the total number of our leased hotels from 30 as of March 31, 2020 to 33 as of March 31, 2021. In addition, RevPAR of our leased hotels increased from RMB161.4 in the first quarter of 2020 to RMB320.2 in the first quarter of 2021, for reasons similar to the increase of RevPAR of our manachised hotels.

- *Retail revenues and others.* Our retail revenues and other revenues increased significantly by 116.7% from RMB18.9 million for the three months ended March 31, 2020 to RMB40.9 million for the three months ended March 31, 2021. This increase was primarily due to the rapid increase in the revenue generated from our scenario-based retail business to RMB20.2 million for the three months ended March 31, 2021 from RMB7.5 million for the three months ended March 31, 2020, as well as an increase in revenue generated from the sales of our A-Card membership. The increase in the revenue generated from our scenario-based retail business was largely driven by the increase in the number of our hotels from 443 as of March 31, 2020 to 608 as of March 31, 2021 as well as the increase in the occupancy rates of our hotels from 37.2% to 60.0% during the same periods. Such increased guest traffic, the expansion of our lifestyle product categories and SKUs, as well as the increasing acceptance of our private label product offerings by our customers led to the GMV generated from our retail business increasing significantly by 227.5% from RMB10.0 million for the three months ended March 31, 2020 to RMB32.6 million for the three months ended March 31, 2021. The increase in the revenue generated from the sales of our A-Card membership was primarily due to the increase in the number of our members who paid membership fees over the relevant periods.

*Operating Costs and Expenses.* As a result of the increase in the number of our hotels, our total operating costs and expenses increased by 31.5% from RMB306.2 million for the three months ended March 31, 2020 to RMB402.8 million for the three months ended March 31, 2021. This increase resulted from increases in our hotel operating costs, other operating costs, selling and marketing expenses, general and administrative expenses, and technology and development expenses, which were partially offset by a decrease in pre-opening expenses. Our operating costs and expenses as a percentage of our net revenues decreased from 151.5% for the three months ended March 31, 2020 to 95.9% for the three months ended March 31, 2021, as a result of our increased net revenues during such periods.

- *Hotel operating costs.* Our hotel operating costs increased by 37.9% from RMB222.9 million for the three months ended March 31, 2020 to RMB307.4 million for the three months ended March 31, 2021. This increase was primarily due to the increase in the number of our hotels from 443 as of March 31, 2020 to 608 as of March 31, 2021. Our hotel operating costs as a percentage of net revenues decreased from 110.2% for the three months ended March 31, 2020 to 73.2% for the three months ended March 31, 2021, primarily due to the significant increase in our net revenues during the relevant periods as a result of adverse impacts of the COVID-19 outbreak in early 2020. We expect that our hotel operating costs as a percentage of our net revenues will further decrease as the scale of our hotel network grows and our operating efficiency further improves.
- *Other operating costs.* Our other operating costs primarily consist of costs for our scenario-based retail business and cost of other revenues. Our other operating costs increased by 108.3% from RMB12.1 million for the three months ended March 31, 2020 to RMB25.2 million for the three months ended March 31, 2021, primarily due to the increase in the scale of our scenario-based retail business. Our other operating costs as a percentage of net revenues remained at 6.0% for the three months ended March 31, 2020 and 2021, which we expect will remain relatively stable in the foreseeable future.
- *Selling and marketing expenses.* Our selling and marketing expenses increased by 29.2% from RMB11.1 million for the three months ended March 31, 2020 to RMB14.3 million for the three months ended March 31, 2021. This increase was primarily because of the increased commissions paid to travel intermediaries, in line with the recovery of the operation of our leased hotels, as well as the increased levels of our branding and marketing activities. Our selling and marketing expenses as a percentage of net revenues decreased from 5.5% for the three months ended March 31, 2020 to 3.4% for the three months ended March 31, 2021.

- *General and administrative expenses.* Our general and administrative expenses increased by 32.1% from RMB30.7 million for the three months ended March 31, 2020 to RMB40.6 million for the three months ended March 31, 2021. This increase was primarily due to the increase in our personnel costs as well as the increased costs of third-party professional services associated with this offering. Our general and administrative expenses as a percentage of net revenues decreased from 15.2% for the three months ended March 31, 2020 to 9.7% for the three months ended March 31, 2021.
- *Technology and development expenses.* Our technology and development expenses increased by 4.2% from RMB8.1 million for the three months ended March 31, 2020 to RMB8.5 million for the three months ended March 31, 2021. This increase was primarily because of our steadily increasing investments in key technologies, including our mobile apps, central reservation system ("CRS") and other core systems. Our technology and development expenses as a percentage of net revenues decreased from 4.0% for the three months ended March 31, 2020 to 2.0% for the three months ended March 31, 2021.
- *Pre-opening expenses.* Our pre-opening expenses decreased by 68.1% from RMB21.3 million for the three months ended March 31, 2020 to RMB6.8 million for the three months ended March 31, 2021. This decrease was primarily because three of the four leased hotels under development as of March 31, 2020 were already in operation by March 31, 2021, which led to lower pre-opening expenses. Accordingly, our pre-opening expenses as a percentage of net revenues decreased from 10.5% for the three months ended March 31, 2020 to 1.6% for the three months ended March 31, 2021.

*Other operating income.* Our other operating income primarily consists of income from government subsidies and value-added tax ("VAT") related benefits. This income decreased by 72.9% from RMB8.2 million for the three months ended March 31, 2020 to RMB2.2 million for the three months ended March 31, 2021.

*Loss/income from operation.* As a result of the foregoing, we had loss from operation of RMB95.9 million for the three months ended March 31, 2020 and income from operations of RMB19.3 million for the three months ended March 31, 2021.

*Gain from short-term investments.* Our gain from short-term investments was RMB3.4 million for the three months ended March 31, 2020 and RMB2.1 million for the three months ended March 31, 2021. The decrease was primarily due to decrease in our investment amounts in liquid wealth management products procured from financial institutions in China.

*Interest expenses.* Our interest expenses consist primarily of interests related to our borrowings. Our interest expenses increased from RMB0.5 million for the three months ended March 31, 2020 to RMB1.6 million for the three months ended March 31, 2021 due to the increase in our borrowings.

*Income tax benefit/expense.* We had an income tax benefit of RMB16.7 million for the three months ended March 31, 2020 and an income tax expense of RMB9.8 million for the three months ended March 31, 2021. The actual income tax benefit/expense differed from the amount computed by applying the PRC statutory income tax rate of 25% to (loss) income before income taxes, which was primarily due to the valuation allowance provided for the deferred tax assets of certain PRC subsidiaries, which were in cumulative loss positions.

*Net loss/income.* As a result of the foregoing, compared to net loss of RMB76.1 million for the three months ended March 31, 2020, we had net income of RMB11.5 million for the three months ended March 31, 2021.

**Year Ended December 31, 2020 Compared to Year Ended December 31, 2019**

*Net revenues.* Our net revenues decreased slightly from RMB1,567.1 million in the year ended December 31, 2019 to RMB1,566.6 million in the year ended December 31, 2020.

- *Manachised hotels.* Revenues from our manachised hotels increase by 10.2% from RMB840.4 million in the year ended December 31, 2019 to RMB926.3 million in the year ended December 31, 2020. This increase was primarily due to a substantial increase in the number of manachised hotels from 391 as of December 31, 2019 to 537 as of December 31, 2020 as a result of increased popularity of our hotel brands among travelers and our franchise partners and further diversification of our brand portfolio. This increase was partially offset by the temporary decrease in RevPAR during such periods primarily caused by the COVID-19 pandemic due to a decrease in occupancy rate of our manachised hotels from 72.3% in the year ended December 31, 2019 to 66.9% in the year ended December 31, 2020 as well as a decrease of ADR from RMB415.9 in the year ended December 31, 2019 to RMB382.2 in the year ended December 31, 2020. In the fourth quarter of 2020, the RevPAR rebounded to RMB321.0, which was substantially in line with the level in 2019 before the COVID-19 pandemic.
- *Leased hotels.* Revenues from our leased hotels decreased by 19.3% from RMB614.8 million in the year ended December 31, 2019 to RMB496.5 million in the year ended December 31, 2020. This decrease was primarily due to a decrease in RevPAR primarily caused by the COVID-19 pandemic. RevPAR for our leased hotels decreased from RMB463.7 in the year ended December 31, 2019 to RMB339.4 in the year ended December 31, 2020.
- *Retail revenues and others.* Our retail revenues and other revenues increased by 28.5% from RMB111.9 million in the year ended December 31, 2019 to RMB143.8 million in the year ended December 31, 2020. This increase was primarily due to an increase in the revenue generated from our scenario-based retail business to RMB70.9 million in the year ended December 31, 2020 from RMB63.6 million in the year ended December 31, 2019, as well as an increase in revenue generated from the sales of our *A-Card* membership services. The increase in the revenue generated from our scenario-based retail business was largely driven by its growing GMV, which increased by 29.5% from RMB82.8 million in 2019 to RMB107.2 million in 2020 as a result of the expansion of our hotel network (and the resulting increased guest traffic), our lifestyle product categories and SKUs, as well as the increasing acceptance of our private label product offerings by our customers. The increase in the revenue generated from the sales of our *A-Card* membership services was primarily due to the significant increase in the number of our members who paid membership fees over the relevant periods.

*Operating Costs and Expenses.* Our total operating costs and expenses increased by 2.4% from RMB1,490.3 million in the year ended December 31, 2019 to RMB1,526.7 million in the year ended December 31, 2020. This increase resulted from increases in our hotel operating costs and technology and development expenses, partially offset by slight decreases in our other operating costs, selling and marketing expenses, general and administrative expenses, and pre-opening expenses.

- *Hotel operating costs.* Our hotel operating costs increased by 4.8% from RMB1,097.4 million in the year ended December 31, 2019 to RMB1,150.1 million in the year ended December 31, 2020. This increase was primarily because of our substantial expansion of hotels from 420 hotels as of December 31, 2019 to 570 hotels as of December 31, 2020. Our hotel operating costs as a percentage of net revenues increased from 70.0% in the year ended December 31, 2019 to 73.4% in the year ended December 31, 2020, primarily due to a decrease in our net revenues as a result of the COVID-19 pandemics while our leased and manachised hotel operating costs increased due to our expansion of hotels.

- *Other operating costs.* Our other operating costs primarily consist of costs for our scenario-based retail business and cost of other revenues. Our other operating costs decreased by 3.2% from RMB81.3 million in the year ended December 31, 2019 to RMB78.7 million in the year ended December 31, 2020. Our other operating costs as a percentage of net revenues decreased from 5.2% in the year ended December 31, 2019 to 5.0% in the year ended December 31, 2020.
- *Selling and marketing expenses.* Our selling and marketing expenses decreased by 6.3% from RMB75.7 million in the year ended December 31, 2019 to RMB71.0 million in the year ended December 31, 2020. This decrease was primarily because of decreases in the total compensation for our sales and marketing personnel as we temporarily reduced the selling and marketing personnel headcounts and slowed down the expansion of our sales and marketing activities in light of the COVID-19 pandemics. Our selling and marketing expenses as a percentage of net revenues decreased from 4.8% in the year ended December 31, 2019 to 4.5% in the year ended December 31, 2020.
- *General and administrative expenses.* Our general and administrative expenses decreased by 5.0% from RMB138.2 million in the year ended December 31, 2019 to RMB131.4 million in the year ended December 31, 2020. This decrease was primarily because of the reduced business travel, seminars and conferences due to the COVID-19 outbreak. Our general and administrative expenses as a percentage of net revenues decreased from 8.8% in the year ended December 31, 2019 to 8.4% in the year ended December 31, 2020.
- *Technology and development expenses.* Our technology and development expenses increased by 14.6% from RMB29.4 million in the year ended December 31, 2019 to RMB33.6 million in the year ended December 31, 2020. This increase was primarily because of the increasing number of our technology personnel and our increasing investments in key technologies, including our mobile apps, CRS and other core systems. Our technology and development expenses as a percentage of net revenues increased from 1.9% in the year ended December 31, 2019 to 2.1% in the year ended December 31, 2020.
- *Pre-opening expenses.* Our pre-opening expenses decreased by 9.2% from RMB68.2 million in the year ended December 31, 2019 to RMB61.9 million in the year ended December 31, 2020. This decrease was primarily because of the decrease in the number of leased hotels under development, and correspondingly, lower pre-opening expenses. Our pre-opening expenses as a percentage of net revenues decreased from 4.3% in the year ended December 31, 2019 to 3.9% in the year ended December 31, 2020.

*Other operating income.* Our other operating income primarily consists of income from government subsidies and value-added tax ("VAT") related benefits. This income increased by 60.3% from RMB14.6 million in the year ended December 31, 2019 to RMB23.4 million in the year ended December 31, 2020. This increase resulted from input VAT additional deduction benefit, VAT exemption due to COVID-19, and the financial subsidy funds we received from local government.

*Income from operation.* As a result of the foregoing, we had income from operation of RMB91.4 million in the year ended December 31, 2019 and income from operations of RMB63.3 million in the year ended December 31, 2020.

*Gain from short-term investments.* Our gain from short-term investments was RMB22.2 million in the year ended December 31, 2019 and RMB11.0 million in the year ended December 31, 2020. The decrease was primarily due to decrease in our investment amounts in wealth management products.

*Interest expenses.* Our interest expenses consist primarily of interests related to our borrowings. Our interest expenses were RMB4.3 million in the year ended December 31, 2019 and RMB1.5 million

in the year ended December 31, 2020. The decrease was primarily due to the decrease in the average interest rate of the borrowings.

*Income tax expense.* Our income tax expense decreased by 20.8% from RMB47.5 million in the year ended December 31, 2019 to RMB37.6 million in the year ended December 31, 2020, primarily due to a decrease in taxable income due to the COVID-19 pandemic.

*Net income.* As a result of the foregoing, we had net income of RMB60.8 million in the year ended December 31, 2019 compared to net income of RMB37.8 million in the year ended December 31, 2020.



## Selected Quarterly Results of Operations

The following table sets forth our unaudited consolidated quarterly results of operations for the periods indicated. You should read the following table in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated quarterly financial information on the same basis as our consolidated financial statements. The unaudited consolidated quarterly financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair representation of our operating results for the quarters presented.

	For the Three Months Ended								
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	(in thousands)								
<b>Revenues:</b>									
Manachised hotels	150,953	203,687	239,324	246,436	130,613	198,584	295,762	301,348	254,066
Leased hotels	130,756	154,868	169,457	159,748	52,661	106,442	167,241	170,126	124,891
Retail revenues and others	21,155	26,318	28,087	36,302	18,876	32,821	40,812	51,266	40,901
<b>Net revenues</b>	<b>302,864</b>	<b>384,873</b>	<b>436,868</b>	<b>442,486</b>	<b>202,150</b>	<b>337,847</b>	<b>503,815</b>	<b>522,740</b>	<b>419,858</b>
<b>Operating costs and expenses:</b>									
Hotel operating costs	(226,707)	(271,422)	(288,449)	(310,863)	(222,862)	(265,698)	(331,203)	(330,338)	(307,402)
Other operating costs	(14,132)	(16,480)	(20,493)	(30,232)	(12,104)	(17,670)	(22,275)	(26,697)	(25,223)
Selling and marketing expenses	(14,467)	(18,503)	(18,436)	(24,339)	(11,073)	(19,206)	(20,370)	(20,323)	(14,302)
General and administrative expenses	(29,059)	(34,686)	(34,445)	(40,051)	(30,748)	(33,379)	(31,579)	(35,660)	(40,617)
Technology and development expenses	(5,996)	(6,470)	(7,917)	(8,980)	(8,122)	(8,027)	(8,677)	(8,823)	(8,467)
Pre-opening expenses	(9,523)	(15,309)	(18,955)	(24,379)	(21,286)	(24,393)	(8,662)	(7,537)	(6,780)
<b>Total operating costs and expenses</b>	<b>(299,884)</b>	<b>(362,870)</b>	<b>(388,695)</b>	<b>(438,844)</b>	<b>(306,195)</b>	<b>(368,373)</b>	<b>(422,766)</b>	<b>(429,378)</b>	<b>(402,791)</b>
Other operating income	1,012	265	10,023	3,302	8,155	3,065	3,463	8,746	2,208
<b>Income (loss) from operation</b>	<b>3,992</b>	<b>22,268</b>	<b>58,196</b>	<b>6,944</b>	<b>(95,890)</b>	<b>(27,461)</b>	<b>84,512</b>	<b>102,108</b>	<b>19,275</b>
Interest income	56	43	46	95	148	141	220	198	390
Gain from short-term investments	4,585	5,427	5,773	6,380	3,431	3,455	1,891	2,269	2,137
Interest expenses	(812)	(1,372)	(1,237)	(873)	(500)	(571)	(358)	(52)	(1,565)
Other (expense) income, net	(486)	665	(942)	(424)	76	605	1,101	101	1,022
<b>Income (loss) before income tax</b>	<b>7,335</b>	<b>27,031</b>	<b>61,836</b>	<b>12,122</b>	<b>(92,735)</b>	<b>(23,831)</b>	<b>87,366</b>	<b>104,624</b>	<b>21,259</b>
Income tax (expense) benefit	(5,465)	(10,441)	(20,795)	(10,792)	16,657	(2,545)	(24,966)	(26,748)	(9,790)
<b>Net income (loss)</b>	<b>1,870</b>	<b>16,590</b>	<b>41,041</b>	<b>1,330</b>	<b>(76,078)</b>	<b>(26,376)</b>	<b>62,400</b>	<b>77,876</b>	<b>11,469</b>
Less: Net (loss) income attributable to non-controlling interests	(673)	(50)	(995)	(2,411)	(2,154)	(1,717)	(751)	393	(772)
<b>Net income (loss) attributable to the Company</b>	<b>2,543</b>	<b>16,640</b>	<b>42,036</b>	<b>3,741</b>	<b>(73,924)</b>	<b>(24,659)</b>	<b>63,151</b>	<b>77,483</b>	<b>12,241</b>

Notwithstanding the seasonable fluctuations and impact of the COVID-19 pandemic as discussed below, we generally experienced steady revenue growth in the last nine quarters ended March 31, 2021. Our quarterly revenues were primarily generated from our manachised hotels, leased hotels, and our scenario-based retail business. The increase in revenues generated from manachised hotels was mainly attributable to the rapid increase in the number of our manachised hotels. Such increase was partially offset by the temporary decrease in the RevPAR of our manachised hotels during the first two quarters of 2020 due to the COVID-19 pandemic. RevPAR of our manachised hotels subsequently recovered to RMB323.8 and RMB321.0 in the third and fourth quarter of 2020, respectively, which was generally in line with the levels prior to the COVID-19 pandemic. However, as a result of the rebound of COVID-19 in certain areas of and the government's "stay-at-home" policy during the Spring Festival in China, RevPAR of our manachised hotel decreased to RMB231.5 in the first quarter of 2021. Likewise, the decrease in revenues generated from our leased hotels were primarily attributable to the decreased RevPAR during the first two quarters of 2020 as a result of COVID-19 pandemic outbreak and in the first quarter of 2021 as a result of the rebound of COVID-19 in certain areas of China. The increase in our scenario-based retail revenues and other revenues was primarily attributable to expansion of our hotel network (and the resulting increased guest traffic), our private label lifestyle product categories and SKUs as well as our membership base.

We experience seasonality in our business. Due to general travel and consumption patterns in China, we generally experience lower revenues in the first quarter of the year, in which both the New Year and Spring Festival holidays fall, followed by relatively rapid revenue growth in the second and third quarters and a steady revenue growth in the fourth quarter. See "Risk Factors—Risks Related to Our Business and Industry—Seasonality of our business and national or regional special events may cause fluctuations in our results of operations and financial condition, and adversely affect our profitability."

A significant portion of our operating costs and expenses, including rent and base salary of our staff, is relatively fixed. As a result of COVID-19's impact on our overall business and revenues, we experienced a decrease in our operating income in 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our principal sources of liquidity come from cash generated from operating activities, equity financing from our shareholders, and bank loans. Our cash and cash equivalents consist of cash on hand and liquid investments which have maturities of three months or less when acquired and are unrestricted as to withdrawal or use.

As of March 31, 2021, we had entered into binding contract with lessor of one property for our leased hotels under development. As of March 31, 2021, we expected to incur approximately RMB21.6 million of capital expenditures in connection with certain leasehold improvements and to fund the leasehold improvements of one of our leased hotels. We intend to fund this planned expansion with our operating cash flow and our cash balance, credit facilities provided by banks, as well as net proceeds received from this offering.

Our working capital representing net current assets (current assets less current liabilities) as of March 31, 2021 was RMB299.4 million. We have been able to meet our working capital needs in the past, and we believe that we will be able to meet our working capital needs in the foreseeable future with our operating cash flow and existing cash balance.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended	Year Ended	Three	Three Months	
	December 31, 2019	December 31, 2020	Months Ended March 31, 2020	Ended March 31, 2021	
	RMB	RMB	RMB	RMB	US\$
	(in thousands)				
Net cash flow generated from (used in) operating activities	224,114	118,670	(230,058)	5,593	854
Net cash generated from (used in) investing activities	264,859	(105,527)	(102,018)	(32,205)	(4,916)
Net cash (used in) generated from financing activities	(10,084)	48,011	38,316	87,007	13,280
Net increase (decrease) in cash and cash equivalents and restricted cash	478,889	61,154	(293,760)	60,395	9,218
Cash and cash equivalents and restricted cash at the beginning of the period	293,093	771,982	771,982	833,136	127,161
Cash and cash equivalents and restricted cash at the end of the period	771,982	833,136	478,222	893,531	136,379

### Operating Activities

Historically, we have financed our operation primarily through cash generated from operations. We currently anticipate that we will be able to meet our needs to fund operations in the next twelve months with operating cash flow and existing cash balances and the proceeds from this offering.

Our net cash flow generated from operating activities for the three months ended March 31, 2021 was RMB5.6 million, compared to RMB230.1 million used in operating activities for the three months ended March 31, 2020. This increase was primarily due to the shift of net loss of RMB76.1 million for the three months ended March 31, 2020 compared to net income of RMB11.5 million for the three months ended March 31, 2021 and other working capital changes. Our net cash flow generated from operating activities for the year ended December 31, 2020 was RMB118.7 million, compared to RMB224.1 million of net cash flow generated from operating activities for the year ended December 31, 2019. The significant decrease in net cash flow generated from operating activities was primarily attributable to a decrease in net income from RMB60.8 million in the year ended December 31, 2019 to RMB37.8 million in the year ended December 31, 2020 largely due to the impact of the COVID-19 outbreak, which led to temporary shutdowns of certain of our hotels in selected locations in China and disruptions to our supply chain, hotel development, and other operational activities. In particular, we have adopted a policy of waiving the sales based continuing franchise fees from our franchised hotels used by the Chinese government for accommodation of medical support workers and quarantine purposes. We have also extended certain payment deadlines for our franchisees to support them during the COVID-19 outbreak. See "Risk Factors—Risks Related to Our Business—The COVID-19 outbreak has adversely affected, and may continue to adversely affect, our financial and operating performance."

## **Investing Activities**

Our cash used in investing activities is primarily related to our leasehold improvements and purchase of equipment and fixtures used in leased hotels, and investment in short-term financial products offered by PRC commercial banks.

Our net cash used in investing activities was RMB32.2 million for the three months ended March 31, 2021, compared to RMB102.0 million for the three months ended March 31, 2020, primarily due to the reduction in our investment in short-term financial products in the first quarter of 2021. Our net cash used in investing activities was RMB105.5 million in the year ended December 31, 2020, compared to net cash generated from investing activities of RMB264.9 million in the year ended December 31, 2019. This shift was primarily attributable to reduction in the proceeds from maturities of our investments in short-term financial products in the year ended December 31, 2020.

## **Financing Activities**

Our financing activities primarily consisted of borrowings from PRC commercial banks and other third parties.

Our net cash generated from financing activities was RMB87.0 million for the three months ended March 31, 2021, compared to RMB38.3 million for the three months ended March 31, 2020, which was contributed by the increase in bank loans in connection with the Restructuring. Net cash generated from financing activities was RMB48.0 million in the year ended December 31, 2020, compared to RMB10.1 million of net cash used in financing activities in the year ended December 31, 2019. The shift was due to an increase in our borrowings from PRC commercial banks in response to the COVID-19 pandemic.

**WORKING CAPITAL**

We recorded net current assets (current assets less current liabilities) of RMB286.3 million, RMB271.4 million and RMB299.4 million as of December 31, 2019, December 31, 2020 and March 31, 2021, respectively. As of March 31, 2021, we recorded total current assets of RMB1,272.9 million and total current liabilities of RMB973.5 million. In addition, as of March 31, 2021, we had cash and cash equivalents of RMB884.9 million. The following table sets forth a breakdown of our current assets and current liabilities as of the dates indicated.

	As of		As of	
	December 31, 2019	December 31, 2020	March 31, 2021	March 31, 2021
	RMB	RMB	RMB	US\$
(in thousands)				
<b>Current assets</b>				
Cash and cash equivalents	763,232	824,546	884,941	135,068
Restricted cash	160	—	—	—
Short-term investments	12,400	—	3,000	458
Accounts receivable, net of allowance of RMB 11,758, RMB 14,966 and RMB 15,496 as of December 31, 2019, December 31, 2020 and March 31, 2021 respectively	80,263	140,142	146,289	22,328
Prepayments and other current assets	75,734	126,269	145,660	22,232
Amounts due from related parties	16,601	33,592	41,135	6,278
Inventories	14,617	30,343	36,883	5,629
Loans due from third parties	—	15,000	15,000	2,289
<b>Total current assets</b>	<u>963,007</u>	<u>1,169,892</u>	<u>1,272,908</u>	<u>194,282</u>
<b>Current liabilities</b>				
Accounts payable	80,920	85,763	59,803	9,126
Deferred revenue	171,961	186,797	202,670	30,933
Salary and welfare payable	87,552	85,614	59,031	9,010
Accrued expenses and other payables	261,315	378,532	419,941	64,096
Income taxes payable	21,930	61,509	62,962	9,610
Short-term borrowings	40,263	89,269	165,396	25,244
Current portion of long-term borrowings	4,086	1,000	1,000	153
Other amounts due to related parties	8,662	9,997	2,703	413
<b>Total current liabilities</b>	<u>676,689</u>	<u>898,481</u>	<u>973,506</u>	<u>148,585</u>
<b>Net current assets</b>	<u>286,318</u>	<u>271,411</u>	<u>299,402</u>	<u>45,697</u>

Our net current assets decreased from RMB286.3 million as of December 31, 2019 to RMB271.4 million as of December 31, 2020, primarily due to (i) an increase in accrued expenses and other payables, which consist primarily of payments collected or to be collected from customers or travel agencies on behalf of the franchisees for the reservation of franchised hotels, and (ii) an increase in the income taxes payable, and offset by an increase in current assets, including cash and cash equivalents, accounts receivables, amounts due from related parties, loans due from third parties inventories, prepayments and other current assets. Our net current assets increased from RMB271.4 million as of December 31, 2020 to RMB299.4 million as of March 31, 2021, primarily due to (i) an increase in our cash and cash equivalent as a result of the increase in net cash generated from operating activities, and (ii) an increase in our prepayments and other current assets, which consist of the payments we collected from online travel agencies on behalf of our franchised hotels, offset by an increase in our current liabilities, including accrued expenses and other payables and short-term borrowings.

The increase in accounts receivable from RMB80.3 million as of December 31, 2019 to RMB140.1 million as of December 31, 2020 was primarily due to (i) increased purchasing of hotel supplies and other products by franchisees due to increased manachised hotels, (ii) increased revenue from manachised hotels and the extension of certain franchise fee payment credit periods due to the COVID-19 outbreak and (iii) the increase in the number of our hotels and the settlement channels with our travel agency customers. Our account receivables increased from RMB140.1 million as of December 31, 2020 to RMB146.3 million as of March 31, 2021, which was primarily due to the increase in the transaction volume generated from our leased hotels in the first quarter of 2021. As of March 31, 2021, our accounts receivable primarily consists of franchise fee receivables, receivables from hotel supplies and other products, travel agency receivables and corporate customer receivables for leased hotels.

For a more detailed discussion of our cash position, being the balance sheet item that has material impact on our liquidity, as well as material changes in the various working capital items, see "—Liquidity and Capital Resources."

## CAPITAL EXPENDITURES

Our capital expenditures were incurred primarily in connection with leasehold improvements, investments in furniture, fixtures and equipment and technology, information and operational software. Our capital expenditures were RMB136.8 million and RMB112.8 million in 2019 and 2020, respectively. We will continue to make capital expenditures to meet the expected growth of our operations and expect cash generated from our operating activities and financing activities will continue to meet our capital expenditure needs in the foreseeable future.

## CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of March 31, 2021:

	Payment Due by Period				More Than 5 Years
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	
			(in RMB thousands)		
Operating lease obligations	3,285,956	280,153	768,068	698,577	1,539,158
Long-term debt and related interest payment obligations	49,957	3,180	41,724	2,390	2,663
Total	3,335,913	283,333	809,792	700,967	1,541,821

Our operating lease obligations are primarily related to our obligations under lease agreements with lessors of business offices and certain hotels. Our purchase obligations primarily consisted of contractual commitments in connection with leasehold improvements and fixtures, fittings and other fixed assets for our leased hotels. We have excluded agreements that are cancelable without a penalty or have a remaining term not in excess of one year. Such commitments are generally near term in nature, will be funded from operating cash flow, and are not significant to our overall financial position. As of March 31, 2021, our long-term debt obligations primarily consisted of outstanding borrowings under our credit facility with major commercial banks in China.

## **OUTSTANDING INDEBTEDNESS**

As of March 31, 2021, we had several customary credit facilities with major commercial banks in China under which we could borrow up to RMB418.6 million during the term of the facilities with maturity dates ranging from March 2021 to May 2023. The drawdown of the credit facilities is subject to the terms and conditions of each credit agreement. The credit facilities also require us to comply with the various customary covenants and other restrictions, including but not limited to maintaining an debt-to-asset ratio, which is the ratio of total liabilities to total assets, lower than 65% and a liquidity ratio no less than 1.2. As of March 31, 2021, we had drawn down bank loans in an aggregate amount of RMB201.7 million under the term facility agreements with interest rate ranging from 3.9% to 4.8% per annum. As of March 31, 2021, we were in compliance with the above financial covenants. As of March 31, 2021, bank loans of RMB4.3 million were secured by the equity interests we held in a subsidiary. None of such credit facilities individually is material to our financial condition and results of operations.

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

Other than operating lease obligations set forth in the table under the caption "Contractual Obligations" above, we have not entered into any material financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

## **HOLDING COMPANY STRUCTURE**

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries in China. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our subsidiaries. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the Ministry of Finance of the PRC, or PRC GAAP. Pursuant to the law applicable to China's foreign investment enterprise, our subsidiaries that are foreign investment enterprises in the PRC have to make appropriation from their after-tax profit, as determined under PRC GAAP, to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of our subsidiary. Appropriation to the other two reserve funds are at our subsidiaries' discretion.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control over financial reporting in accordance with the requirements applicable to a U.S. public company. In connection with the audits of our consolidated financial statements as of and for the fiscal year ended December 31, 2019 and 2020, we and our independent registered public accounting firm identified one material weakness in our internal control

over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, or PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified is our company's lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to properly address complex U.S. GAAP accounting issues and related disclosures in accordance with U.S. GAAP and financial reporting requirements set forth by the SEC. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weaknesses and other control deficiencies in our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional deficiencies may have been identified.

Following the identification of the material weakness and other control deficiencies, we have taken measures and plan to continue to take measures to remediate these deficiencies, including: (i) hiring more qualified resources, equipped with relevant U.S. GAAP and SEC reporting experiences and qualifications to strengthen the financial reporting function, (ii) establishing an ongoing program to provide sufficient and additional appropriate training to our accounting staff, especially trainings related to U.S. GAAP and SEC financial reporting requirements, (iii) developing a set of accounting policies and procedures, which document the current U.S. GAAP accounting policies and technical accounting guidance and are tailored to our business, and (iv) implementing internal controls over financial reporting to ensure accounting policies and procedures are operating effectively.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligation. See "Risk Factors—Risks Relating to Our Business—If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud."

As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We have elected to take advantage of such exemptions.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

### **Interest Rate Risk**

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash invested in liquid investments with original maturities of three months or less. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. However, our future interest income may be lower than expected due to changes in market interest rates.



## Foreign Exchange Risk

All of our revenues and most of our expenses are denominated in RMB. Our exposure to foreign exchange risk primarily relates to cash and cash equivalent denominated in U.S. dollars as a result of net proceeds from this offering. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although, in general, our exposure to foreign exchange risks should be limited, the value of your investment in the ADSs will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in RMB, while the ADSs representing our ordinary shares will be traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in the China's political and economic conditions. The RMB does not fluctuate with the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. In August 2017, the PRC's currency dropped by a cumulative 4.4% against the U.S. dollar on hopes of boosting the domestic economy, making PRC exports cheaper and imports into the PRC more expensive by that amount. The effect on trade can be substantial. The RMB started to appreciate during 2017 and depreciated during 2019. Compared with the lowest point of RMB versus U.S. dollars in 2017, the RMB has depreciated by 7.5% compared to the exchange rate as of June 30, 2019. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market. In addition, the value of RMB could be affected by the proposed tariffs regarding trade with the United States.

To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of RMB against the U.S. dollar would reduce the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the RMB would reduce the U.S. dollar amounts available to us.

We estimate that we will receive net proceeds of approximately US\$            million from this offering, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us, based on the initial offering price of US\$            per ADS, assuming the underwriters do not exercise their option to purchase additional ADSs.

## Inflation Risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for 2018, 2019 and 2020 were increases of 2.1%, 2.9% and 2.5%, respectively. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

## INDUSTRY

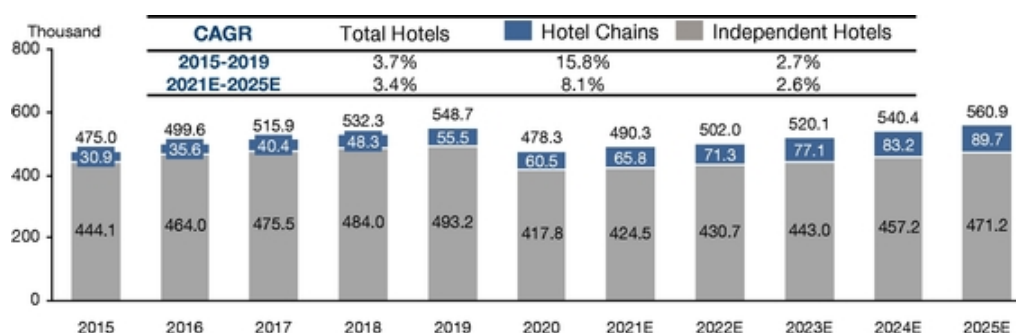
The information presented in this section has been derived from an industry report commissioned by us and prepared by Frost & Sullivan, an independent research firm, regarding our industry and our market position in China. We refer to this report as "Frost & Sullivan Report."

### OVERVIEW OF THE HOSPITALITY INDUSTRY IN CHINA

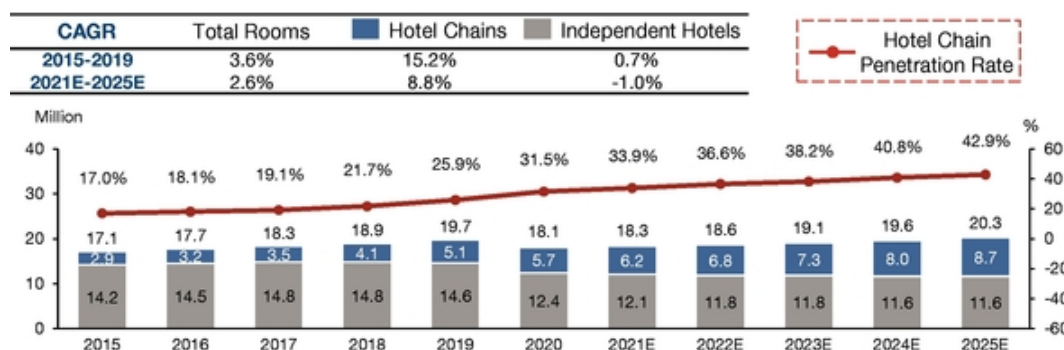
#### Market Size of China's Hospitality Industry

China's hospitality industry is fragmented with a large number of independent hotels and a small number of large hotel chains. As of December 31, 2020, hotel rooms of hotel chains accounted for only 31.5% of total hotel rooms in China, much lower than the global average of 41.9% and the U.S. rate of 72.9%. While the total number of hotel rooms is expected to grow at a moderate CAGR of 2.6% from 2021 to 2025, chain-affiliated room supply will increase at a significantly higher CAGR of 8.8% for the same period. The hotel chain penetration rate in China is expected to further increase to 42.9% in 2025. The charts below set forth the breakdowns by hotel chains and independent hotels for the numbers of hotels and hotel rooms in China, respectively, for the periods indicated:

**Number of Hotels Breakdown by Hotel Chains and Independent Hotels (China), 2015-2025E**



**Number of Hotel Rooms Breakdown by Hotel Chains and Independent Hotels (China), 2015-2025E**



Source: Frost & Sullivan Report

Note: Hotel chain penetration rate is calculated based on the number of hotel rooms. Hotel chain penetration rate equals to the number of rooms of hotel chains divided by the total number of hotel rooms and multiplied by 100%.

Hotel chains in China had maintained a steady growth rate, which was temporarily affected by the COVID-19 outbreak in China but had substantially recovered in the fourth quarter of 2020. The total

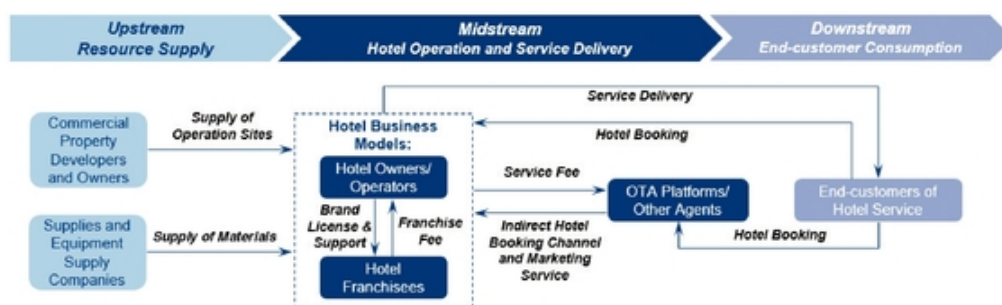
revenue of hotel chains in China increased from RMB245.4 billion in 2015 to RMB450.0 billion in 2019, representing a CAGR of 16.4%. The number of hotel rooms and RevPAR also increased during the same period. The revenue of hotel chains in China declined in 2020, with a year-over-year decline of 36.8% in 2020, mainly due to the COVID-19 outbreak. Following the government's effective control of the pandemic and the recovery of the travel industry and consumer confidence in general, China's hospitality industry had substantially recovered in the fourth quarter of 2020, as demonstrated by an occupancy rate of 50.5% and RevPAR of RMB152.7, which were generally closer to the overall performance of China's hospitality industry in 2019. The revenue of hotel chains in China is expected to reach RMB759.8 billion in 2025, representing a CAGR of 11.0% from 2021 to 2025.

## Segmentation of China's Hospitality Industry

### Value Chain of the Hospitality Industry

The upstream segment of the hospitality industry consists of commercial property developers and owners who provide operation sites for hotel operators, as well as suppliers of facilities, equipment and essential materials for daily operations. End customers of hotel services are the downstream consumers of hospitality industry, generally including individual guests for business and tourism trips as well as corporate customers attending Meetings, Incentives, Conferences and Exhibitions (MICE).

End customers nowadays can make direct hotel booking through hotel websites, mobile apps, corporate accounts, direct phone and onsite "walk-in." Besides, indirect hotel booking channels such as Online Travel Agency ("OTA") platforms and other intermediaries are also the common customer acquisition channels. Below is a chart that summarizes the value chain of the hospitality industry.



### Major Hotel Categories

China's hospitality industry can be classified into five categories based on the quality and price range: economy, midscale, upper midscale, upscale and luxury.

Driven by hotel chains' shifting focus to capture the continuous consumption upgrade in China, the midscale and upper midscale segments demonstrated the fastest growth among all categories at a CAGR of 35.1% and 25.7%, respectively, from 2015 to 2019 in terms of number of hotel rooms. The

charts below set forth the breakdowns by hotel category in terms of the number of hotel chains and the number of hotel chain rooms in China for the periods indicated:

**Number of Hotel Chains Breakdown by Hotel Scales (China), 2015 - 2025E**



**Number of Hotel Chain Rooms Breakdown by Hotel Scales (China), 2015 - 2025E**



Source: Frost & Sullivan Report

Notes:

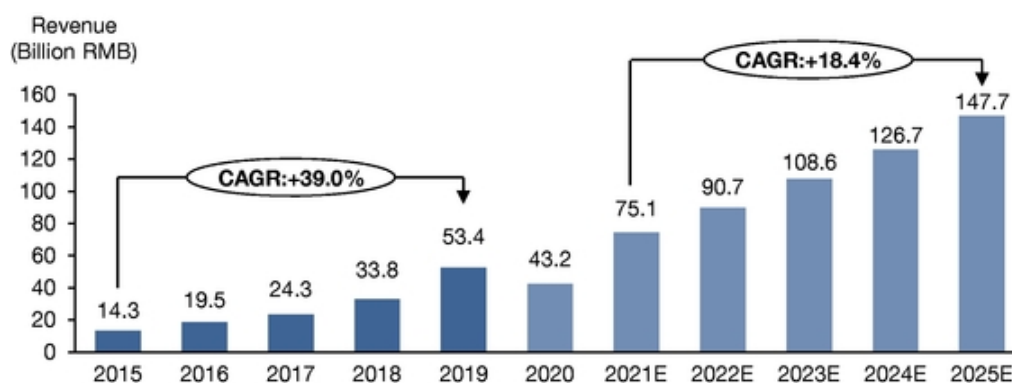
1. Economy hotels mainly refer to establishments that offer a limited number of on-site hotel amenities and often only offer basic accommodations with little to no complimentary or value-added services.
2. Midscale hotels mainly refer to the three-star hotels according to China National Star Rating System (the "CNSRS"), which is rated by China Tourism Hotel Association, as well as the hotels with similar positioning and quality.
3. Upper midscale hotels mainly refer to the four-star hotels according to the CNSRS, as well as the hotels with similar positioning and quality.
4. Upscale hotels mainly refer to five star-rated hotels according to the CNSRS, as well as hotels with similar positioning and quality.
5. Luxury hotels mainly refer to upscale five star-rated hotels according to the CNSRS, as well as hotels with similar positioning and quality.

### Rapid Growth in the Upper Midscale Hotel Segment with Increasing Demand for Quality Services

Compared with the overall hotel market in China, the total revenue of upper midscale hotel chains in China recorded a distinct increase from RMB14.3 billion in 2015 to RMB53.4 billion in 2019, representing a CAGR of 39.0%, as a result of emergence and increasing acceptance of upper midscale hotel brands in the market. The revenue of upper midscale hotel chains in China declined in 2020, with a year-over-year decline of 19.1% in 2020, mainly due to the COVID-19 outbreak, compared to a

36.8% decline in the total revenue of the overall hotel chains in China. The chart below sets forth the total revenue of upper midscale chains in China for the periods indicated:

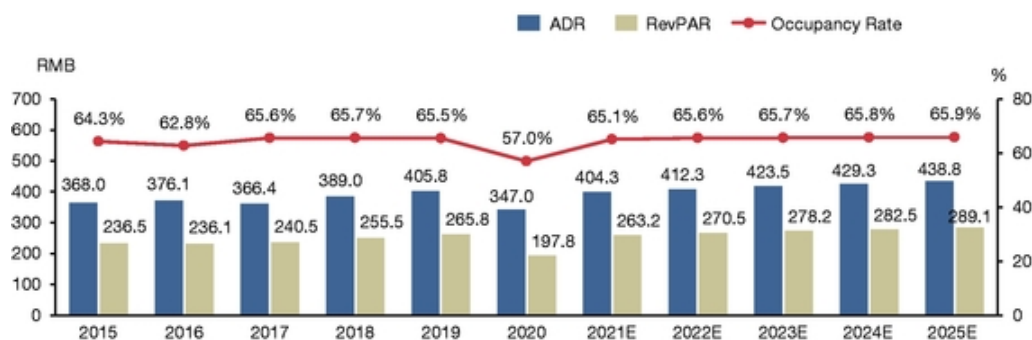
**Total Revenue of Upper Midscale Hotel Chains (China), 2015 - 2025E**



Source: Frost and Sullivan Report

ADR and RevPAR of China's upper midscale hotel market increased from 2015 to 2019 along with steady development of upper midscale hotel brands in China. The occupancy rate of upper midscale hotel segment in China remained stable at approximately 65.0% during 2015 to 2019. While the COVID-19 outbreak adversely affected most hotel companies operating in China in 2020, the upper midscale hotel segment in China substantially recovered during the fourth quarter of 2020, with an occupancy rate of 66.6% and a RevPAR of RMB248.0. The average occupancy rate of China's upper midscale hotel market is anticipated to rebound to 65.1% in 2021. The chart below sets forth the operating performance of upper midscale chains in China for the periods indicated:

**Upper Midscale Hotel Operating Performance (China), 2015 - 2025E**



Source: Frost & Sullivan Report

### Market Drivers of China's Hospitality Industry

The following are the key growth drivers in China's hospitality industry:

- Increasing business travel demand driven by steady economic development.* Due to China's continuous economic growth, business activities in China are estimated to stay vibrant and the demand for business travels and accommodations is expected to be further activated. The business travel market in China is forecasted to keep growing at a CAGR of 12.8% from 2021

to 2025 in terms of revenue. The business travel arrivals in China are forecasted to maintain a CAGR of 9.6% from 2021 to 2025.

- *Flourishing leisure travel demand along with sustainable growth in per capita income.* Along with continuous economic growth of China and increasing income of Chinese households, leisure tourism has become one of the major recreations of Chinese residents. In 2020, the per capita annual disposable income has increased to RMB32.2 thousand from RMB22.0 thousand in 2015, with a CAGR of 7.9%. Meanwhile, even though the leisure tourism revenue in China has declined in 2020, it is expected that the total revenue of leisure tourism in China will maintain a CAGR of 8.6% from 2021 to 2025. The sustainable growth of leisure tourism and tourist arrivals in China are forecasted to motivate the demand for leisure travels and accommodations in the following years and in turn drive the development of the hospitality industry.
- *Better mobility and continuous urbanization.* China's transportation industry has experienced solid development along with China's economic growth. Construction and utilization of major transportation infrastructure such as railways, highways and airports have recorded steady growth in China. The passenger turnover volume in China increased from approximately 3.0 trillion person-kilometer in 2015 to approximately 3.5 trillion person-kilometer in 2019. Affected by the outbreak of COVID-19, the passenger turnover volume in China declined to approximately 1.9 trillion person-kilometer in 2020. Due to the rapid economic development of China and the influx of migrants from rural areas, China is undergoing rapid urbanization, and the urbanization rate is expected to reach 67.3% in 2025, representing an increase of 6.1 percentage points from 2020. With the continuous urbanization and development of transportation infrastructure, the consumers' mobility has been greatly improved, driving the demand for travel and hotel accommodation.
- *Rising demand for quality products and personalized experiences.* With increasing travel spending, more consumers are seeking quality accommodations beyond the basic needs of affordable prices and convenient locations. As a result, China's hospitality industry has experienced a structural change as growth in midscale and upper midscale room supply outperforms that of economy hotels. Upper midscale hotel brands are becoming more popular as more guests look for greater services and lifestyle experiences. Upper midscale hotel segment demonstrated robust growth with a CAGR of 25.7% from 2015 to 2019 in terms of number of hotel rooms. The rising demand for personalized experiences generates diversified lodging needs and scenarios of consumption, supporting the competitive advantages of those hotel brands with well-established brand awareness for its excellent services and brand culture.
- *Structural upgrade of hospitality industry.* In line with the trend of consumption upgrade, China's hospitality industry has experienced a structural upgrade with growth in midscale and upper midscale room supply outperforming that of economy. The upper midscale hotel segment is expected to be the vibrant market segment of China's hospitality industry in the following years along with the upgrading of hotel brands and hotel facilities by hotel operators in China, which also in turn drives the development and industry upgrade of the hospitality industry in China.
- *Digital transformation driven by technology development.* The application of cutting-edge technologies in hotels can effectively improve operation efficiency and empower hotel digital operation transformation. For example, the application of online check-in/check-out, online booking and room service system through mobile apps can effectively reduce labor costs and enhance customer experience. In addition, new technologies such as artificial intelligence and cloud computing technology can help collect and analyze guests' preferences to meet their individual demand and further enhance guests' hotel experience during their stay, thereby attracting revisits in the future.

## Market Trends and Opportunities

The following are the key trends and opportunities in China's hospitality industry.

- *Industry consolidation and increasing hotel chain penetration rate.* Currently, China's hospitality industry still has a relatively low hotel chain penetration rate. A trend of industry consolidation is likely to emerge as hotel chains expand their scale of operation through mergers and acquisitions. In addition, increasing numbers of independent hotel operators will likely choose to join hotel chains, through franchise or manachise arrangements, to benefit from greater customer traffic, brand reputation and risk resilience. As a result, the number of small-scale independent hotel operators will decline. The hotel chains increased with a CAGR of 15.2% from 2015 to 2019 in terms of number of hotel rooms while the independent hotel segment recorded a CAGR of 0.7% during the same period. Based on such favorable industry trends, the penetration rate of hotel chain operation in China's hospitality industry is anticipated to further increase.
- *Hotel offerings integrated with diversified value-added services and facilities.* Leading hotel chain brands pay more attention on the customer experience and brand marketing by offering value-added services and facilities such as launching themed hotel like e-sports, hotel brand collaborations with other fashion brands, launching online platforms for hotel lifestyle products retailing, offering branded catering service in the hotels, etc. As customers become more focused on their overall lodging experience, diversified value-added services and facilities that are fully integrated with traditional hotel offerings have become an emerging market trend in China's hospitality industry.
- *Continuous new retail penetration and retail experience upgrading in upper midscale hotel segment.* There's an emerging trend in upper midscale hotel chains with increase in new retail penetration and upgrade in personalized retail experience. As consumers nowadays are constantly on the hunt for products that are tailored to their needs, branded hotel chains in China are putting more emphasis on the retail business of branded travel and accommodation products by leveraging their exquisite hotel space, brand reputation and excellent accommodation experience through multiple retail channels such as on-site giftshops and online branded flagship stores. Branded hotel products retailing are becoming an important link between hotel brands and their customers. As a traffic entrance of consumers who value brand and shopping experience for upper midscale hotels, new retail penetration in upper midscale hotels with flexible retail scenarios and personalized retail experience is estimated to become a trend and an opportunity for upper midscale hotels to continuously invest resources and build brand perception.
- *Increasing market and consumer recognition of lifestyle hotel living experience.* Lifestyle hotels are those emerging upper midscale to luxury hotel chain brands that embrace unusual and locally inspired design and architecture and a high level of technology. In lifestyle hotels, more attention is given to providing a series of unique and vibrant gathering places where guests can interact outside their hotel rooms. Additionally, a lifestyle hotel offers more personalized services that are ancillary and focused on wellness and life enrichment. Customers can join exclusive membership programs offered by lifestyle hotels that are tailored to the unique demographics of their brands' membership base. With the rise of the Millennial Generation, the hospitality industry is witnessing new behavioral tendencies reflecting travelers' inclination to explore hotel properties beyond the seclusion of their bedrooms, with a shifting emphasis on the uniqueness and lifestyle offerings in hotel public areas. Therefore, the lifestyle hotel living experience delivered by those lifestyle hotel chains is expected to be further recognized by consumers in the coming years. By the end of 2020, there were approximately 138.2 thousand lifestyle hotel rooms in China. (Total number of lifestyle hotel rooms refers to hotel rooms in operation of lifestyle hotel brands operated by hotel chains with at least three lifestyle hotels.)

The total number of rooms in the lifestyle hotel market in China is expected to achieve a CAGR of over 20% from 2021 to 2025.

- *Consumption upgrades and consumer preference transformation in China's hospitality industry.* Along with the increasing consumption power of consumers and the young generation has becoming the main power of consumption, hospitality industry in China has shifted from budget-friendly preference to value for personalized experience of travel accommodation. Hotels, especially those upper midscale hotels, are gradually regarded as not only a space for resting at night but also a living space for relaxing and social connection by consumers nowadays. Such changes of consumer preference for hotel and travel accommodation are expected to continuously propel the consumption upgrades and structural evolutions of China's hospitality industry where upper midscale hotels are expected to influence the ongoing consumption upgrades and are likely to gain more market shares in the following years.
- *More emphasis on loyalty program and direct sales.* More and more leading hotel chains are developing their own loyalty programs nowadays, which are considered as one of the most important hotel management tools to enhance hotel brand recognition and drive direct sales. In addition, loyalty programs enable hotel operators to establish their own user database with detailed and amplified profiles of customers, allowing hotel operators to analyze customers' preferences, interests and spending behavior. Insights into customers provided by loyalty programs also make data-driven optimization of hotel operation more feasible and reliable.
- *Continuous brand diversification along with personalized hotel demands.* Along with the increasing diversified and personalized demands of hotel customers, a bunch of leading hotel groups have launched "Brand Diversification Strategy" that operates various levels of hotel brands with differentiated brands positioning to meet the personalized demands of hotel customers.
- *Increasingly digitalized hotel operations.* Technology-empowered hotel operation has become an emerging trend and has been gradually adopted by leading hotel groups in China in recent years. New technologies such as artificial intelligence and cloud computing can collect and analyze customers' preferences and help hotel operators enhance guests' experience and attract revisits. Other new technologies such as self-check-in/-check-out system, AI-assistant-embedded hotel mobile apps and smart robots adopted by some leading hotel groups substantially improve consumer experience during stays. Due to the demonstrable benefits experienced by those leading hotel groups, technology-empowered hotel operation is likely to be widely adopted throughout the industry.

## **IMPACT OF COVID-19 ON CHINA'S HOSPITALITY INDUSTRY**

During the COVID-19 outbreak, most of the hotel groups in China had suffered adverse impacts with significant year-to-year decrease in revenues and net operating cash inflow as a result of social-distancing and disease control and quarantine measures, significantly reduced levels of business and leisure travels, and closure of hotel operations. However, those hotel groups that mainly adopt franchise and management ("F&M") business model generally show strong recovery and resilience from the impacts of COVID-19 as F&M model is less cyclical than leased and owned ("L&O") model as the economics are driven purely by a fee off the top line.

Following the Chinese government's effective control of the pandemic and the recovery of the travel industry and consumer confidence in general, China's hospitality industry had substantially recovered in the fourth quarter of 2020, as demonstrated by an occupancy rate of 50.5% and RevPAR of RMB152.7, which were generally closer to the overall performance of China's hospitality industry in 2019. In particular, the upper midscale hotel market had achieved an occupancy rate of 66.6% and RevPAR of RMB248.0 in the fourth quarter of 2020. The revenue of hotel chains in China is expected to reach RMB759.8 billion in 2025, representing a CAGR of 11.0% from 2021 to 2025.



The following are the major changes brought by COVID-19 to China's hospitality industry.

- *Large-scale hotel chains tended to be more resilient than independent hotels.* Hotel chains have better brand recognition and more capital resources, and thus are more resilient during the pandemic. The number of independent hotels dropped by 15.3% in 2020 compared with 2019, while the number of chained hotels increased by 9.0%.
- *Rising demands on hygiene and safety measures.* COVID-19 has reinforced guests' awareness of and demand for safety and hygiene when choosing hotel brands. Leading hotel chains, which have better brand images, more stringent daily procedures for sanitation, and quicker response to guests' needs, are better positioned to gain trust from guests. In return, their occupancy rates tend to rebound faster.
- *Accelerated application of innovative technology in hospitality industry.* In response to the demand for social distance, hotels with more advanced technologies (such as deployment of smart robot services and contact-free check-in/check-out services) are more adaptable to the growing hygiene demands of customers and thus tend to recover more quickly from COVID-19.

## COMPETITIVE LANDSCAPE OF CHINA'S HOSPITALITY INDUSTRY

### Key Market Participants

China's upper midscale hotel market is relatively concentrated in a limited number of major players. The number of upper midscale hotel rooms of top five hotel groups in China accounted for approximately 31.8% of total upper midscale hotel rooms. Our Atour Hotel brand was the largest upper midscale hotel brand in terms of number of hotel rooms in China as of the end of 2020.

**Top Five Hotel Groups in terms of Upper Midscale Hotel Room Number (China), 2020**

Ranking	Hotel Group	Background and Identity	Total Number of Hotel Rooms in China (2020)	Market Share (2020)
			Thousand Unit	%
1	The Group	N/A	58.0	9.4%
2	Company B	Established in 2005 in Shanghai, China, Company B is a listed domestic hotel group on NASDAQ and HKEX.	43.3	7.0%
3	Company A	Established in 1974 in the U.S., Company A is a listed international hotel group on NYSE.	36.7	5.9%
4	Company D	Established in 1919 in the U.S., Company D is a listed international hotel group on NYSE.	31.6	5.1%
5	Company C	Established in 1999 in Beijing, China, Company C is a listed domestic hotel group on Shanghai Stock Exchange.	27.4	4.4%
Top 5			197.0	31.8%
Others			421.1	68.2%
Total Upper Midscale Hotel Rooms			618.1	100.0%

Source: Frost & Sullivan Report

Note: Total number of the Group's upper midscale hotel room does not include rooms under Atour Light, which is a midscale hotel brand, or rooms under Atour S, which is an upscale hotel brand.

With approximately 62.8 thousand hotel rooms in China as of the end of 2020, we were the largest lifestyle hotel brand in China in terms of number of hotel rooms in 2020, accounting for approximately 45.4% of market share in 2020.

**Top Five Hotel Groups in terms of Lifestyle Hotel Room Number (China), 2020**

Ranking	Hotel Group	Background and Identity	Total Number of Hotel Rooms in China (2020)	Market Share (2020)
			Thousand Unit	%
1	The Group	N/A	62.8	45.4%
2	Company F	Established in 1927 in the U.S., Company F is a listed international hotel group on NASDAQ.	29.8	21.6%
3	Company B	Established in 2005 in Shanghai, China, Company B is a listed domestic hotel group on NASDAQ and HKEX.	8.7	6.3%
4	Company G	Established in 2006 in Hangzhou, Zhejiang province, Company G is a non-listed domestic hotel group.	4.8	3.5%
5	Company H	Established in 1957 in the U.S., Company H is a listed international hotel group on NYSE.	2.1	1.5%
	<b>Top 5</b>		<b>108.2</b>	<b>78.3%</b>
	<b>Others</b>		<b>30.0</b>	<b>21.7%</b>
	<b>Total Number of Lifestyle Hotel Rooms</b>		<b>138.2</b>	<b>100.0%</b>

Source: Frost & Sullivan Report

Note: Total number of lifestyle hotel rooms refers to hotel rooms in operation of lifestyle hotel brands operated by hotel chains with at least three lifestyle hotels. Total number of the Group's lifestyle hotel rooms does not include rooms under Atour Light, which is a midscale hotel brand.

**Key Entry Barriers**

New market entrants to the hospitality industry will encounter a number of barriers, especially along with their expansion in scale, including those relating to:

- *Brand awareness and loyalty program.* Brand awareness influences customers' choice of hotels as customers may prefer an established and well-known brand for better staying experience. The recognition of brand is highly dependent on the quality of services and amenities, attractiveness of locations, availability of transportation, marketing strategies, and pricing, among others. Customers also tend to refer to their dedicated loyalty program as a prior choice. Meanwhile, with large number of data generated from loyalty members, hotel groups can continuously upgrade their brands and introduce new brands based on customer preference. New entrants to the hospitality industry without an established reputation in the industry are required to spend substantial time and capital to build up brand awareness and loyalty programs that are competitive to those of the existing market players.
- *Operational experience, management capability and corporate culture.* The operation of hotel business is complex and requires abundant operational experience, advanced management capability and customer-centric corporate culture, which includes service standard and operational requirements in order to ensure services quality. While existing hotel groups usually have established experienced management teams that have in-depth knowledge, abundant operating experience in the hospitality industry and a strong customer-centric culture, it would be difficult for new entrants who lack industry experience to react quickly to customers' changes in hotel preferences.
- *Technology barrier.* Technology infrastructure of the hotel group is designed to ensure the operational efficiency and profitability of the hotel group. Large-scale companies in the hospitality industry have already developed technology infrastructure that covers every key aspect of hotel operations, which can achieve economies of scale that is difficult to achieve for independent hotel operators. Hotels with more advanced technologies are more adaptable to the rising demand of customers and tend to recover more quickly after the COVID-19 pandemic. Developing technology infrastructure requires significant investments and strong R&D capabilities, which sets an entry barrier for new entrants to the hospitality industry.

- *Initial expenditure and recurring working capital requirements.* Initial capital is essential for participants in the hospitality industry as new set-up investment on self-owned or rental property, renovation cost, equipment cost and staff recruitment cost are required upfront, while the return on investment takes years. The hospitality industry also requires recurring working capital for staffing expenses, maintenance of fixed assets and rental expenses. Therefore, for small and medium-sized enterprises with limited financial resources, the lack of initial expenditures and limited working capital constitutes one of major entry barriers.

## BUSINESS

### OVERVIEW

Setting out as an upper midscale hotel chain group, we are now a leading lifestyle brand in China.

### How We Started

On the picturesque bank of the Nu River running through the far western edge of the Yunnan province of China, lies *Yaduo*, a small, remote village wrapped in a blanket of peace and calm, that our founder visited on a spontaneous summer trip in 2012. The smiles that everyone wore on their faces and everything one experienced in this time-forgotten place not only provided a respite from the often hectic routine of the jam-packed everyday lives, but also led one to take a moment to rethink about what happiness truly was—a feeling that was often conflated with economic success.

These memories remained imprinted in our founder's mind and inspired him to break the stereotypes of travel and lodging by building hotel spaces with rich lifestyle offerings and unique guest experiences. In 2013, we opened our first hotel and named it after the *Yaduo* village. Today, our hotel brand is synonymous with what our founder set out to create. With 608 hotels across China and our expanding lifestyle offerings, we believe our Chinese brand name *Yaduo* represents our ways of pioneering the hospitality industry in China and what we uphold as the pinnacle of our success.

### What Makes Us Different

We are the largest upper midscale hotel chain in China in terms of room number as of the end of 2020, according to Frost & Sullivan. Through our hotel network, loyalty program and data and technology capabilities, we have been tirelessly exploring new possible ways to set the new trends for China's hospitality industry and expand our offerings beyond our hotels. We distinguish ourselves from our peers in the following aspects:

- *Hotel network with a distinct portfolio of lifestyle brands.* We offer our guests a diversified collection of lifestyle hotel brands, each created with a unique personality under the unified ethos of inclusivity and presence of humanness. As of March 31, 2021, our hotel network covered 608 hotels spanning 131 cities in China, with a total of 71,121 hotel rooms, including 575 managed hotels with a total of 66,267 managed hotel rooms, in addition to a pipeline of 299 hotels with a total of 32,825 rooms under development. Our guests can book a stay with us and access our rich product and service offerings through offline and online channels, including our mobile app and Weixin/WeChat mini program.
- *"A-Card" loyalty program with strong customer stickiness.* We built our *A-Card* loyalty program to enhance our engagement with guests and provide them with a unique and personalized experience. As of March 31, 2021, our *A-Card* loyalty program had amassed more than 25 million registered individual members. In 2020, approximately 44.7% of our room-nights were sold to our *A-Card* members.
- *Proprietary data and technology capabilities.* To provide our customers with personalized services and products, we have developed a comprehensive digital management system, which improves customer experience and operational efficiency in room reservation, room management, pricing and membership benefits. We use our data technology to identify market trends and inform our hotel management decisions, and make our hotel services and retail products more relatable to customers through seamless integration into our rooms and other consumption scenarios throughout our hotels.

In addition, we are the first hotel chain in China to develop a scenario-based retail business, according to Frost & Sullivan. We design our guest room amenities, work closely with manufacturers to

deliver top-quality products, and carefully place the relevant products in guest rooms. Each of our guest rooms incorporates a fully immersive shopping destination, enabling us to strengthen our brand elasticity with our guests. As of March 31, 2021, we had developed a total of 1,136 SKUs for scenario-based retail. The GMV generated from our retail business was RMB82.8 million and RMB107.2 million for 2019 and 2020, respectively, representing a year-over-year increase of 29.5%, and reached RMB32.6 million for the three months ended March 31, 2021. In 2020, the average transaction value per room reservation reached RMB517.5 for our scenario-based retail business.

We mainly use the manachise model to expand our hotel network in a less capital-intensive manner. We also lease the properties of the hotels we operate. As of the March 31, 2021, we had 33 leased hotels and 575 manachised hotels. The number of our manachised hotels grew at a CAGR of 86.2% between 2015 and 2020.

## Market Opportunities

Driven by China's continuous and fast economic growth and strong demand for domestic travelling, China's hospitality industry, especially hotel chains, has experienced steady growth in the past few years and witnessed the following key trends.

- *Increasing hotel chain penetration rate.* The total number of rooms offered by hotel chains increased with a CAGR of 15.2% from 2015 to 2019. Meanwhile, the hotel chain penetration rate remained at 31.5% in China's hospitality market in 2020, much lower than the average hotel chain penetration rate of 41.9% in the world market and the penetration rate of 72.9% in the more mature U.S. market. The penetration rate of chained operation in China's hospitality industry is anticipated to further increase.
- *Consumption upgrades and consumer preference transformation.* In line with continuous consumption upgrades, hoteliers in China have seen a rising demographic of young, discerning travelers who demand creative, elevated yet approachable class of hotels designed to surpass customer expectations in personalized ways. This favorable industry trend has been driving more customers to choose leading hotel brands that are capable of offering a diverse range of compelling products and services across scenario-based shopping, entertainment, culture, food and other lifestyle spheres.

## OUR STRENGTHS

### The No.1 upper midscale hotel chain in China with a diversified brand portfolio

We are the largest upper midscale hotel chain in China in terms of room number as of the end of 2020, according to Frost & Sullivan. For each year between 2017 and 2020, we were consistently ranked No. 1 on China's Upper Midscale Hotel Chain Leaderboard by China Hospitality Association.

As of March 31, 2021, our hotel network covered 608 hotels spanning 131 cities in China, with a total of 71,121 hotel rooms. As of March 31, 2021, we had a total of 119 hotels located in Tier 1 cities and 367 hotels located in New Tier 1 and Tier 2 cities. Our strong hotel development pipeline will further enhance our market leadership. As of March 31, 2021, we had a total of 299 hotels with 32,825 hotel rooms under development.

We offer a diversified portfolio of hotel brands including Atour, Atour S, Atour X, Atour Light, ZHOTEL and A.T. House, covering the entire chain of midscale to luxury hotels with differentiated appeals to a wide range of guests, from discerning business travelers to the rising young population. As an industry pioneer, we are the first hotel chain in China's hospitality industry to offer themed hotels through co-branding cooperation with leading lifestyle brands, according to Frost & Sullivan. As of March 31, 2021, we had a total of 14 themed hotels inspired by trend-setting topics in music, basketball, literature and more. These themed hotels allow us to charge a premium. The average ADR

of our themed hotels reached RMB469.1 for the 12 months ended December 31, 2020, which was 15.4% higher than ADRs of our comparable hotels in the same business area.

### **Highly efficient manachised model delivering high growth and returns**

We adopt a highly efficient manachised hotel operation model to support our rapid growth across China. Our manachise hotel operation model effectively minimizes our capital expenditure during the early stage of hotel development and provides us with steady and sustainable cash return. It also enables us to quickly capture market share, increase the penetration rate of our brands, and protect against cyclical economic fluctuations. As of March 31, 2021, the number of our manachised hotels reached 575, accounting for 94.6% of all our hotels. This number grew at a CAGR of 86.2% between 2015 and 2020.

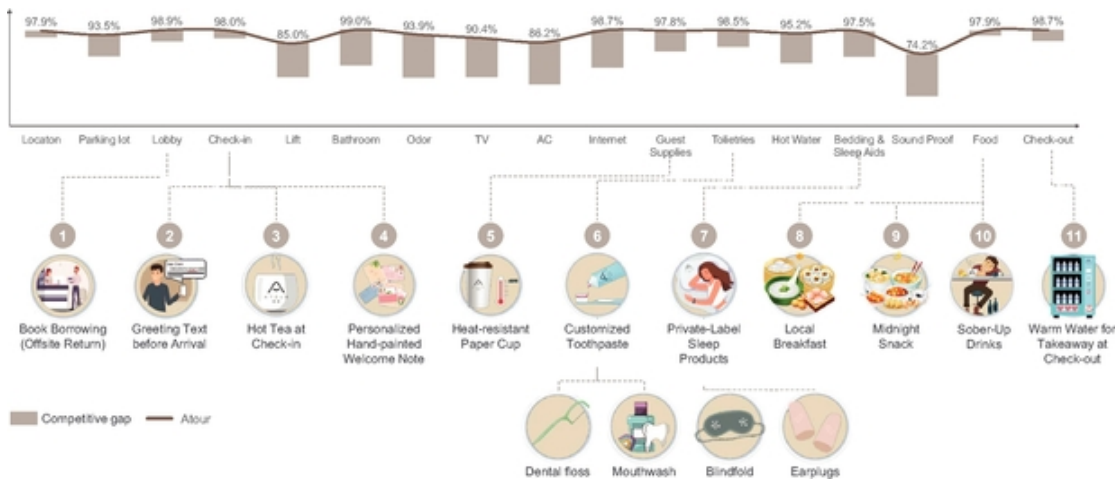
We are able to deliver high growth and financial returns to our franchisee partners, while maintaining consistently high service quality throughout our manachised hotel network. The payback periods for our franchisees are generally between three and five years after opening an Atour branded hotel, which was one of the fastest among all upper midscale hotel chains in China. We are committed to building mutually beneficial relationships with our franchisees. We help them ensure standardized service quality by providing them with easy-to-follow operational know-how and management tutorials. Our franchisees' success and our great value propositions to them bring us more franchising opportunities. In 2020, 31.8% of the franchisees who entered into new franchise and management agreements with us were our existing franchisees.

### **A "standardized" approach to personalized services with a customer-centric culture**

We are committed to providing our customers with personalized services through a set of well-defined standards and procedures consistent from hotel to hotel under each Atour brand. This unique combination of standardization and personalization has won us satisfaction and loyalty from our customers.

According to an independent customer survey conducted by *Brandwisdom*, our overall customer satisfaction rating has ranked at the top among six major upper midscale hotel brands since 2017. As illustrated in the diagram below, in each of the 17 key hotel customer interaction and consumption scenarios identified by *Brandwisdom*, our services received the highest customer satisfaction rating from the respondents to such survey. The high-quality customer experience we offer strengthens our brand reputation and increases our customer stickiness. In 2020, our hotels sold a total of approximately

13 million room-nights, with the repurchase rate, which is the proportion of members who made a second room reservation in the same year, reaching 48.7%.



Source: Brandwisdom

Note:

The x-axis represents each key hotel customer interaction and consumption scenario (the "Customer Touchpoints") as identified by Brandwisdom. The y-axis represents online-travel-agency customer compliment rate, which represents the percentage of positive customer reviews collected by online travel agencies with respect to each Customer Touchpoint. The gray bar under each Customer Touchpoint represents the difference between the highest and lowest online-travel-agency customer compliment rates received by the six leading upper midscale hotel brands, including Atour, for the year of 2020 and the three months ended March 31, 2021. In each of these 17 Customer Touchpoints, Atour received the highest customer compliment rate among such six hotel brands.

Our thoughtfully crafted hotel spaces incorporating locally-inspired designs create a warm and welcoming atmosphere for our attentive service. We decorate the hotel public area and rooms to "invite the city in," with artworks created by local artists and other touches on details to reflect the design vocabulary of the region. The moment they step in our hotels can our guests feel embraced by the charms of local culture.

With advanced service digitalization technology and strong product and service development capability, we are capable of providing personalized services at each of the key guest service touchpoints. We deliver personalized services to our guests by integrating offline scenarios with online tools and technology. Through digitalized tools, we developed the capability to track guests' demands at each service touchpoint to provide personalized services to our guests. For instance, our A-Card members can customize their stays with us and purchase a large selection of lifestyle products in our virtual A-plus service treasure chest. Our Atour mobile app also allows our guests to upload photos and submit reviews about their rooms and experience.

To enhance our control over the quality of our guest experience, we have built a standardized supply chain management system that supports our retail product development in response to evolving customer tastes and demands. Based on direct feedback from our guests and customer-service staff, we design and frequently refine the retail products that our guests can use or buy in our hotels to ensure a most enjoyable guest experience, such as heat-resistant paper cups, soft-bristled toothbrush and memory foam pillows.

Our high-quality guest services are centered around our customer-oriented culture manifest in our various hotel management and operational policies and procedures. On the one hand, we have adopted a set of streamlined yet effective procedures that give our front-line staff the appropriate levels of freedom and discretion to identify and address guests' needs and provide customized services based on

the specific circumstances. On the other hand, our hotel managers and on-site HR representatives are responsible for ensuring that the services provided on the ground meet our standards and procedures. They host daily meeting to discuss the latest guest feedback and address operational issue on the spot. These policies allow us to ensure the flexibility and consistency of our customer service at the same time.

### **Innovative scenario-based retail business with compelling private label product offerings**

We are the first hotel chain in China to establish a scenario-based retail business within hotel properties, according to Frost & Sullivan. Our hotel spaces are purposefully designed to provide a personalized and immersive shopping destination that guides our guest along a personalized shopping journey from discovery to purchase as part of their experience staying at our hotels. Through numerous shopping scenarios and customer entry points embedded in our hotel rooms and public areas, we have gained deep data insights into our customers' preferences to inform our Direct-To-Customer retail business.

Our scenario-based retail business offers customers a wide collection of relevant, high-quality lifestyle products mainly focused on our private labels. As of March 31, 2021, we had a total of 1,136 SKUs, 75.2% of which were private labels designed by us. We have further divided our private labels into three product lines—*aTOUR PLANET*, *SAVHE* and *Z2GO&CO.*, covering a wide range of products from personal care to travel necessities. We believe our private labels reinforce Atour's image as a premium lifestyle brand in its own right, with strong consumer affinity and reputation as a go-to lifestyle hotel in China. The growing private label product offerings embody our deep understanding of customer demands. We use our data technology to identify market trends and inform merchandising decisions, and make our products more relatable to customers through seamless integration into our rooms and other consumption scenarios throughout our hotels. The GMV of our scenario-based retail business increased rapidly with a CAGR of 140.2% between 2016 and 2020. In 2020, revenue generated by our scenario-based retail business accounts for 4.5% of our total revenues, which was higher than retail business revenues generated by other hotel chains in China, indicating strong growth potential of our retail business.

We created a virtuous cycle by expanding our retail business alongside our hotel business—the scenario-based retail business not only enriches our guests' hotel experience, but also provides us with valuable customer feedback that enables us to continuously improve our overall customer experience.

### **Young, loyal and growing customer base served by established direct sales channels**

We have a young, loyal and growing customer base. In 2020, 24.3% and 45.8% of our customers were aged below 30 and between 30 and 40, respectively. Our young customers have strong purchasing power and demand high-quality and unique services. In 2020, customers under 30 contributed to 35.0% of our total gross transaction value, which represents the total value of hotel room nights and retail products sold to our end customers. We expect the younger generations in China continue to rise as a major driver for future consumption of hotel and other lifestyle products, with longer consumption cycle and greater purchasing power.

We cultivate customer loyalty and stickiness through our *A-Card* membership program. As of March 31, 2021, our *A-Card* membership program had amassed more than 25 million registered individual members. Our individual member base has been growing rapidly, with a CAGR of 79.6% between 2015 and 2020 and a CAGR of 113.2% between 2015 and 2020 for registered members under the age of 30. In 2019 and 2020, our individual members contributed 39.3% and 44.7% of total room-night reservations, respectively. Our high-quality guest experience and personalized and innovative membership services lead to a strong brand loyalty among our members. The retention rate among our members, meaning the proportion of the members in the previous year who have made at



least one room reservation in the current year, were 14.8% in 2019 and 19.4% in 2020. In 2020, their repurchase rate, meaning the proportion of members who have made a second room reservation in the same year, was 48.7%.

Our effective direct sales channels and strong sales and marketing capabilities reduce our reliance on online travel agencies and improve our cost efficiency. In addition to our *A-Card* membership program, we have developed a mobile app and Weixin/WeChat mini program so that customers can conveniently make room reservations with us directly through a simplified process. In 2019 and 2020, room-nights generated through OTA channels only accounted for 22.8% and 19.9% of our total room-nights.

### **Comprehensive technology infrastructure supporting quality customer experience and efficient operation**

We focus on digitalizing our business to further cater to customer demands and enhance customer experience. Our virtual *A-plus* service treasure chest enables us to provide personalized membership services. It allows our customers to purchase and redeem a variety of *A-plus* service products with cash or points through our mobile app. In addition, we digitalize our membership benefits to allow our members to easily share their benefits and privileges with their families and friends, which further facilitates customer referrals and enhance our brand reputation. We further apply big data technology to analyze individual customer requests and reservation patterns to better understand their changing tastes and demands. These technology capabilities, combined with our personalized on-site hotel services, further enhance our value propositions to both our customers and franchisee partners.

We were one of the first hoteliers in China's hospitality industry to adopt a fully cloud-based digital management system. Guided by Internet thinking and leveraging advanced cloud and big data technology, we have developed a comprehensive digital management system, which improves customer experience and operational efficiency from the perspectives of room reservation, room management, pricing and membership benefits. Our integrated technology infrastructure consists of:

- *Revenue management system (RMS)*. Our fully automated RMS predicts the occupancy rates for all our hotels for the next 30 days based on historical data, room rates of our competitors in the same geographic area, seasonal trends and other factors. It also automatically optimizes ADRs, without the need for constant manual adjustments, to maximize our net revenues.
- *Central reservation system (CRS)*. We have adopted a cloud-based, real-time CRS available 24 hours a day, seven days a week. Our CRS is fully integrated with all of our booking channels, including our Atour mobile app, Weixin/WeChat mini program, third-party platforms and online reservation partners. This effectively allows us to manage inventories, prices and reservations instantly across all major channels and greatly improves our operational efficiency.
- *Property management system (PMS)*. Our PMS enables each of our hotels to accurately and cost-effectively manage its room inventory and reservations on a real-time basis, which in turn optimizes each hotel's occupancy rate, ADR and RevPAR.

### **Visionary and seasoned management team**

Our founder and senior executives have extensive experience in terms of operational management, business and strategic development, and innovations in the hospitality industry. Each of our senior executives has more than a decade of experience in hospitality industry or related fields.

Our founder, chairman and chief executive officer, Mr. Haijun Wang, is a respected industry veteran in China's hospitality sector and was recognized as a leader in various industry leadership lists, including the List of the Most Innovative Business Figures in China, the List of 40 Leaders of China's Hospitality Industry within the Past 40 Years, the List of the Most Innovative Figures in China's Travel

Industry. He created our brand and spearheads our growth into a leading lifestyle hotel brand that marries the uniqueness of boutiques with the efficiency and consistency of large chains. Before founding Atour, Mr. Wang served as the executive vice president of China Lodging Group, Limited, currently known as Huazhu Group Limited. Our chief financial officer Rui Zhao joined us in 2016 and has more than a decade of finance and accounting experience. Our vice president Hsueh Chun Tang joined us in 2018 and has extensive experience in marketing and branding. Our management team shares a passion for bringing innovations to China's hospitality industry and building new lifestyle brands around hotel offerings. This shared passion has fostered a corporate culture that values innovation and professionalism, attracting a deep talent pool to join our team to drive our future growth and success.

## **OUR STRATEGIES**

Setting out as an upper midscale hotel chain group, we are now a leading lifestyle brand in China, by consistently providing personalized services and tirelessly expanding the boundary of our offerings. We intend to achieve this goal by pursuing the following strategies.

### **Further expand our premium hotel network in China**

Building on our brand reputation and operational capabilities, we plan to further expand our hotel business across China with new leased and manachised hotels in attractive locations.

We plan to focus on expanding our presence in premium locations in Tier 1, New Tier 1 and Tier 2 cities and in the downtown areas of lower-tier cities in China. To satisfy Chinese travelers' increasing demand for midscale to upper midscale hotels with rich lifestyle offerings, we aim to open new leased flagship Atour hotels in various brand tiers in strategically selected locations in Tier 1, New Tier 1 and Tier 2 cities and to further expand our high-quality manachised hotel network to rapidly scale up our business.

As we continuously expand our hotel network, we expect to continue to maintain our stringent selection standards for franchisees and conduct rigorous quality controls to ensure the service quality across our manachised hotels. Maintaining our brand image and service quality is expected to remain the key premise for every step of our future business expansion.

### **Strengthen our hotel brand portfolio and expand our offerings**

We plan to continue to cultivate our lifestyle brand offerings centered around our unique hotel brand portfolio. With a deep understanding of our guests' changing needs and preferences, we aim to further increase our brand awareness in the mid-to-upscale hotel market to further grow our high-quality customer base.

We intend to diversify our hotel offerings inspired by local culture and characteristics and open new themed hotels. In addition to cooperation with leading lifestyle brands around the world, we plan to develop our own themed hotel brands by leveraging our unique ability to combine rich content and lifestyle offerings with travel and lodging experience.

To support our efforts to diversify hotel brand and other lifestyle offerings, we also plan to further enhance our supply chain management capabilities to ensure the quality of our hotel development and operating supplies, which are the backbone of our ability to deliver consistent high-quality services and compelling customer experience.

### **Bolster our scenario-based retail offerings to enhance customer engagement and monetization**

We distinguish ourselves from our competitors by our ability to seamlessly integrate our scenario-based retail business with our hotel offerings, making each of our hotel a unique shopping destination for our guests.

We aim to further expand our scenario-based retail business and drive our customer conversion and repurchases by innovatively integrating shopping into various offline scenarios in our hotels. We intend to create more shopping scenarios seamlessly embedded in our guests' hotel experience where they can have the first-hand experience with our thoughtfully designed products. With easy online access through our mobile app and Weixin/WeChat mini program, we aim to make it more convenient for them to purchase what they used and liked during their stay.

To grow our retail business, we plan to further develop our private labels of retail products and enrich our product SKUs. At the same time, we plan to continue to implement rigorous quality control and invest in product development to accurately and quickly predict and address changing customer needs.

With a growing retail product offering, we aim to further diversify our product distribution channels by improving our self-operated online retail platform, while continuing to work with leading third-party online e-commerce platforms. We believe this will allow us to offer our guests a fully integrated experience with hotel stays and online shopping all in one destination.

### **Expand membership base and strengthen the lifestyle-centric ecosystem around our hotel offerings**

We engage with our Atour member family through various digital and personalized tools and privileges offered by our *A-Card* loyalty program. We intend to continue to convert more guests into our *A-Card* members through our compelling customer experience and new membership services. We also plan to increase our members' stickiness through continuous innovations to drive customer experience, particularly through seamless combination of the unique content and lifestyle offerings at our hotels and our growing scenario-based retail offerings.

Around our unique hotel offerings and growing membership base, we intend to continue to foster a lifestyle-centric ecosystem through working with our business partners. For example, we plan to engage more third-party service and supply chain partners, who are expected to help us enrich our SKUs in retail business. We also plan to work with more leading lifestyle and cultural brands around the world to diversify the content and lifestyle offerings of our themed hotels, which we believe provides us with access to a more diverse audience and potential customers.

To complement our organic growth, we may also pursue selective acquisition of businesses that fit well into our lifestyle brand strategy, including hotels and other lifestyle brands that can diversify our brand matrix and optimize our lifestyle-centric ecosystem.

### **Continue to invest in technology and strengthen our data insights**

We plan to improve our data analytics through the application of cloud computing, big data and artificial intelligence technologies to our day-to-day hotel management and customer engagement. We believe that continuous investments in technology will allow us to further digitalize our operations and better understand customer needs, thereby further improving our operational efficiency and customer experience.

We have established a cloud-based digital management system and plan to continuously upgrade its functions and technology infrastructure to further reduce management costs and improve our operational efficiency as we continue to expand our hotel network across China.

One of our key value propositions is our ability to know what our guests want and when they want it. To this end, we plan to continue to improve our data insights based on in-depth analysis of relevant customer behavioral data to better predict and address the needs of our returning and new guests. Through continuous investments into big data technology, we believe we will be able to serve our guests more effectively and develop a deeper connection with them through personalized services, identifying and addressing their unique needs in every aspect of their stay with us, including room reservation, pricing management, and membership services. In addition, we plan to further expand the application of smart home technologies in our hotel rooms to provide a more personalized and comfortable experience to our guests.

#### **THE ATOUR EXPERIENCE—HOSPITALITY REIMAGINED**

When we built the first Atour hotel back in 2013, our founder decided to part ways with the prototypical, monotonous hotel chains and reimagine what hospitality truly means to the young generations in China. Inspired by the aesthetic, uniqueness, intimacy, and independent spirits offered by boutiques, we throw in those advantages that were once only achievable by an international chain—ubiquity, accessibility, consistency, efficiency, and economies of scale. This summarizes the philosophy behind the creation of Atour hotels and the path we design for Atour's future—a leading and pioneering lifestyle brand in China centered around hotel offerings. In our vision, Atour not only offers a place to stay, but aims to redefine hospitality in China by making hotels a gateway to a rich selection of lifestyle offerings that allow guests and their loved ones to relax, enjoy, interact and share.

At Atour, hospitality is not just about the rooms and amenities—rather, it is all about anticipating and responding to what the new generation of lifestyle consumers are calling for from their stay with us, and every time, with targeted appeal for the multi-dimensional experience and shared values they constantly seek.

We believe the unique Atour experience is underpinned by three pillars—the creative hotel space, the "standardized" personalized guest services, and the lifestyle offerings that make Atour more than just a hotel brand.

#### **Creative Space Built By and For the Creative Class**

The Atour experience starts with our dynamic hotel space with identities.




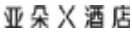

We purposefully design and operate individually conceived lifestyle hotel brands that cater to diversified audiences, with a common thread of brand hallmarks that deliver a locally inspired, neighborhood boutique yet consistently enjoyable experience. As of March 31, 2021, we had developed five lifestyle hotel brands, with a new luxury hotel brand expected to launch in June 2021, covering the entire chain of midscale to luxury hotels with differentiated appeal to a wide range of guests, from discerning business travelers to the rising Generation-Z population.

Each Atour hotel brand has its own unique personality under the unified ethos of inclusivity and presence of humanness. Across all our brands, we are dedicated to offering every guest a unique, memorable experience, combining the idiosyncratic design and personalized services associated with boutique hotels with the peace of mind and consistency from staying with the world's largest hotel chains.

We operate our hotel brands under lease and "manachise" models. Under the lease model, we design, build, and operate hotels located on leased premises. Under the "manachise" model, we manage hotels through the on-site hotel managers and HR representatives we appoint to each hotel

and collect fees from franchisees. For a detailed discussion of our hotel network operated under lease and "manachise" models, please refer to "—Hotel Development and Hotel Management."

The following table sets forth the key information about each of our hotel brands.

Brand	Positioning	As of March 31, 2021					Percentage of Total Rooms
		Cities	Properties		Rooms		
			Manachised	Leased			
 <b>Atour (Flagship)</b>	Upper midscale	129	502	21	60,930	85.7%	
 <b>Atour S</b>	Upscale	13	22	11	5,188	7.3%	
 <b>Atour Light</b>	Midscale	23	44	1	4,203	5.9%	
 <b>Atour X</b>	Upper midscale	6	6	—	693	1.0%	
 <b>Z:OTEL ZHOTEL</b>	Upscale	1	1	—	107	0.2%	
<b>Total</b>		—	575	33	71,121	100.0%	

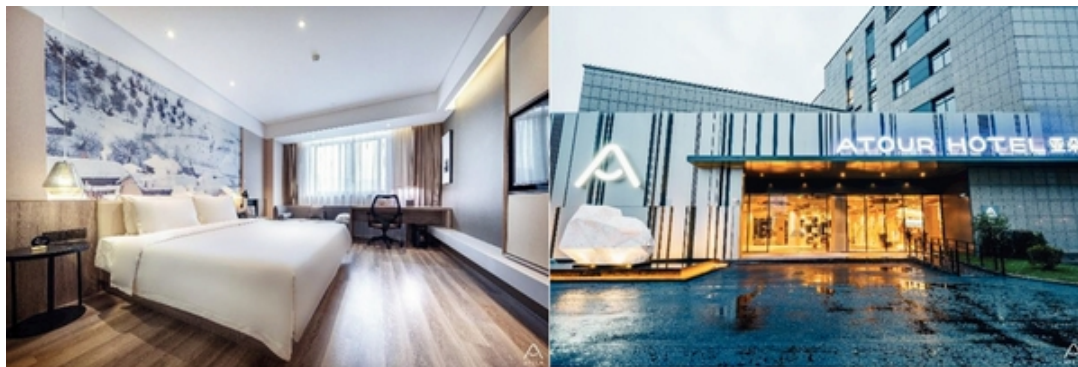
#### *Atour Hotel—A timeless classic*

At the heart of our hotel network is Atour Hotel, a timeless classic that we proudly call the Atour flagship brand. Atour Hotel represents an upper midscale hotel brand, designed for quality-conscious travelers who seek layers of customer experience that mixes comfort with a stylish vibe. With the debut of the first Atour Hotel in Xi'an in 2013, today our flagship brand spanned 129 cities across China as of March 31, 2021, mainly located in Tier 1, New Tier 1 and Tier 2 cities and premium commercial districts in the downtown areas of lower-tier cities in China, with an ADR of RMB379.5 in 2020.

Atour Hotel features tasteful, locally-inspired designs. Our spacious guest rooms typically have an area of approximately 25 square meters, with some as large as 35 square meters. These rooms are thoughtfully decorated to "invite the city in," with artworks created by local artists and other touches on details that reflect the design vocabulary of the region, bringing guests closer to the neighborhood they are staying in. The public area in an Atour Hotel typically has an area of 400 square meters and houses standard amenities, including on-premise restaurants offering local breakfast, laundry room, and fitness room. In addition, we also operate a library that opens 24/7—a space that we call the "cultural epicentre" of the property, allowing our guests to relaxingly discover the roots in the culture and attitude of the city they are visiting.

As of March 31, 2021, we had 523 Atour Hotels in operation with a total of 60,930 guest rooms. As of the same date, we also had 239 Atour Hotels under development with a total of 26,594 guest rooms.

The following pictures demonstrate the exterior and interior designs and features of an Atour Hotel.



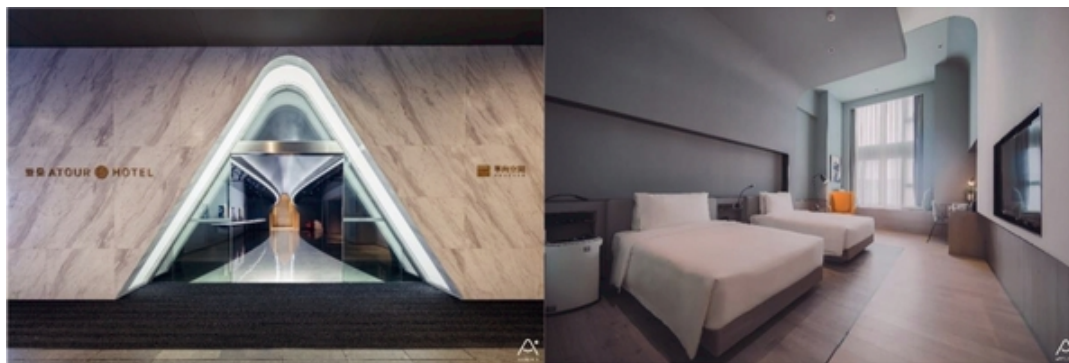
***Atour S Hotel—An upscale upgrade***

We position Atour S as an upscale hotel brand that primarily serves high-end business and leisure travelers. It offers the same inspiring experience of a standard Atour Hotel, only better. We first introduced the Atour S brand in 2016. Since then, its network had been expanded to cover 13 cities across China as of March 31, 2021, mainly located in premium commercial districts in the downtown areas in Tier 1, New Tier 1 and Tier 2 cities in China, with an ADR of RMB516.8 in 2020.

Loyal to the best elements of local designs and cultures, Atour S is committed to setting the standard for a fully upgraded customer experience for any discerning travelers, with more spacious and meticulously designed rooms and top-quality amenities. Guests rooms typically have an area of 27-30 square meters, and public area typically have an area of 800-1,000 square meters, much larger than that in a traditional Atour Hotel.

As of March 31, 2021, we had 33 Atour S Hotels with a total of 5,188 guest rooms. As of the same date, we also had 23 Atour S Hotels under development with a total of 2,973 guest rooms.

The following pictures demonstrate the exterior and interior designs and features of an Atour S Hotel.



***Atour Light—Great for value***

Atour Light is our midscale hotel brand with a cheerful spirit, primarily catering to young urban travelers seeking the best value and experience. We first introduced the Atour Light Hotel in 2016, and since then its footprint had been expanded to cover 23 cities across China as of March 31, 2021. Our Atour Light hotels currently are mainly located in Tier 1, New Tier 1 and Tier 2 cities and premium

commercial districts in the downtown areas of lower-tier cities in China, with an ADR of RMB374.8 in 2020. With the penetration of Atour Light into more lower-tiered cities in the future, we expect that the ADR of our Atour Light hotels will decrease to approximately RMB300.

The public area in Atour Light Hotels is thoughtfully designed to be a dynamic multi-use space. Approximately 25% larger than the public area in a standard Atour Hotel, it can be used as a buffet restaurant in the morning, a lounge in the afternoon for casual talks and working on laptops, and a bar at night for guests to relax. Designed to serve as a vibrant social hub, such public area is open to the local community. We also offer compact and design efficient guest rooms that are smaller than those in a standard Atour Hotel, yet with the same uncompromised comfort like all other Atour brands. In addition, guest rooms are designed to be technology-friendly that allow efficient control of lighting, air conditioning and guest services through intuitive touch panel interfaces.

As of March 31, 2021, we had 45 Atour Light Hotels in operation with a total of 4,203 guest rooms. As of the same date, we also had 27 Atour Light Hotels under development with a total of 2,242 guest rooms.

The following pictures demonstrate the designs and features of an Atour Light Hotel.



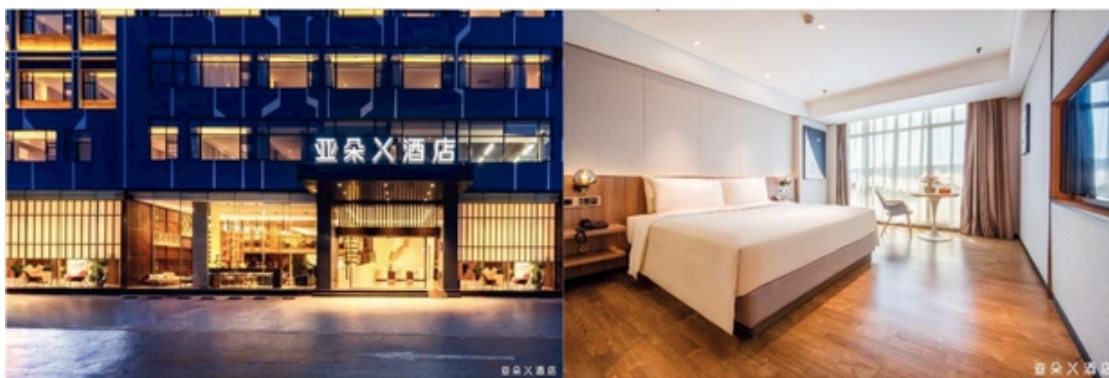
### ***Atour X Hotel—A characterful departure from the standard***

Atour X Hotel is our upper midscale hotel brand, created by converting existing boutique hotel properties on the market into "Atour" hotels adhering to the same standards of services and offerings, while maintaining its original design elements. We first introduced the Atour X brand in September 2020. As of March 31, 2021, it could be found in six cities across China, with an ADR of RMB419.7 in 2020.

The birth of Atour X Hotels marked our commitment to further expand in the upper midscale hospitality market. We keep the flavorful and diversified design of the existing hotel properties, while applying our uniform service standards to ensure service quality and consistency.

As of March 31, 2021, we had six Atour X Hotels with a total of 693 guest rooms. As of the same date, we also had seven Atour X Hotels under development with a total of 611 guest rooms.

The following pictures demonstrate the exterior and interior designs and features of an Atour X Hotel.



***ZHOTEL—An energizing sense of youth and self-expression***

ZHOTEL is a new upscale hotel brand launched in September 2020, custom-made for the rising Generation-Z guests. Its brand concept incorporates our deep understanding of the young travelers' inclination to explore the premises beyond the seclusion of their guestrooms, shifting the emphasis to sensory environments that provide more than just a stereotypical hotel experience. We unveiled the first hotel under our ZHOTEL brand in 798 Art District, Beijing, an iconic and diverse neighborhood, and plan to open two new hotels in Shanghai in 2021. The hotel under our ZHOTEL brand had an ADR of RMB578.2 in 2020.

Under our ZHOTEL brand, we create an organic space where stylish rooms, vibrant lounges, innovative cocktails, novel cuisine, trendy music, original art, and lifestyle shopping are all combined in one destination, encouraging our young guests to immerse themselves in a lively and happening place. ZHOTEL is not just a hotel for the young generation, but a destination in itself.

Guest rooms have been completely redesigned to offer segmented zones for relaxation and inspiration. Each room features an originally designed turntable and a selection of vinyl records. For Generation Z, complimentary Wi-Fi is not nearly enough. Each room is also equipped with an AI-powered smart home assistant that controls everything in the room at guests' command. ZHOTEL encourages guests to express themselves, for example by allowing guests to create their own curated music playlist and share it in the public area. The public area, which we call "Z Hub," is more spacious than that in a standard Atour Hotel. Z Hub features an unmanned reception with automatic check-in, state-of-the-art smart robots that deliver room services, and innovative restaurant. Z Hub also comes with an event space for creative workshops and social gatherings, as well as a unique retail space—"Z Store"—that showcases a variety of co-branded products that we co-developed with fashion and streetwear brands favored by our young guests.

As of March 31, 2021, we had one hotels under the ZHOTEL brand with a total of 107 guest rooms. As of the same date, we also had two hotels under the ZHOTEL brand under development with a total of 191 guest rooms.

The following pictures demonstrate the exterior and interior designs and features of a ZHOTEL.





### ***A.T. House—Luxury with a twist***

We believe conventional hotel luxury is a thing of the past, due to constant changes in guests' preferences. A.T. House is our first full-service luxury hotel brand, which aims to become a luxury lifestyle destination that appeals to the young generation requesting uniqueness in every aspect of hotel service offerings. Our first A.T. House will open in Shanghai in June 2021, with 214 rooms available and an expected ADR of RMB1,000.

Defying the conventional norm of luxury, A.T. House is focused on creating and promoting a pulsating and design-driven lifestyle culture—inducing an air of creativity and adhering to our guests' affinity for fashion, music, movie and other forms of art. Guest rooms will be larger than those in a standard Atour Hotel and comes with a living area, bringing a sense of home to our guests. The public area will also be more spacious than that in our standard Atour Hotel, and comes with two banquet halls, all-day dining, as well as other well-being amenities.

### **A Standardized Approach to Personalized Services**

Hoteliers have always been chastened to the long-standing maxim of "know their guests" or "guest intimacy"—a demanding requirement for customized services that are capable of addressing what the guests want and when they want it. To achieve this, hoteliers, regardless of sizes and scales, are required to empower guests to customize their own stay and communicate their preferences with the hotel in the manner with which they are most comfortable, which often varies from trip to trip or even from day to day.

Although less transformational than personalization, standardization—the management of guest services with a well-defined set of standards and procedures consistent from hotel to hotel within each brand—is an equally important imperative for any scalable hotel chain. If personalized services are not delivered under stringent controls that support rapid expansion, hoteliers run the risk of self-imposing a level of complexity that their current cost structures may not be able to support.

To a casual observer, the concept of personalization may be at odds with the concept of standardization. But at Atour, we are focused on striking the perfect balance against this seeming paradox. On the one hand, recognizing each guest is different is not enough. To deliver effective personalized services, we strive to keep up with the changing preferences of guests and make innovations a part of the regular customer experience. On the other hand, standardization is not just about less complex, more cost-effective operations. Effective standardized operations complement the delivery of personalized services, substantially improving customer experience.

Again, how we approach guest services goes back to what inspired us to create Atour hotels in the first place and its core value propositions in combining personalized touches and high-quality services of a boutique hotel with the efficiency and reliability of big hotel chains.

We do this by forging meaningful connections with guests through differentiated consistency.

### ***Multiple touchpoints delivering a customized experience with efficiency***

At the heart of our personalized services is the presence of humanness. Our hotels employ a team of professional service staff who are energetic and considerate when serving our guests, but without being over the top or crossing the lines. Our on-site managers are responsible for implementing a series of service standards to promote interactions with our guests. This leads to a better understanding of our guests' preferences, which allows the staff to deliver a customized experience that can have a stimulating influence upon the guest's moods and emotions.

Through extensive industry knowledge and operating know-how, we have distilled 17 touchpoints where guests are expected to have the most meaningful interactions with us—from the moment when they make their initial bookings through our mobile app, Weixin/WeChat mini program or third-party platforms, to their check-ins at our hotels, from their calls for room services to seeing them off at the end of their stays. For each of the 17 guest touchpoints, including check-in experience, quality of guest supplies, and check-out experience, we have developed a specific operating manual that defies conventional luxury hotel SOPs with an elevated sense of humanness. To name a few, our hotel staff always welcome our guests with a cup of hot tea while they are waiting to be checked in, and offer them a bottle of warm water when they check out. Every morning, our hotel staff also have a couple of on-the-go breakfast packed and kept at the front desk so that guests who need to catch an early flight still get to enjoy their breakfast on the way to the airport.

Instead of adopting unifying standards and simplifying guests down to a few simple types, we focus on gaining deep insights into the preferences of the young generations of customers to design and implement our standards and procedures that "give guests the keys" to further personalize their hotel experience, by adjusting certain aspects of service formerly controlled exclusively by the hotel. For our hotels' on-site staff, we adopt and implement a simplified yet effective set of procedures that give the front-line staff the appropriate levels of freedom and discretion to identify and overcome challenges to understanding guest needs and deliver unique services based on these preferences. For example, each of our hotel staff is granted a budget each month that they may utilize in their discretion to help the guests with their unique requests, be it buying medicine for the guests or accompanying them to the hospital.

### ***Engaging our guests with A-Card—our loyalty program***

Everything we do for our guests is instantly incorporated into our tier-based loyalty program—*A-Card*. *A-Card* is a fully digitized membership program that unites all our hotel and lifestyle brands, builds customer loyalty, and allows us to provide more personalized experience to our members efficiently throughout their lifetime.

Members earn loyalty points with each stay at our hotels and each purchase of our lifestyle products. The loyalty points can be used to redeem awards including coupons and lifestyle products. In addition to loyalty points, we also offer our members *Jimu* points, which are associated with membership tiers. We currently offer five tiers of membership from welcome level to infinite level, each corresponding to different classes of member benefits, privileges and rewards, including discounts of room rates, free breakfast, travel support and many more. Joining welcome level is completely free, and it takes six room-nights or 2,800 *Jimu* points to upgrade to the third tier—gold level. Alternatively, guests can also pay RMB199 to upgrade to gold level directly and enjoy the corresponding rewards. To maintain their membership tier, members need to stay at our hotels for a specified number of room-nights per year or have the requisite *Jimu* points depending on their current membership tier.

Our *A-Card* members have great flexibility over how they redeem their membership rewards. Each reward has been completely redesigned in the format of a digital voucher, which enables our *A-Card* members to have total freedom over when, where and how to use it—they can even give it away to someone else, including those who are new to our brand, which we believe further helps promote our

brand to a broader audience. In addition to offering greater flexibility to our members, our digitally managed *A-Card* loyalty program allows us to accumulate relevant data to better understand our existing members' preferences. As of March 31, 2021, we had more than 25 million registered individual members.

On top of our *A-Card* loyalty program, we have also introduced our *A-plus* customer service program, which encompasses a standard portfolio of personalized services exclusively offered to our members. Once joining the *A-plus* program, guests are able to compressively customize their requests and preferences prior to their arrival. We currently offer 11 *A-plus* customized services, including pre-setting room temperature, pre-setting aroma diffuser, and offerings of yoga mats or sports equipment. As of the date of this prospectus, more than 160 thousand *A-Card* members have enrolled in the *A-plus* program.

Our *A-Card* program helps us build customer loyalty and reduce our reliance on third-party OTAs. In 2020, approximately 80.1% of our room-nights were sold through our own sales channels, compared with 77.2% in 2019. The repurchase rate among our *A-Card* members reached 48.7% in 2020, compared with 44.6% in 2019. "Repurchase rate among *A-Card* members" is defined as the proportion of members who have made a second room reservation in the same year.

### ***Performance review system from top to bottom***

We take our guests' review and feedback seriously, especially the ones that help us better understand our guests. As part of the Atour SOPs, our customer experience department collects all the complaints left in the past 24 hours from our booking channels as well as social media platforms, compiles and sends them to each responsible hotel manager before 12 p.m. each day. Hotel managers are required to follow up with the guests who left the complaints within the next five hours, learn from them the potential areas for improvement, and submit a rectification plan addressing those issues for approval by our customer experience department. If the rectification plan is not approved, the responsible hotel managers are required to discuss, analyze and propose new plans in a dedicated Weixin/WeChat group. Through such dynamic performance review process, we keep improving our customer service to make sure we are meeting our guests' expectations and the goals we set for ourselves.

We also review the performance of each Atour hotel at the end of each year. If we determine some of the manachised hotels do not meet our required service standards, we have the right to terminate our agreements with the franchisees.

### ***Technology and digitalization***

To further maximize efficiency, we were one of the first hoteliers in the hospitality industry to adopt a fully cloud-based digital management system. The following summarizes the key aspects of our technology infrastructure.

*Central reservation system (CRS).* We have adopted a cloud-based, all-channel, real-time CRS available 24 hours a day, seven days a week. Our CRS is fully integrated with all of our booking channels, including our mobile app, Weixin/WeChat mini program, third-party platforms and other reservation partners. This effectively allows us to manage inventories, prices and reservations instantly across all major channels. The real-time inventory management module of the system improves the efficiency of reservations, enhances customer satisfaction and maximizes our profitability. The price management module allows us to set up rates at different levels (including property, market segments, booking channels and hotel brands) and distributes price adjustments and promotional offers to all major channels simultaneously, which greatly increases efficiency in managing all our booking channels and enhances our ability to optimize total profit. In addition, our CRS comes with an embedded business intelligence module, which allows our hotel staff to monitor and analyze the core operational

metrics and make well-informed business decisions in time. In 2020, 80.1% of our room-nights were sold through our direct sales channels. Such a high percentage of booking through our direct sales channels enables us to achieve higher operating efficiency compared to hotels that rely heavily on travel intermediaries.

*Revenue management system (RMS).* Our fully automated RMS predicts the occupancy rates for all our hotels for the next 30 days and recommends room rate accordingly, without the need for constant adjustment. Powered by our proprietary algorithms, our RMS is capable of automatically taking into account a wide range of historical and futuristic data, including customer segments and profiles, operating performance of each hotel, room rates of our competitors in the same geographic area and future events in the area, to generate accurate price estimation, allowing us to balance occupancy rate and ADR in order to achieve higher RevPAR. Our RMS sends the rate adjustment suggestions directly to our hotel staff for their review and timely implementation.

*Property management system (PMS).* Our PMS enables each hotel within our network to accurately and cost-effectively manage its room inventory and reservations on its own on a real-time basis as well as sends price adjustment requests through an Internet browser, which in turn optimizes each hotel's occupancy rate, ADR and RevPAR. The system is designed to enable us to enhance our profitability and compete more effectively by integrating with our CRS and CRM. We believe our PMS enables our management to more effectively assess the performance of our hotels on a timely basis and to efficiently allocate resources and identify and refine specific market and sales targets.

*Material requirements planning system (MRPS).* Leveraging Internet of Things technology, our MRPS has enabled us to efficiently manage our operating costs, especially with respect to supplies used in large quantities, and allows all hotels across our network to make bulk purchases of over 3,300 SKUs of hotel supplies, construction materials and retail products from over 180 third-party suppliers at the same time. This has also contributed to our ability to maintain a consistent level of high-quality services to our guests. The total purchase made through this platform in 2020 reached RMB434.8 million.

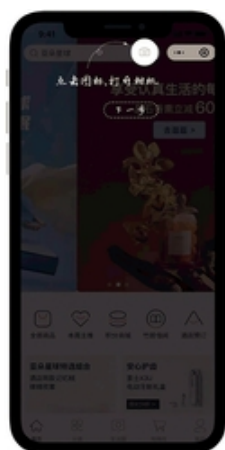
### **More Than A Hotel Brand**

Atour was created not just as a hotel brand. Since our inception, we have been actively exploring the exciting possibilities of connecting different aspects of people's lives, interests and inspirations, starting from a stay with us.

#### ***Scenario-based retail business—What you buy is what you use***

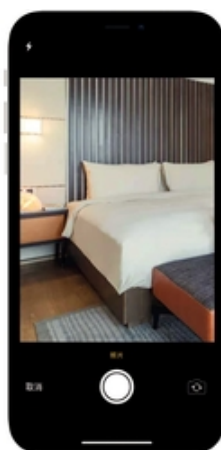
We are the first hotel chain in China to develop a scenario-based retail business, according to Frost & Sullivan. We design our guest room amenities, work closely with manufacturers to deliver top-quality products, and carefully place the relevant products in guest rooms. Each of our guest rooms incorporates a fully immersive shopping destination, enabling us to strengthen our brand elasticity with our guests.

Guests are able to experience first-hand our products during their entire stay with us. If they are satisfied with the products, a simple scan of the product on their phones will take them directly to our e-stores for convenient purchases, where it only takes a couple of taps for the products to be delivered to their doorsteps at home in a matter of days. The pictures below illustrate the digital purchase process for our scenario-based retail products.



**Step 1**  
Click here to open the camera

Next



**Step 2**  
Take a picture of what you like

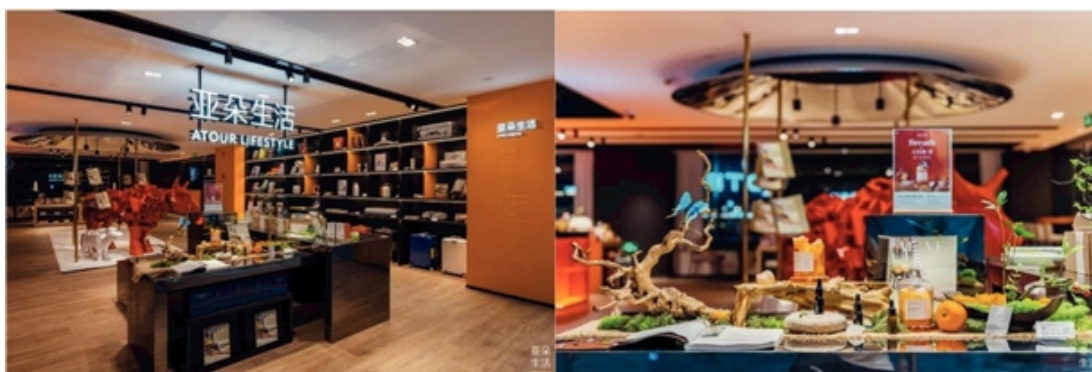
Next



**Step 3**  
That's it! Take it home!

Got it! Order now

We also sell our products on leading third-party e-commerce platforms in China, offering additional purchasing channels for the broader consumer group. In addition, all our hotel lobbies come with a display area, where guests can view and select our products. In our manachised hotels, these products are first supplied by us to our manachised hotels at a discount and resold by the manachised hotels directly to their guests under our pricing guidance. The pictures below demonstrate the display area for retail offerings in our hotel lobbies.



We have three product lines, each focusing on a specific category of private label products. Our "aTOUR PLANET" private label line covers sleep-related products, including mattress and pillows. These products are designed to turn sleeping from a basic physiological need to a deeply relaxing experience that improves quality of life. Our "SAVHE" private label line targets personal care and fragrance, including shampoo, handwash and diffusers, which bring a caring touch that rejuvenates the body and soothes the senses. Our "Z2GO&CO." private label line is designed for on-the-go products, including suitcases and hair dryers. These lightweight yet reliable products make travelling an easy and enjoyable experience.

The backbone of our scenario-based retail business lies in our strong market research, product development and supply chain management capability. We identify new product lines or upgrade existing product lines by monitoring latest trend in the market and conduct survey with our customers. We then design the products and work with third-party manufacturers to produce them. Our quality standard is high. For each product line, we require that manufacturers send us a sample for robust testing and evaluation. Our quality assurance team also conduct random spot checks to ensure the products meet our quality standard as well as applicable national standards. Over the years, we have created an efficient and low-cost supply chain that delivers exceptional customer experience.

As of March 31, 2021, we had developed a total of 1,136 SKUs for scenario-based retail. The GMV generated from the retail business was RMB82.8 million and RMB107.2 million for 2019 and 2020, representing a year-over-year increase of 29.5%, and reached RMB32.6 million for the three months ended March 31, 2021. In 2020, the average transaction value per room reservation reached RMB517.5.

### ***Our unique themed hotel offerings—lifestyles with a theme***

We are dedicated to expanding our lifestyle brand offerings centered around our unique hotel brand portfolio. To that end, we have created three series of themed hotels—our music hotels, basketball hotels and literary hotels—catering to the diversified lifestyles across different age groups with varied interests. In addition to driving our ADR, each series of themed hotel also marks our exploration into new territories.

We first engage in co-branding initiatives with renowned brands in the lifestyle field that we wish to enter, accumulate experience and reputation during the collaboration period, and eventually start to operate our themed hotels solely leveraging our own Atour hotel brands.

The table below sets forth the key information about our major themed hotel offerings as of March 31, 2021.

	<u>Lifestyle Themes and Inspirations</u>	<u>Properties</u>
<b>Music Hotel</b>	Music and entertainment	4
<b>Basketball Hotel</b>	Sports community and entertainment	3
<b>Literature Hotel</b>	Culture and community	1

#### ***Music Hotel***

Born from the love of music, our music hotel is not just a music-themed hotel but a place where musicians and listeners can stay, create, party and enjoy. Guest rooms are inspired by different genres of music, be it classical, jazz, electronic or folk, and automatically throw on the music when guests enter the room. The hotel lobby is built as a flexible event space where guests can check out vinyl records or live performances. Our music hotel in Hangzhou had an ADR of RMB410.4 in 2020, 14.5% higher than our comparable hotels in the same area.

We partnered our Atour Light brand with NetEase Cloud Music, a leading online music platform, to open our first music hotel in 2018. As of March 31, 2021, we had four music hotels in operation with a total of 440 rooms.

The following pictures demonstrate the exterior and interior designs and features of our music hotel.



### ***Basketball Hotel***

Our basketball hotel extends beyond a traditional hotel and offers basketball fans a new space for communication and gatherings. The hotel lobby is built as an indoor basketball court that is open to everyone who loves to hoop. A "basketball museum" is also located in the public area and opens 24/7, where autographed basketball jerseys and shoes are put on display. Games and fans gathering are also held from time to time in the hotel. Our basketball hotel in Shanghai had an ADR of RMB438.2 in 2020, 27.7% higher than our comparable hotels in the same area.

In 2018, under our Atour S brand, we collaborated with Hupu, a well-known sports commentary and information platform, to open our first basketball hotel in Shanghai. As of March 31, 2021, we had three basketball hotels in operation with a total of 378 rooms.

The following pictures demonstrate the exterior and interior designs and features of our basketball hotel

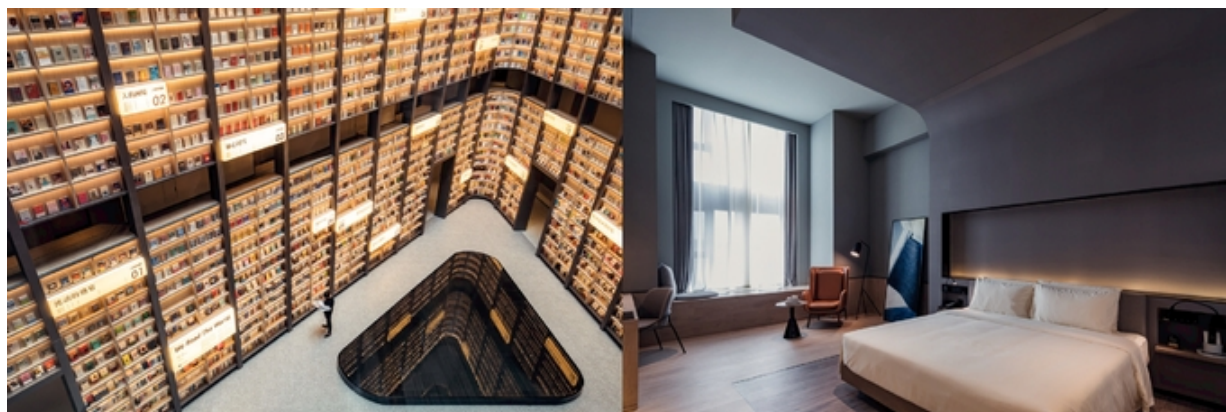


### ***Literature Hotel***

Our thought-provoking literature hotel has the largest public area in all our Atour hotel network with over 1,600 square meters. Loyal to the theme of knowledge and culture, the atrium of the public area is built as a 31-meter-tall library with more than 8,000 books covering literature, history and philosophy and is open to both guests and locals. The public area can be also used to host weekly events for guests with various interests, including literary salon, movie night, live music performance, and even flower arrangement workshop. We intend to build our literature hotel into a lifestyle community hub covering a radius of three kilometers in the neighborhood. Our literature hotel had an ADR of RMB681.5 in 2020, 53.1% higher than our comparable hotels in the same area.

In 2020, under our Atour S brand, we partnered with Owspace, a bookstore chain favored by those who love literature, movie and art, to open our first literature hotel in Shanghai, with a total of 194 rooms.

The following pictures demonstrate designs and features of our literature hotel.



In addition to the three series of themed hotel above which we are committed to growing our scale, we also collaborate with renowned lifestyle, technology and cultural brands that are favored by the young generations in China and operate standalone themed hotels catering to diversified interests and tastes, including three retail-themed hotels we operate with NetEase Yanxuan and an animation-themed hotel we operate with Shanghai Animation Film Studio. As of March 31, 2021, we collaborated with seven partners and operated 14 themed hotels in total.

## HOTEL DEVELOPMENT

We mainly use a manachise hotel operation model to expand our hotel network in a less capital-intensive and more efficient manner. As of March 31 2021, we had 575 manachised hotels. The number of our manachised hotels grew at a CAGR of 86.2% between 2015 and 2020. We also develop and operate leased hotels to increase our brand influence and set successful examples for our franchisee partners. As of the the same date, we had 33 leased hotels.

We primarily focus on Tier 1, New Tier 1 and Tier 2 cities in China. We believe these markets fit our position as a leading lifestyle hotel chain. These markets also tend to provide higher occupancy rate, higher rate of return and higher ADR. As of March 31, 2021, our hotel network covered 608 hotels spanning 131 cities across China. We are still rapidly scaling our presence across China. As of March 31, 2021, we had an additional 299 leased and manachised hotels under development.

The following table sets forth a summary of all of our hotels by geographic region as of March 31, 2021.

	Manachised <sup>(1)</sup>	Leased	Manachised under development	Leased under development
Tier 1 cities	102	17	49	1
New Tier 1 and Tier 2 cities	351	16	160	—
Others	122	—	89	—
<b>Total</b>	<b>575</b>	<b>33</b>	<b>298</b>	<b>1</b>

Notes:

- (1) Includes 14 manachised hotels being requisitioned by the government for quarantine needs in response to the COVID-19 outbreak, which were not in operation as of March 31, 2021.

We adopt a systematic and standardized process for the planning and execution of new hotel development projects. Our regional hotel development team has more than 67 employees, located in



four major regions across China with a national coverage. Our hotel development employees determine the target location of each city by analyzing the economic data, field survey reports and market intelligence information of each city, and prepare a weekly report containing market survey data, investment return estimation and brand positioning. The report is subsequently presented to our investment committee at weekly meetings, followed by a rigorous and comprehensive review by our investment committee.

When evaluating potential franchising opportunities, the investment committee will consider the attractiveness of the location and other factors, such as the quality and product quality of the potential franchisees and their ability to meet our service standards. Our investment committee will prudently evaluate each investment proposal to ensure that we can effectively expand our coverage while improving our profitability. As part of a due diligence effort, we also require franchisees to have an interview with our regional director and member of our franchising department to understand the background, business goals, and value propositions of each franchisee candidate. We typically source potential franchisees through word-of-mouth referrals, applications submitted via our website and industry conferences. Our franchisees include seasoned investors in the hospitality industry, entrepreneurs and real estate developers.

The following table sets forth the changes in the number of our hotels and hotel rooms for the periods indicated.

	Year Ended December 31,				Three Months Ended	
	2019		2020 <sup>(1)</sup>		March 31,	
	Properties	Rooms	Properties	Rooms	Properties	Rooms
Manachised hotels at the beginning of the period	226	25,140	391	44,983	537	61,782
Add	178	21,004	156	18,273	43	4,731
Less	13	1,161	10	1,474	5	246
At the end of the period	391	44,983	537	61,782	575	66,267
Leased hotels at the beginning of the period	26	3,849	29	4,104	33	4,836
Add	3	255	4	732	0	18
Less	—	—	—	—	—	—
At the end of the period	29	4,104	33	4,836	33	4,854
<b>Total hotels at the end of the period</b>	<b>420</b>	<b>49,087</b>	<b>570</b>	<b>66,618</b>	<b>608</b>	<b>71,121</b>

Notes:

- (1) Includes 19 and 14 manachised hotels being requisitioned by the government for quarantine needs in response to the COVID-19 outbreak, which were not in operation as of December 31, 2020 and March 31, 2021, respectively.

The reasons for hotel closures typically include property-related matters (such as rezoning and expiry of leases), hotel operation quality or results not meeting our requirements, and other commercial reasons.

During the first quarter of 2020, Chinese governmental authorities also requisitioned cumulatively a total number of 63 of our hotels in various locations for the accommodation of medical support workers and for quarantine purposes in response to the COVID-19 outbreak. All but one of these hotels were manachised hotels. As of March 31, 2021, we had 14 manachised hotels that were still subject to governmental requisition.

The following is a description of our hotel development process.

## **Manachised hotels**

We open manachised hotels to expand our geographical coverage or to further penetrate in our existing markets.

*Location.* Manachised hotels provide us valuable operating information in assessing the attractiveness of new markets, and supplement our coverage in areas where the potential franchisees can have access to attractive locations by leveraging their own assets and local network. We generally look to establish manachised hotels near popular commercial and office districts in major cities in China that tend to generate a stronger demand for hotel accommodations.

*Design, Procurement and Construction.* To ensure the consistency in style and quality, we recommend, and in some cases require, that franchisees select from a shortlist of design firms that are certified by us. We also require that franchisees purchase some of the construction materials from us through our MRPS. We provide on-site guidance during the construction period and require multiple project acceptance procedures before a manachised hotel begins its operation.

## **Leased hotels**

We primarily use our leased hotels to define the operational and quality standards of our hotels.

*Location Selection.* We seek properties that are in central or highly accessible locations in economically more developed cities in order to maximize the room rates that we can charge, including business clusters, central business districts, development zones, areas near universities and transportation hubs. In addition, we typically seek properties that with an area of 3,500 square meters to 15,000 square meters that will accommodate 80 to 200 hotel rooms, with a lease term between 10 to 20 years. After identifying a proposed site, we conduct thorough due diligence and typically negotiate leases concurrently with the lessors. All leases and development plans are subject to the final approval of our investment committee.

*Lease Terms.* Our leased hotels are located on properties we or our designated third parties lease from the owners of such properties. Our typical lease term ranges from 10 to 20 years. We typically enjoy an initial three- to six-month rent-free period. After that, we generally pay fixed rent on a monthly or quarterly basis for the first two years of the lease term, after which we are generally subject to a modest increase in rents every two to five years within the lease term. Our leases usually allow extensions by mutual agreement. In addition, our lessors are typically required to notify us in advance if they intend to sell or dispose of their properties, in which case we have a right of first refusal to purchase the properties on equivalent terms and conditions.

*Design, Procurement and Construction.* Once a lease agreement has been executed, we engage design firms and construction companies to begin the renovation work. Over the years, we have put together a diversified list of 29 design firms that we normally work with. These firms on the list are familiar with our standards as a result of years of collaboration. Our MRPS handles procurement of construction materials. We gather procurement requests from all our leased hotels, request for fee quote from at least three supplies, and enter into negotiations and eventually supply agreements with the suitable supplier. We collectively purchase from the suppliers and distribute the materials to each leased hotel based on its request. Our contracts with construction companies typically contain warranties for quality and requirements for timely completion of construction. Contractors or suppliers are typically required to compensate us in the event of delays or poor work quality.

## **HOTEL MANAGEMENT**

Our hotel management team has accumulated significant experience with respect to the operation of hotels. Building on this experience, our management team has developed a robust operational

platform for our nationwide operations, implemented a rigorous budgeting process, and utilized our real-time information systems to monitor our hotel performance. We believe these systems are critical in maximizing our revenues and profitability. The following are some of the key components of our hotel management infrastructure:

*Budgeting.* Our budget and analysis team prepares a detailed monthly revenue budget for each of our hotels. The hotel budget is prepared based on, among other things, the historical operating performance of each hotel, the performance of comparable hotels and local market conditions. We may adjust the budget upon the occurrence of unexpected events that significantly affect a specific hotel's operating performance. In addition, our compensation scheme for managers in each hotel is directly linked to their performance reviewed based on our annual budget targets and other customized metrics.

*Pricing.* The room rates of our leased hotels as well as manachised hotels are determined with our fully automated RMS, without the need for constant price adjustments. We have the ultimate control over the room rates of each leased and manachised hotel in our network. Price adjustment requests initiated by each hotel have to be approved by our regional head or headquarter.

*Performance Monitoring.* Through our cloud-based PMS, we are able to monitor each hotel's occupancy status, ADR, RevPAR and other operating data on a real-time basis. Real-time hotel operating information allows us to adjust our sales efforts and other resources to rapidly capitalize on changes in the market and to maximize operating efficiency.

*Cash Management.* Our leased hotels deposit cash into our central account several times a week. We also generally centralize all payments for expenditures. Our manachised hotels manage their cash separately.

*Supply Chain and Procurement.* Our MRPS handles all procurement requests relating to operating supplies and our private label consumer goods. Leveraging the scale of our hotel network and our highly-efficient centralized procurement system, we believe we have the purchasing power to secure favorable terms from suppliers for all of our hotels. We generally require franchisees to procure certain construction materials and most of operating supplies from us. Construction materials include floor, ceiling, etc. Operating supplies include standard guest room amenities.

*Training.* We have made the training of our employees and education of our franchisees one of our top priorities. Our *Jimu* College offers well-designed training programs to our on-site hotel managers and HR representatives and certifies them for deployment. Our hotel managers and HR representatives are required to attend a one-month comprehensive on-site training and shadowing program, covering topics such as our corporate culture, safety standard, customer service, hotel operation standards and human resource management, followed by a three-month probation period. A substantial number of our hotel managers and HR representatives have received training completion certificates. Our *Jimu* College has prepared a new-hire training package to standardize the training for hotel-based staff across our hotel chain group.

## **Manachised hotel management**

We manage our manachised hotels and impose the same standards on all manachised hotels to ensure product quality and consistency across our hotel network.

*Franchise and Management.* We authorize a manachised hotel to use our relevant Atour brand name, logo and relevant trademarks. The franchisee is responsible for the hotel's construction, renovation and maintenance. We provide guidance to the franchisee on the construction or renovation of the hotel and require the hotel to meet our standards before approving it to commence operations. We appoint and train hotel managers and on-site HR representatives who are responsible for hiring hotel staff and managing daily operations of our manachised hotels. We also provide our franchisees

with comprehensive management services, including central reservation, revenue management, sales and marketing support, technology support, quality assurance inspections and other operational support and information.

*Fee Arrangements.* We generally charge our franchisees an upfront franchise fee at a rate of RMB4,000 to RMB6,000 per room, depending on the brand of the franchised hotel, as well as fees related to pre-opening services, including information system installation service, and services related to the assistance on employee training and other hotel opening preparation activities. After a franchised hotel opens, we typically charge the franchisee a monthly franchise and management fee between 5% and 6% of the gross revenues generated by each franchised hotel, depending on the hotel brand. Furthermore, we charge the franchisee a fixed monthly hotel managers fee, fees for purchase of hotel supplies and other products, and other on-going service fees, such as system and accounting support fees.

*Term of Services.* Our franchise and management agreements for our franchised hotels typically run for a fixed term of 8 to 15 years, and may be extended upon mutual agreement between us and the franchisee three months prior to the expiration of the franchise and management agreements.

*Termination.* We typically have the right to early terminate the franchise and management agreements immediately, if franchisees commit material breaches of the agreements, including unauthorized use of the licensed brand without rectification within the grace period. In all of these circumstances, we can deduct from the franchise fee, keep the franchise deposit collected and claim liquidated damages from the franchisee.

### **Leased hotel management**

As of March 31, 2021, we had 33 leased hotels, accounting for approximately 5.4% of our hotels. We manage and operate each aspect of these hotels and bear the corresponding expenses. We are responsible for recruiting, training and supervising the hotel managers and employees, paying for leases and costs associated with construction and renovation of these hotels, and purchasing all supplies and other required equipment.

### **SALES AND MARKETING**

Our marketing strategy is designed to enhance our brand recognition and customer loyalty. Building and differentiating the brand image of each of our hotel products is critical to increasing our brand recognition. We focus on targeting the distinct guest segments that each of our hotel products serves and adopting effective marketing measures based on thorough analysis and application of data and analytics. In 2020, approximately 80.1% of our room-nights were sold through our own sales channels and the remaining 19.9% of our room-nights through OTA channels.

A key component of our marketing efforts is the *A-Card*, our loyalty program, which unites all of our brands. We believe the *A-Card* loyalty program allows us to build customer loyalty and conduct lower-cost, targeted marketing campaigns. As of March 31, 2021, our *A-Card* had more than 25 million individual members, which ranked as the second largest loyalty program operated by lifestyle hotel chains in China. In 2020, approximately 44.7% of our room-nights were sold to our *A-Card* members. Leveraging our technology infrastructure, we are able to optimize the efficiency of our internal operations at various levels to better serve our *A-Card* members.

We provide our *A-Card* members and the general public with convenient, friendly and updated services through our online service system consisting of our mobile app and our Weixin/WeChat mini program. The system provides information and search services for our hotels, such as location, amenities and pricing, reservation services, online payment and online room selection functions, membership registration and management and member community services. As of March 31, 2021, the

Atour mobile app had approximately 9.3 million accumulated downloads and Atour's Weixin/WeChat mini program had accumulated approximately 2.0 million users.

Individual members who are also employees of our corporate members are free to choose between the discounted corporate rate or their own membership rate. As of March 31, 2021, We had over 2,900 corporate members registered with us. Together with corporate clients registered with some of our specific hotels, our corporate members contributed 35.4% of the room-nights sold in 2020.

## COMPETITION

We face competition as a hotel manager and franchisor. Competition in China's hospitality industry generally is based on brand reputation; the attractiveness of the facility; location; room rates; quality and consistency of services; quality of accommodations; variety and quality of amenities; food and beverage options; retail offerings; public areas and other guest services; and the attractiveness of loyalty programs.

Our properties and brands compete with other hotels, resorts, motels and inns in their respective geographic markets or customer segments, including facilities owned by local interests, individuals, national and international chains, institutions, and investment and pension funds. We believe that our position as a multi-branded manager and franchisor of hotels with unique lifestyle offerings helps us succeed as one of the largest and most innovative hospitality companies in China.

Our principal competitors include other branded and independent hotel operating companies, national and international hotel brands and ownership companies.

## OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INITIATIVES

We are committed to reduce our environmental footprint and strictly comply with environmental laws, regulations and policies. For example, in accordance with the regional policies in Shanghai and Beijing, we no longer provide disposable amenities in the guest rooms. Our other guest room amenities, including bath robes and towels are sealed in bags, so that we are not required to change them if the guests choose not to use them. Many of our products are also environmental friendly. For example, our beddings are manufactured with natural materials without the use of bleach and fluorescent

We are also committed to giving back to our society and communities. The remote and beautiful tea village of *Yaduo* was afflicted with poverty by the first time we visited. In addition to the inspirations it gave us to create our hotels, we also saw the potential of *Yaduo's* tea plantation. Five years after our first visit, we went back to *Yaduo* with a plan to give back to the village. We guided villagers on plantation at scale, collectively procured their production, and offered *Yaduo* teas to our guests, providing villagers with a stable stream of income. From April 2018 to April 2019, we worked with 153 households. By the end of 2018, 86% of the households in *Yaduo* village were lifted out of poverty.

In addition, we were one of the first hotel groups to provide comprehensive lodging support to medical staff in Wuhan, China during the COVID-19 outbreak in early 2020. We also implemented a variety of rigorous safety and sanitation standards during COVID-19 and strived to remain open in selected locations to provide accommodation services for those in need, subject to governmental regulations and mandated hotel closures.

## INTELLECTUAL PROPERTY

We regard our trademarks, copyrights, domain names, trade secrets and other intellectual property rights as critical to our business. We rely on a combination of copyright and trademark law, trade secret protection and confidentiality agreements with our employees, lecturers, business partners and others,

to protect our intellectual property rights. In particular, we protect our intellectual properties, including trademarks for our brand names, primarily through the following measures: (i) we timely apply for registration of trademarks we use and a broad range of defensive trademarks for each of our brands in jurisdictions where we operate as well as in other targeted markets, and (ii) we continuously monitor third parties' infringements of our intellectual property rights, including our brand names and trademarks, and file claims with market regulation authorities and bring intellectual property infringement lawsuits to protect our rights.

As of March 31, 2021, we registered 657 trademarks and logos with the China Trademark Office. The trademarks and logos currently used in our current hotels are under protection of the registered trademarks and logos. As of March 31, 2021, an additional 182 trademark applications were under review by the PRC authorities. As of the same date, we also registered 50 trademarks and filed 8 trademark applications outside China. We also received copyright registration certificates for 15 software programs developed by us as of March 31, 2021. In addition, we registered 62 national and international top-level domain names, including yaduo.com, as of March 31, 2021. Our intellectual property is subject to risks of theft and other unauthorized use, and our ability to protect our intellectual property from unauthorized use is limited. In addition, we may be subject to claims that we have infringed the intellectual property rights of others. See "Risk Factors—Risks Related to Our Business—Failure to protect our trademarks and other intellectual property rights could have a negative impact on our brands and adversely affect our business."

## **DATA PRIVACY AND PROTECTION**

We place a strong emphasis on data security. We have in place extensive policies, processes, network architecture, and software to protect customer data.

We collect personal information of our guests customarily required for their hotel booking, check-ins and check-outs, including their names, ID numbers, mobile phone numbers and email addresses. To ensure the confidentiality and integrity of our guests' data, we maintain comprehensive and rigorous data security measures. We anonymize and encrypt confidential personal information and take other technological measures to ensure the secure processing, transmission and usage of data. We have also established stringent internal protocols under which we grant classified access to confidential personal data only to limited employees with strictly defined and layered access authorization. Our managed hotels use our operation systems to collect the guests' data, and the data are then stored on the highly secured server that we rent from third-party cloud service providers. Only authorized staff of our managed hotels can read and record the data, and our systems keep records of their access to the data. We have also implemented measures restricting data access and prohibiting data exporting for those hotels.

## **EMPLOYEES**

We had 2,482, 2,621 and 2,724 employees as of December 31, 2019 and 2020 and March 31, 2021, respectively. All of our employees are based in China. As of March 31, 2021, all of our employees were employed directly by us without the involvement of third-party human resources companies.

The following table sets forth the numbers of our employees categorized by function as of March 31, 2021.

<u>Function</u>	<u>Number of Employees</u>
Hotel Development	131
Hotel Management	2,234
Technology and Development	87
Retail and Supply Chain	54
Sales and Marketing	40
Others	178
<b>Total</b>	<b>2,724</b>

We recruit and directly train and manage all of our employees. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes. Our employees have not entered into any collective bargaining agreements.

## PROPERTIES

Our headquarters are located in Shanghai, China and occupy nearly 530 square meters of office space, all of which is leased by us.

### Lease Properties

As of March 31, 2021, we had leased a total of 41 properties for commercial uses, with 34 properties used for leased hotel operations and 7 properties for other commercial uses, such as our headquarters and office premises. The gross floor area of our leased properties for commercial uses range from approximately 617 square meters to 26,328 square meters. All our leased properties are located in the PRC. For risks relating to property defects, see "Risk Factors—Risks Related to Our Business—Our legal right to lease certain properties to operate our leased hotels could be challenged by property owners or other third parties, which could prevent us from continuing to operate our leased hotels or increase the costs associated with operating these hotels."

## INSURANCE

We believe that our hotels are covered by adequate property and liability insurance policies with coverage features and insured limits that we believe are customary for similar companies in China. We also require our franchisees to carry adequate property and liability insurance policies. We carry property insurance that covers the assets that we own at our hotels. Although we require our franchisees to purchase customary insurance policies, we cannot guarantee that they will adhere to such requirements. If we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. See "Risk Factors—Risks Related to Our Business—We have limited insurance coverage."

## LEGAL PROCEEDINGS

In the ordinary course of our business, we are subject to legal or administrative proceedings from time to time. We do not believe that any currently pending legal or administrative proceeding to which we are a party will have a material adverse effect on our business, financial condition or results of operations. See "Risk Factors—Risks Related to Our Business—We may be involved in legal and administrative proceedings in the ordinary course of our business. Any adverse outcome of these legal proceedings could have a material adverse effect on our business, results of operations and financial condition."

## REGULATION

This section sets forth a summary of the principal PRC laws and regulations relevant to our business and operations in China.

The hospitality industry in China is subject to a number of laws and regulations, including laws and regulations relating specifically to hotel operation and management and commercial franchising, as well as those relating to environmental and consumer protection. The principal regulations governing foreign ownership of hotel businesses in the PRC are the Special Administrative Measures (Negative List) for the Access of Foreign Investment (Edition 2020) issued on June 23, 2020, which became effective on July 23, 2020 and the Industry Guidelines on Encouraged Foreign Investment (Edition 2020) issued on December 27, 2020, which became effective as of January 27, 2021, both of which were promulgated by the PRC Ministry of Commerce, or the MOFCOM, and the National Development and Reform Commission, or the NRDC. Pursuant to these regulations, there are no restrictions on foreign investment in limited service hotel businesses in China aside from business licenses and other permits that every hotel must obtain. Similar with other industries in China, regulations governing the hospitality industry in China are still developing and evolving. As a result, most legislative actions consist of general measures such as industry standards, rules or circulars issued by different ministries rather than detailed legislations. This section summarizes the principal PRC laws and regulations currently relevant to our business and operations.

### Regulations on Hotel Operation

The Ministry of Public Security issued the Measures for the Control of Security in the Hospitality Industry in November 1987 and amended it in January 2011 and in November 2020, and the State Council promulgated the Decision of the State Council on Establishing Administrative License for Necessarily Retained Items Requiring Administrative Examination and Approval in June 2004 and amended it in January 2009 and August 2016, respectively. Under these two regulations, anyone who applies to operate a hotel is subject to examination and approval by the local public security authority and must obtain a special industry license. The Measures for the Control of Security in the Hospitality Industry impose certain security control obligations on the operators. For example, the hotel must examine the identification card of any guest to whom accommodation is provided and make an accurate registration. The hotel must also report to the local public security authority if it discovers anyone violating the law or behaving suspiciously or an offender wanted by the public security authority. Pursuant to the Measures for the Control of Security in the Hospitality Industry, hotels failing to obtain the special industry license may be subject to warnings or fines of up to RMB200. In addition, pursuant to the Law of the PRC on Penalties for the Violation of Public Security Administration promulgated in August, 2005 and amended in October 2012, and various local regulations, hotels failing to obtain the special industry license may be subject to warnings, orders to suspend or cease continuing business operations, confiscations of illegal gains or fines. Operators of hotel businesses who have obtained the special industry license but violate applicable administrative regulations may also be subject to revocation of such licenses in serious circumstances.

The State Council promulgated the Administrative Regulations on Sanitation of Public Places in April 1987 and amended it in February 2016 and in April 2019, according to which, a hotel must obtain a public area hygiene license before opening for business. Pursuant to this regulation, hotels failing to obtain a public area hygiene license may be subject to the following administrative penalties depending on the seriousness of their respective activities: (i) warnings; (ii) fines; or (iii) orders to suspend or cease continuing business operations. In March 2011, the Ministry of Health promulgated the Implementation Rules of the Administrative Regulations on Sanitation of Public Places, which was amended in December 2017, according to which, starting from May 1, 2011, hotel operators shall establish sanitation management system and keep records of sanitation management. The Standing Committee of the National People's Congress, or the SCNPC, enacted the Food Safety Law of the



PRC in February 2009, which was most recently amended in December 2018, according to which any hotel that provides food must obtain a license. China Food and Drug Administration, or the CFDA, enacted the Administrative Measures on Administration of Food Business Licensing in August 2015 and amended it in November 2017, according to which any entity involving sales of food or food services must obtain a food business license. Pursuant to the Food Safety Law of the PRC, hotels failing to obtain the food business license (or formerly the food service license) may be subject to: (i) confiscation of illegal gains, food illegally produced for sale, and tools, facilities and raw materials used for illegal production; or (ii) fines between RMB50,000 and RMB100,000 if the value of food illegally produced is less than RMB10,000, or fines equal to 10 to 20 times of the value of food if such value is equal to or more than RMB10,000.

The Fire Prevention Law of the PRC, promulgated in April 1998 and amended in October 2008 and in April 2019 by the SCNPC, and the Provisions on Supervision and Inspection on Fire Prevention and Control, promulgated on April 30, 2009 and effective as of May 1, 2009 and amended on November 1, 2012 by the Ministry of Public Security, and the Interim Provisions on Administration of Review and Examination of Fire Prevention Design of Construction Projects promulgated in April 1, 2020 and effective as of June 1, 2020 by the Ministry of Housing and Urban-rural Construction require that (i) the fire prevention design documents of special construction projects, such as hotels with overall floor area of more than 10,000 square meters, shall be reviewed and inspected by local housing and urban-rural development authorities before construction; (ii) the construction of specific construction projects, such as hotels with overall floor area of more than 10,000 square meters be inspected and accepted by local housing and urban-rural development authorities from a fire prevention perspective before completion; and (iii) the public gathering places, such as hotels, shall complete fire prevention safety inspection with the local fire and rescue department, which is a prerequisite for business opening. Pursuant to these regulations, related hotels failing to obtain approval of fire prevention inspection and acceptance or failing fire prevention safety inspections (including acceptance check and safety check on fire prevention) may be subject to: (i) orders to suspend the construction of projects, use or operation of business; and (ii) fines between RMB30,000 and RMB300,000.

On November 9, 2010, the General Administration of Quality Supervision, Inspection and Quarantine and Standardization Administration approved and issued Classification and Accreditation for Star-rated Tourist Hotels (GB/T14308-2010), which became effective on January 1, 2011. On November 19, 2010, the Ministry of Culture and Tourism of the PRC, formerly the National Tourist Administration, or the MOCT, promulgated the Implementation Measures of Classification and Accreditation for Star-rated Tourist Hotels, which became effective on January 1, 2011. Under these regulations, all hotels with operations of over one year are eligible to apply for a star rating assessment. There are five ratings from one star to five stars for tourist hotels, assessed based on the level of facilities, management standards and quality of service. A star rating, once granted, is valid for three years.

On September 21, 2012, the Ministry of Commerce promulgated the Provisional Administrative Measures for Single-purpose Commercial Prepaid Cards, which was amended in August 18, 2016. Pursuant to this regulation, if an enterprise engaged in retail, accommodation and catering, or residential services issues any single-purpose commercial prepaid card to its customers, it shall undergo a record-filing procedure. For a hotel primarily engaged in the business of accommodation, the aggregate balance of the advance payment under the single-purpose commercial prepaid cards it issued shall not exceed 40% of its income from its primary business in the previous financial year.

On April 25, 2013, the SCNPC issued the Tourism Law of the PRC, which became effective on October 1, 2013 and was most recently amended on October 26, 2018. According to this law, the accommodation operators shall fulfill their obligations under the agreements with customers. If the accommodation operators subcontract part of their services to any third party or involve any third party

to provide services to customers, the accommodation operators shall assume the joint and several liabilities with the third parties for any damage caused to the customers.

### **Regulations on Leasing**

Under the Law of the PRC on Administration of Urban Real Estate promulgated by the SCNPC, which took effect as of January 1995 and was amended in August 2007, August 2009 and January 2020, respectively, and the Administrative Measures on Leasing of Commodity House promulgated by the Ministry of Housing and Urban-rural Construction, which took effect as of February 1, 2011, when leasing premises, the lessor and lessee are required to enter into a written lease contract, prescribing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to go through registration procedures to record the lease with the real estate administration department. Pursuant to these laws and regulations and various local regulations, if the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines, and the leasing interest may be subordinated to an interested third party acting in good faith.

On May 28, 2020, the Civil Code of the People's Republic of China (the "Civil Code") was promulgated by the National People's Congress, and the Civil Code came into effect on January 1, 2021 and replaced the Property Law, the Contract Law of the PRC and several other basic civil laws in the PRC. According to the Civil Code, subject to consent of the lessor, the lessee may sublease the leased item to a third party. Where the lessee subleases the lease item, the leasing contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the contract if the lessee subleases the lease item without the consent of the lessor. Where a lessor knows or should have known of the sublease made by a lessee but fails to raise any objection within six months, the lessor is deemed to have consented to the sublease. Pursuant to the Civil Code, where a mortgagor leases the mortgaged property before the mortgage contract is concluded, the previously established leasing relation shall not be affected; and where a mortgagor leases the mortgaged property after the creation of the mortgage interest, the leasing interest will be subordinated to the registered mortgage interest.

### **Regulations on Land or Property Use**

In June 1986, the SCNPC promulgated the Land Administration Law of the PRC, which was last amended on August 26, 2019 and became effective on January 1, 2020. In January 1991, the State Council published Rules for Implementation of the Land Administration Law of the PRC which was last amended and came into effect on July 29, 2014. According to the regulations, enterprises and individuals shall use land strictly in accordance with the purpose stipulated in the land use master plan. Changes to the purpose of the use of land in accordance with laws must be supported by approval documents, and an application for the change of registration must be submitted to the land administration department of the people's government above county level in which the land is situated. The change registration shall be carried out by the original land registration administrative authority in accordance with law. If the enterprises or individuals do not use state-owned land in accordance with the approved land use purpose, the natural resources administrative department of the people's government at county level and above shall order the party concerned to hand over the land.

### **Regulations on Consumer Protection**

In October 1993, the SCNPC promulgated the Law of the PRC on the Protection of the Rights and Interests of Consumers, or the Consumer Protection Law, which became effective on January 1, 1994 and was amended on March 15, 2014. Under the Consumer Protection Law, a business operator

providing a commodity or service to a consumer is subject to a number of requirements, including the following:

- to ensure that commodities and services meet with certain safety requirements;
- to protect the safety of consumers;
- to disclose serious defects of a commodity or a service and to adopt preventive measures against damage occurrence;
- to provide consumers with accurate information and to refrain from conducting false advertising;
- to obtain consents of consumers and to disclose the rules for the collection and/or use of information when collecting data or information from consumers; to take technical measures and other necessary measures to protect the personal information collected from consumers; not to divulge, sell, or illegally provide consumers' information to others; not to send commercial information to consumers without the consent or request of consumers or with a clear refusal from consumers;
- not to set unreasonable or unfair terms for consumers or alleviate or release itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means;
- to remind consumers in a conspicuous manner to pay attention to the quality, quantity and prices or fees of commodities or services, duration and manner of performance, safety precautions and risk warnings, after-sales service, civil liability and other terms and conditions vital to the interests of consumers under a standard form of agreement prepared by the business operators, and to provide explanations as required by consumers; and
- not to insult or slander consumers or to search the person of, or articles carried by, a consumer or to infringe upon the personal freedom of a consumer.

Business operators may be subject to civil liabilities for failing to fulfill the obligations discussed above. These liabilities include ceasing infringement, restoring the consumer's reputation, eliminating the adverse effects suffered by the consumer, and offering an apology and compensation for any losses incurred. The following penalties may also be imposed upon business operators for the infraction of these obligations: issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operation, revocation of its business license or imposition of criminal liabilities under circumstances that are specified in laws and statutory regulations.

### **Regulations on Environmental Protection**

In February 2012, the SCNPC issued the newly amended Law of the PRC on Promoting Clean Production, which regulates service enterprises such as restaurants, entertainment establishments and hotels and requires them to use technologies and equipment that conserve energy and water, serve other environmental protection purposes, and reduce or stop the use of consumer goods that waste resources or pollute the environment.

According to the Environmental Protection Law of the PRC promulgated by the SCNPC on December 26, 1989 and last amended on April 24, 2014, the Environmental Impact Assessment Law of the PRC promulgated by the SCNPC on October 28, 2002 and last amended on December 29, 2018, and the Administrative Regulations on Environmental Protection for Construction Projects promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, hotels located in environmental sensitive areas shall submit a Report Form on Environmental Impact Assessment to competent environmental protection authorities for approvals before commencing the construction. Pursuant to the Environmental Impact Assessment Law of the PRC, any hotel failing to obtain the

approval of the Report/Form of Environmental Impact Assessment may be ordered to cease construction and restore the property to its original state, and according to the violation activities committed and the harmful consequences thereof, be subject to fines of no less than 1% but no more than 5% of the total investment amount for the construction project of such hotel. The person directly responsible for the project may be subject to certain administrative penalties.

### **Regulations on Commercial Franchising**

Franchise operations are subject to the supervision and administration of the MOFCOM, and its regional counterparts. Such activities are currently regulated by the Administrative Regulations on Commercial Franchising, which was promulgated by the State Council on February 6, 2007 and became effective on May 1, 2007. The Administrative Regulations on Commercial Franchising were subsequently supplemented by the Administrative Measures on Filing of Commercial Franchises, which was newly amended and promulgated by the MOFCOM on December 12, 2011 and became effective on February 1, 2012, and the newly amended Administrative Measures on Information Disclosure of Commercial Franchises, which was promulgated by the MOFCOM on February 23, 2012 and became effective on April 1, 2012.

Under the above applicable regulations, a franchisor must have certain prerequisites including a mature business model, the capability to provide long-term business guidance and training services to franchisees and ownership of at least two self-operated storefronts that have been in operation for at least one year within China. Franchisors engaged in franchising activities without satisfying the above requirements may be subject to penalties such as forfeit of illegal income and imposition of fines between RMB100,000 and RMB500,000 and may be bulletined by the MOFCOM or its local counterparts. Franchise contracts shall include certain required provisions, such as terms, termination rights and payments.

Franchisors are generally required to file franchise contracts with the MOFCOM or its local counterparts. Failure to report franchising activities may result in penalties such as fines up to RMB100,000. Such noncompliance may also be bulletined. In the first quarter of every year, franchisors are required to report to the MOFCOM or its local counterparts any franchise contracts they executed, canceled, renewed or amended in the previous year.

The term of a franchise contract shall be no less than three years unless otherwise agreed by franchisees. The franchisee is entitled to terminate the franchise contract in his sole discretion within a set period of time upon signing of the franchise contract.

Pursuant to the Administrative Measures on Information Disclosure of Commercial Franchises, 30 days prior to the execution of franchise contracts, franchisors are required to provide franchisees with copies of the franchise contracts, as well as written true and accurate basic information on matters including:

- the name, domiciles, legal representative, registered capital, scope of business and basic information relating to its commercial franchising;
- basic information relating to the registered trademark, logo, patent, know-how and business model;
- the type, amount and method of payment of franchise fees (including payment of deposit and the conditions and method of refund of deposit);
- the price and conditions for the franchisor to provide goods, service and equipment to the franchisee;
- the detailed plan, provision and implementation plan of consistent services including operational guidance, technical support and business training provided to the franchisee;

- detailed measures for guiding and supervising the operation of the franchisor;
- investment budget for all franchised hotels of the franchisee;
- the current numbers, territory and operation evaluation of the franchisees within China;
- a summary of accounting statements audited by an accounting firm and a summary of audit reports for the previous two years;
- information on any lawsuit in which the franchisor has been involved in the previous five years;
- basic information regarding whether the franchisor and its legal representative have any record of material violation; and
- other information required to be disclosed by the MOFCOM.

In the event of failure to disclose or misrepresentation, the franchisee may terminate the franchise contract and the franchisor may be fined up to RMB100,000. In addition, such noncompliance may be bulletined.

According to the Manual of Guidance on Administration for Foreign Investment Access (Edition 2008) promulgated by the MOFCOM in December 2008, if an existing foreign-invested company wishes to operate a franchise in China, it must apply to the MOFCOM or its local counterparts and must include "engaging in commercial activities by way of franchise" in its business scope.

### **Regulations on Intellectual Property Rights**

The PRC Copyright Law, which took effect on June 1, 1991 and was subsequently amended on October 27, 2001, on February 26, 2010 and on November 11, 2020, respectively, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. The Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, the Copyright Law provides for a voluntary registration system administered by the China Copyright Protection Center. According to the Copyright Law, an infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of copyright owner. Infringers of copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations.

Pursuant to the Computer Software Protection Regulations promulgated by the State Council on June 4, 1991 and subsequently amended on December 20, 2001 and on January 30, 2013, Chinese citizens, legal persons and other organizations shall enjoy copyright on software they develop, regardless of whether the software is released publicly. Software copyright commences from the date on which the development of the software is completed. The protection period for software copyright of a legal person or other organizations shall be 50 years, concluding on December 31 of the 50th year after the software's initial release. The software copyright owner may go through the registration formalities with a software registration authority recognized by the State Council's copyright administrative department. The software copyright owner may authorize others to exercise that copyright and is entitled to receive remuneration.

Both the Trademark Law of the PRC adopted by the SCNPC on August 23, 1982 and last amended on November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC adopted by the State Council on August 3, 2002 and revised on April 29, 2014 give protection to the holders of registered trademarks and trade names. The National Intellectual Property Administration (Trademark Office) handles trademark registrations. Trademarks can be registered for a term of ten

years and can be extended for another ten years if requested upon expiration of any ten-year term. Trademark license agreements must be filed with the Trademark Office.

According to the Administrative Measures on Internet Domain Names promulgated by the Ministry of Industry and Information Technology of PRC in August 24, 2017 and took effect on November 1, 2017. The registration of domain names in PRC is on a "first-apply-first-registration" basis. A domain name applicant will become the domain name holder upon the completion of the application procedure.

Pursuant to the PRC Patent Law which was promulgated by the SCNPC on March 12, 1984 and amended on August 25, 2000, on December 27, 2008 and on October 17, 2020, and its implementation rules, once a patent for an invention or utility model has been granted, unless otherwise provided by the Patent Law, no entity or individual may use the patent, patented product or patented process for production or business purposes without the authorization of the patent owner. Once a patent has been granted for a design, no entity or individual may manufacture, sell or import any product containing the patented design without the permission of the patent owner. If a patent is found to have been infringed, the infringer must, in accordance with relevant regulations, cease such infringement, take remedial action and pay damages.

## **Regulations on Taxation**

According to the Enterprise Income Tax Law of the PRC, or the EIT Law, which was promulgated on March 16, 2007, and came into effect on January 1, 2008 and was amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the Enterprise Income Tax Law, which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and was amended by the State Council on April 23, 2019 and came into effect on the same date, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises. These enterprises are classified as either resident enterprises or non-resident enterprises. Besides enterprises established within the PRC, enterprises established in accordance with the laws of other judicial districts whose "de facto management bodies" are within the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to or any other gains realized on the transfer of shares by non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

According to the Arrangement for the Avoidance of Double Taxation and Tax Evasion between Mainland of China and Hong Kong entered into between Mainland China and the Hong Kong Special Administrative Region on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which directly owns 25% or more of the equity interest of the PRC foreign-invested enterprise which pays the dividends and interests, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws. However, according to the Notice on the Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, which was promulgated by the State Administration of Taxation or the SAT on February 20, 2009 and which came into effect on the same date, if the relevant PRC tax authorities determine, in their discretion, that a company benefits unjustifiably from such reduced income tax rate

due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties, issued by the SAT on February 3, 2018 and effective on April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

The Provisional Regulations on Value-added Tax, which was promulgated on December 13, 1993, came into effect on January 1, 1994, and last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax, which was promulgated on December 25, 1993 and came into effective on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax.

On November 19, 2017, the State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax, according to which, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of value-added tax. The value-added tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the value-added tax rate applicable to the small-scale taxpayers is 3%. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates issued on April 4, 2018 and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have value added tax, taxable sales activities, or imported goods are adjusted to 16% and 10%, respectively. According to the Announcement on Policies for Deepening the Value-added Tax Reform issued by the Ministry of Finance, the SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

### **Regulations on Offline Distribution of Publications**

On January 2, 1997, the State Council of the PRC promulgated the Administrative Regulations on Publishing which was last amended on November 29, 2020. On May 31, 2016, the State Administration of Press, Publication, Radio, Film and MOFCOM jointly issued the Administrative Provisions on the Publication Market, which was effective as of June 1, 2016. According to these regulations, the activities of publication distribution, including publication wholesale or retail activities, which shall be carried with the publication operation license. Without licensing, such entity or individual may be ordered to cease illegal acts by the competent administrative department of publication and SAIC, be subject to confiscation of publication, any illegal income and special tools and equipment for illegal activities, and be concurrently subject to a fine.

### **Regulations on Foreign Currency Exchange**

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Control Regulations of the PRC promulgated by the State Council, as amended on August 5, 2008, or the Foreign Exchange Regulations. Under the Foreign Exchange Regulations, the RMB is freely convertible for current account items, including goods, services, gains and transaction items, but not for capital account items, such as capital transfers, direct investments, investment in securities, derivatives and loans, unless the prior approval of the State Administration of Foreign Exchange, or the SAFE, is obtained and prior registration with the SAFE is made.

The Circular on Reforming the Management Method regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises ("Circular 19"), promulgated on March 30, 2015 and last amended on December 30, 2019, allows foreign-invested enterprises to make equity investments by using RMB funds converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of willingness-based foreign exchange settlement of capital for foreign-invested enterprises is temporarily set at 100%. The SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, the Circular 19 and the Circular on Reforming and Regulating the Management Policies on the Settlement of Capital Projects continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing in securities and other investments except for bank's principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

On October 23, 2019, the SAFE promulgated the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment ("Circular 28"). Pursuant to Circular 28, on the basis of allowing investment-oriented foreign-invested enterprise (including foreign-invested investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) to use capital funds for domestic equity investment in accordance with laws and regulations, non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws under the premise of not violating the Negative List and the authenticity and compliance of their domestic invested projects.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

On December 25, 2006, the People's Bank of China issued the Administration Measures on Individual Foreign Exchange Control and its Implementation Rules were issued by the SAFE on January 5, 2007, both of which became effective on February 1, 2007. The Implementation Rules was later amended on May 29, 2016. Under these regulations, all foreign exchange matters involved in the employee stock ownership plan, stock option plan and other similar plans, participated by onshore individuals shall be transacted upon approval from the SAFE or its authorized branch. On February 15, 2012, the SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Individuals Participating in the Stock Incentive Plan of An Overseas Listed Company, or Circular 7, to replace the Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Option Plan or Stock Option Plan of An Overseas Listed Company. Under Circular 7, the board members, supervisors, officers or other employees, including PRC citizens and foreigners having lived within the territory of the PRC successively for at least one year of a PRC entity, who participate in stock incentive plans or stock option plans by an overseas publicly listed company, or the PRC participants, are required, through a PRC agent or PRC subsidiaries of such overseas publicly-listed company, to complete certain foreign exchange registration procedures with respect to the plans upon the examination by, and approval of, the SAFE. We and our PRC participants who have been granted stock options are subject to Circular 7. If our PRC



participants who hold such options or our PRC subsidiary fail to comply with these regulations, such participants and their PRC employer may be subject to fines and legal sanctions.

### **Regulations on Foreign Investment**

The SCNPC enacted the Foreign Investment Law of the PRC on March 15, 2019 and the State Council promulgated the Implementation Regulations of Foreign Investment Law of the PRC on December 26, 2019, both of which came into force on January 1, 2020. On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information, which also became effective on January 1, 2020. Under these laws and regulations, foreign investors or foreign-invested enterprises shall report and update investment information to the competent department for commerce through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. Any foreign investor or foreign-invested company found to be non-compliant with these reporting obligations may potentially be subject to fines and legal sanctions.

The Foreign Investment Law of the PRC, together with its Implementation Regulations replaced, in their entirety, the trio of previous laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. Generally speaking, the Company Law of the PRC or the Partnership Law of the PRC (promulgated by the SCNPC in February 1997 and amended in August 2006) shall apply with respect to the organization of foreign-invested enterprises.

### **Regulations on Dividend Distribution**

The principal regulations governing distribution of dividends of foreign-invested enterprises include the Company Law of the PRC (the "Company Law").

Under the Company Law, companies shall contribute 10% of the profits into their statutory surplus reserve upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital.

### **Regulations on Offshore Financing**

On October 21, 2005, the SAFE issued Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment through Offshore Special Purpose Vehicles, or Circular 75, which became effective as of November 1, 2005. Under Circular 75, if PRC residents use assets or equity interests in their PRC entities as capital contributions to establish offshore special-purpose companies directly or indirectly controlled by such PRC residents to carry out equity financing overseas and through special-purpose companies to carry out direct investment activities in China, they are required to register with local SAFE branches with respect to their overseas investments in offshore companies and roundtrip investment. PRC residents are also required to file amendments to their registrations if their offshore companies experience material events involving capital variation, such as changes in share capital, share transfers, mergers and acquisitions, spin-off transactions, long-term equity or debt investments or uses of assets in China to guarantee offshore obligations.

Moreover, Circular 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may result in restrictions being imposed on the foreign exchange activities of the relevant

onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control our company are required to register periodically with the SAFE in connection with their investments in us.

The SAFE issued a series of guidelines to its local branches with respect to the operational process for SAFE registration, including the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment, or Circular 59, which came into effect as of December 17, 2012 and last amended on May 4, 2018. The guidelines standardized more specific and stringent supervision on the registration required by Circular 75. For example, the guidelines impose obligations on onshore subsidiaries of an offshore entity to make true and accurate statements to the local SAFE authorities in case any shareholder or beneficial owner of the offshore entity is a PRC citizen or resident. Untrue statements by the onshore subsidiaries will lead to potential liability for the subsidiaries, and in some instances, for their legal representatives and other individuals.

On July 4, 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles, or Circular 37, which became effective and suspended Circular 75 on the same date, and Circular 37 shall prevail over any other inconsistency between itself and relevant regulations promulgated previously. Pursuant to Circular 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local branch of the SAFE before making a contribution to an enterprise directly established or indirectly controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or equity interests, referred to in this circular as a "special purpose vehicle". Under Circular 37, the term "PRC institutions" refers to entities with legal person status or other economic organizations established within the territory of the PRC. The term "PRC individual residents" includes all PRC citizens (also including PRC citizens abroad) and foreigners who habitually reside in the PRC for economic benefit. A registered special purpose vehicle is required to amend its SAFE registration with respect to such vehicle in connection with any change of basic information including PRC individual resident shareholder, name, term of operation, or PRC individual resident's increase or decrease of capital, transfer or exchange of shares, merger, division or other material changes. In addition, if a non-listed special purpose vehicle grants any equity incentives to directors, supervisors or employees of domestic companies under its direct or indirect control, the relevant PRC individual residents could register with the local branch of the SAFE before exercising such options. The SAFE simultaneously issued guidance to its local branches with respect to the implementation of Circular 37. Under Circular 37, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including restrictions on the payment of dividends and other distributions to its offshore parent company and the capital inflow from the offshore entity, and may also subject the relevant PRC residents and onshore company to penalties under the PRC foreign exchange administration regulations.

On September 14, 2015, the National Development and Reform Commission issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises to remove the quota review and approval system for the issuance of foreign debts (including bonds and loans for more than 1 year) by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system.

## **Regulations on Merger and Acquisition and Overseas Listing**

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or the CSRC, adopted the Regulations on Mergers of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, through which to purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals who also control such PRC domestic companies, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

## **Regulation on Security Review**

In August 2011, the MOFCOM promulgated the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the MOFCOM Security Review Rule, which came into effect on September 1, 2011, to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011. Under these regulations, a security review is required for foreign investors' mergers and acquisitions having "national defense and security" implications and mergers and acquisitions by which foreign investors may acquire "de facto control" of domestic enterprises having "national security" implications. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to a security review, the MOFCOM will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rule further prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

On December 19, 2020, the NDRC and MOFCOM promulgated the Measures for the Security Review of Foreign Investments which became effective on January 18, 2021. Under the Security Review of Foreign Investments, for foreign investments that affect or may affect national security, security review shall be conducted by the office led by NDRC and MOFCOM. For the purpose of these Measures, the term "foreign investment" refers to the investment activities carried out by foreign investors directly or indirectly within the territory of the PRC, including the following circumstances:

- where foreign investors invest, solely or jointly with other investors, in new projects or establishing enterprises in the PRC;
- where foreign investors acquire equity or assets of domestic enterprises by way of merger and acquisition; or
- where foreign investors make investments in the PRC in any other form.

## **Regulation on Information Protection on Networks**

On December 28, 2012, SCNPC issued Decision of the Standing Committee of the National People's Congress on Strengthening Information Protection on Networks, pursuant to which network service providers and other enterprises and institutions shall, when gathering and using electronic personal information of citizens in business activities, publish their collection and use rules and adhere

to the principles of legality, rationality and necessarily, explicitly state the purposes, manners and scopes of collecting and using information, and obtain the consent of those from whom information is collected, and shall not collect and use information in violation of laws and regulations and the agreement between both sides; and the network service providers and other enterprises and institutions and their personnel must strictly keep such information confidential and may not divulge, alter, damage, sell, or illegally provide others with such information.

On July 16, 2013, the Ministry of Industry and Information Technology, or the MIIT, issued the Provisions on the Protection of Personal Information of Telecommunication and Internet User, which was effective as of September 1, 2013. The requirements under this order are stricter and wider compared to the above decision issued by the National People's Congress. According to the provisions, if a network service provider wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Furthermore, it must disclose to its users the purpose, method and scope of any such collection or usage, and must obtain consent from the users whose information is being collected or used. Network service providers are also required to establish and publish their protocols relating to personal information collection or usage, keep any collected information strictly confidential and take technological and other measures to maintain the security of such information. Network service providers are required to cease any collection or usage of the relevant personal information, and provide services for the users to de-register the relevant user account, when a user stops using the relevant Internet service. Network service providers are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such personal information unlawfully to other parties. In addition, if a network service provider appoints an agent to undertake any marketing or technical services that involve the collection or usage of personal information, the network service provider is required to supervise and manage the protection of the information. The provisions state, in broad terms, that violators may face warnings, fines, public exposure and, criminal liability whereas the case constitutes a crime.

On June 1, 2017, the Cybersecurity Law of the PRC promulgated in November, 2016 by SCNPC became effective. This law also absorbed and restated the principles and requirements mentioned in the aforesaid decision and order, and further provides that, where an individual finds any network operator collects or uses his or her personal information in violation of the provisions of any law, regulation or the agreement of both parties, the individual shall be entitled to request the network operator to delete his or her personal information; if the individual finds that his or her personal information collected or stored by the network operator has any error, he or she shall be entitled to request the network operator to make corrections, and the network operator shall take measures to do so. Pursuant to this law, the violators may be subject to: (i) warning; (ii) confiscation of illegal gains and fines equal to one to ten times of the illegal gains; or if without illegal gains, fines up to RMB1,000,000; or (iii) an order to shut down the website, suspend the business operation for rectification, or revoke business license. Besides, responsible persons may be subject to fines between RMB10,000 and RMB100,000.

In October 2020, the Standing Committee of the National People's Congress officially released the draft for the first reading of the Personal Information Protection Law, or the Draft Personal Information Protection Law, which provides detailed rules on handling personal information and legal responsibilities, including but not limited to the scope of personal information and the ways of processing personal information, the establishment of rules for processing personal information, and the individual's rights and the processor's obligations in the processing of personal information. The Draft Personal Information Protection Law also strengthens the punishment for those who illegally process personal information. As of the date of this prospectus, the Draft Personal Information Protection Law has not been formally adopted.

### **Regulations on Employee Share Option Plans**

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company, or SAFE Circular 7, issued by the SAFE in February 2012, employees, directors, supervisors, and other senior management participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures. See "—Regulations on Foreign Currency Exchange."

In addition, the SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, employees working in the PRC who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are obligated to file documents related to employee share options and restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their share option or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

### **Regulations on Employment and Social Insurance**

The PRC Labor Contract Law promulgated by PRC Congress in 2007 and amended in December 2012, and its implementation rules issued by the State Council in 2008, require employers to provide written contracts to their employees, restrict the use of temporary workers and aim to give employees long-term job security. Violations of the PRC Labor Law and the PRC Labor Contract Law may result in fines and other administrative sanctions, and serious violations may result in criminal liabilities.

The PRC governmental authorities have passed a variety of laws and regulations regarding social insurance and housing funds from time to time, including, among others, the PRC Social Insurance Law, the Regulation of Insurance for Labor Injury, the Regulations of Insurance for Unemployment and the Provisional Insurance Measures for Maternal Employees. Pursuant to these laws and regulations, PRC companies must make contributions at specified levels for their employees to the relevant local social insurance and housing fund authorities. Failure to comply with such laws and regulations may result in various fines and legal sanctions and supplemental contributions to the local social insurance and housing fund regulatory authorities.

### **Regulations on Advertising**

According to Advertising Law of the PRC, or Advertising Law, which was promulgated by NPCSC on 27 October 1994 and amended on 1 September 2015 and 26 October 2018, advertisements shall not contain any false or misleading information, and shall not deceive or mislead consumers. Advertisers, advertising agents and advertisement publishers shall abide by the laws, regulations and the principles of justice, honesty and fair competition in carrying out advertising activities. Local administrative departments for industry and commerce at and above the county level shall take charge of the supervision and administration on advertising within their respective administrative jurisdictions. Other relevant departments of the local people's governments at and above the county level shall take charge of the advertising management-related work within their respective scope of duties. According to the Advertising Law, the use of internet to publish or distribute advertisements shall not affect the normal use of the internet by users. Advertisements published on internet pages such as pop-up advertisements shall be indicated with conspicuous mark for close to ensure the close of such advertisements by one click.

## **Regulations on Internet Platform Business**

According to the Telecommunications Regulations of the PRC issued by the State Council on September 25, 2000 and was amended on July 29, 2014 and February 6, 2016, respectively, value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures and are subject to licenses prior to commencement of operations, and according to the Catalogue of Telecommunications Business (2015 Edition) attached to the Telecommunications Regulations of the PRC, value-added telecommunications services are divided into two categories, class I value-added telecommunication services and class II value-added telecommunication services. On July 3, 2017, the MIIT issued the revised Administrative Measures for the Licensing of Telecommunications Business, or the Telecom License Measures, which became effective on September 1, 2017, to supplement the Telecom Regulations. The Telecom License Measures require that an operator of value-added telecommunications services obtain a VATs License from the MIIT or its provincial level counterparts. The term of a VATs License is five years and the license holder is subject to annual inspection.

An e-commerce operator shall obtain a license for value-added telecommunications services with the specification of online data processing and transaction processing business from appropriate telecommunications authorities, pursuant to the Telecommunications Regulations and the Catalog of Telecommunications Services.

On February 7, 2021, the State Administration for Market Regulation, or the SAMR, promulgated Guidelines to Anti-Monopoly in the Field of Platform Economy, or the Anti-Monopoly Guidelines for Platform Economy. The Anti-Monopoly Guidelines for Platform Economy provides operational standards and guidelines for identifying certain internet platforms' abuse of market dominant position which are prohibited to restrict unfair competition and safeguard users' interests, including without limitation, prohibiting personalized pricing using big data and analytics, selling products below cost without reasonable causes, actions or arrangements seen as exclusivity arrangements, using technology means to block competitors' interface, using bundle services to sell services or products. In addition, internet platforms' compulsory collection of user data may be viewed as abuse of dominant market position that may have the effect to eliminate or restrict competition.

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the E-commerce Law, which came into effect on January 1, 2019. The E-commerce Law imposes a series of requirements on e-commerce operators including e-commerce platform operators, merchants operating on the platform and the individuals and entities carrying out business online.

According to the Measures for the Investigation and Treatment of Internet Food Safety Violations promulgated by China Food and Drug Administration on July 13, 2016 and effective on October 1, 2016, China Food and Drug Administration is responsible for supervising and guiding the investigation and treatment of Internet food safety violations nationwide, and local food and drug supervision and administration departments at or above the county level are responsible for their administrative areas Internal network food safety violations investigation. Food producers and distributors who engage in food trade on their own network platform should also file with the food and drug administration at or above the county level to get the record number.

**MANAGEMENT****Directors and Executive Officers**

The following table sets forth information regarding the executive officers and directors we plan to appoint and nominate as of the date of this prospectus.

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Haijun Wang	44	Founder, Chairman of Board of Directors and Chief Executive Officer
Rui Zhao	38	Chief Financial Officer
Hong Lu	46	Director, Senior Vice President
Gang Chen	41	Senior Vice President
Peirong Liu	43	Senior Vice President
Yisong Zhao	47	Chief People Officer
Lijun Gao	38	Director, Vice President
Hsueh Chun Tang	43	Vice President
Shiwei Zhou	46	Director

**Executive Officers and Directors**

*Mr. Haijun Wang* is our founder and has served as our Chairman of Board of Directors and Chief Executive Officer since 2013. Prior to founding Atour in 2013, Mr. Wang served as the executive vice president of China Lodging Group, Limited, currently known as Huazhu Group Ltd., a company listed on Nasdaq under the ticker symbol of "HTHT" and the Hong Kong Stock Exchange under the stock code of "1179." Prior to joining Huazhu in 2005, Mr. Wang worked for Home Inns, Jinjiang Inn, as well as other reputable hotel companies. As the founder of Atour, the first upper midscale lifestyle hotel chain in China, Mr. Wang is a well respected industry veteran with extensive hotel development and management experience. Mr. Wang was recognized as a leader in various industry leadership lists, including the List of the Most Innovative Business Figures in China, the List of 40 Leaders of China's Hospitality Industry within the Past 40 Years, the List of the Most Innovative Figures in China's Travel Industry. Mr. Wang graduated from Yanshan University and received his EMBA degree from the China Europe International Business School.

*Ms. Rui Zhao* has served as our Chief Financial Officer since 2016. From 2014 to 2016, Ms. Zhao served as the head of strategic investment department of Qunar.com, a leading online travel agency in China. From 2010 to 2014, Ms. Zhao served as a vice president of Yonghua Capital, a private equity firm. Ms. Zhao graduated from Tsinghua University and received her MBA degree from Tsinghua University.

*Mr. Hong Lu* has served as our Senior Vice President in charge of corporate strategies, internal control and investor relations and a director since 2021. Mr. Lu joined us in 2019 and served as a Vice President from 2019 to 2020. Previously, Mr. Lu served as a vice president and the board secretary of Xiamen 35.com Technology, a company listed on the Shenzhen Stock Exchange under the stock code of "300051," a vice president and the board secretary of Shandong Zhongji Electrical Equipment Co., Ltd., a company listed on Shenzhen Stock Exchange under the stock code of "300308," and the board secretary of Guangzhou Goaland Energy Conservation Tech. Co., Ltd., a company listed on the Shenzhen Stock Exchange under the stock code of "300499." Mr. Lu graduated from Fuzhou University and received his MBA degree from the New York Institute of Technology.

*Mr. Gang Chen* has served as our Senior Vice President in charge of hotel management since 2019. Mr. Chen joined us in 2018 and served as a Vice President. Previously, Mr. Chen served as a vice president of Zhuyou Hotel Management Co., Ltd. Mr. Chen graduated from Zhejiang Gongshang University.

*Mr. Peirong Liu* has served as our Senior Vice President in charge of product and hotel development since 2017. Previously, Mr. Liu served as the chief operating officer of Kr Space, a co-working service platform. Mr. Liu received his MBA degree from Renmin University of China.

*Ms. Yisong Zhao* has served as our Chief People Officer since 2021. Previously, Ms. Zhao served as a vice president of JD.com, Inc., a company listed on Nasdaq under the ticker symbol of "JD" and the Hong Kong Stock Exchange under the stock code of "9618", where she was in charge of the insurance products of JD Digits (formerly known as "JD Finance"). Prior to that, Ms. Zhao served as a marketing director of Microsoft. Ms. Zhao graduated from Wuhan University and received her MBA degree from Case Western Reserve University.

*Ms. Lijun Gao* has served as our Vice President in charge of legal matters since 2018 and a director since 2021. Ms. Gao joined us in 2013 and served as our general counsel from January 2015 to October 2018. Ms. Gao contributes more than a decade of experience in the practice of law and is specialized in corporate finance, risk management, and regulatory compliance. Ms. Gao graduated from Shanghai Normal University.

*Ms. Hsueh Chun Tang* has served as our Vice President in charge of the Center of Product and Branding since 2021. Ms. Tang served as our Vice President in charge of ZHOTEL from 2019 to 2021. Prior to joining us in 2018, Ms. Tang worked for Qunar.com and served as its director of marketing and content operations from 2013 to 2016 and director of business development and content operations from 2008 to 2012. Ms. Tang graduated from Les Roches Swiss Hotel Association Hotel Management School and received her Master of Science degree in Tourism Management from the University of Surrey.

*Mr. Shiwei Zhou* has served as our director since 2021. Mr. Zhou has also served as a vice president of Trip.com Group Ltd. since 2015. Mr. Zhou is also a director of Luxuriant Holdings Limited, TeamSport Topco Limited and Tuniu Corporation. Mr. Zhou graduated from Tongji University. He received his Master of Science degree in Structural Engineering from Columbia University and his MBA degree from University of Southern California.

### **Employment Agreements and Indemnification Agreements**

[We have entered into employment agreements with each of our executive officers. Each of our executive officers is employed for a specified time period, which can be renewed upon both parties' agreement before the end of the current employment term. We may terminate an executive officer's employment for cause at any time without advance notice in certain events. We may terminate an executive officer's employment by giving a prior written notice or by paying certain compensation. An executive officer may terminate his or her employment at any time by giving a prior written notice.

Each executive officer has agreed to hold, unless expressly consented to by us, at all times during and after the termination of his or her employment agreement, in strict confidence and not to use, any of our confidential information or the confidential information of our customers and suppliers. In addition, each executive officer has agreed to be bound by certain non-competition and non-solicitation restrictions during the term of his or her employment and for a specific period of time following the last date of employment.

We have also entered into indemnification agreements with each of our directors and executive officers.

Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.]



## Board of Directors

Our board of directors will consist of directors, including independent directors, namely \_\_\_\_\_, upon the SEC's declaration of effectiveness of our registration statement on Form F-1 to which this prospectus forms a part. A director is not required to hold any shares in our company to qualify to serve as a director. The Corporate Governance Rules of the Nasdaq generally require that a majority of an issuer's board of directors must consist of independent directors. However, the Corporate Governance Rules of the Nasdaq permit foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We rely on this "home country practice" exception and do not have a majority of independent directors serving on our board of directors.

[A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his or her interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he or she is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he/she has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he/she may be interested therein and if he/she does so, his/her vote shall be counted and he/she may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered. Our board of directors may exercise all of the powers of our company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party.] None of our directors has a service contract with us that provides for benefits upon termination of service as a director.

## Committees of the Board of Directors

We intend to establish an audit committee, a compensation committee and a nominating and corporate governance committee under our board of directors immediately and adopt a charter for each of the three committees upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Each committee's members and functions are described below.

**Audit Committee.** Our audit committee will consist of \_\_\_\_\_, and is chaired by \_\_\_\_\_. We have determined that \_\_\_\_\_ satisfy the requirements of Section 303A of the Corporate Governance Rules of the Nasdaq and meet the independence standards under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. We have determined that \_\_\_\_\_ qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- [reviewing and recommending to our board for approval, the appointment, re-appointment or removal of the independent auditor, after considering its annual performance evaluation of the independent auditor;
- approving the remuneration and terms of engagement of the independent auditor and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors at least annually;
- obtaining a written report from our independent auditor describing matters relating to its independence and quality control procedures;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;

- discussing with our independent auditor, among other things, the audits of the financial statements, including whether any material information should be disclosed, issues regarding accounting and auditing principles and practices;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- reviewing and recommending the financial statements for inclusion within our quarterly earnings releases and to our board for inclusion in our annual reports;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any special steps taken to monitor and control major financial risk exposures;
- at least annually, reviewing and reassessing the adequacy of the committee charter;
- approving annual audit plans, and undertaking an annual performance evaluation of the internal audit function;
- establishing and overseeing procedures for the handling of complaints and whistleblowing;
- meeting separately and periodically with management and the independent registered public accounting firm;
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance; and
- reporting regularly to the board.]

**Compensation Committee.** Our compensation committee will consist of \_\_\_\_\_ and is chaired by \_\_\_\_\_. [We have determined that \_\_\_\_\_ satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the Nasdaq.] The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee is responsible for, among other things:

- [overseeing the development and implementation of compensation programs in consultation with our management;
- at least annually, reviewing and approving, or recommending to the board for its approval, the compensation for our executive officers;
- at least annually, reviewing and recommending to the board for determination with respect to the compensation of our non-executive directors;
- at least annually, reviewing periodically and approving any incentive compensation or equity plans, programs or other similar arrangements;
- reviewing executive officer and director indemnification and insurance matters;
- overseeing our regulatory compliance with respect to compensation matters, including our policies on restrictions on compensation plans and loans to directors and executive officers;
- at least annually, reviewing and reassessing the adequacy of the committee charter;
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management; and

- reporting regularly to the board.]

**Nominating and Corporate Governance Committee.** Our nominating and corporate governance committee will consist of \_\_\_\_\_, and is chaired by \_\_\_\_\_. [We have determined that \_\_\_\_\_ satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the Nasdaq.] The nominating and corporate governance committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- [recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience, expertise, diversity and availability of service to us;
- developing and recommending to our board such policies and procedures with respect to nomination or appointment of members of our board and chairs and members of its committees or other corporate governance matters as may be required pursuant to any SEC or Nasdaq rules, or otherwise considered desirable and appropriate;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself;
- at least annually, reviewing and reassessing the adequacy of the committee charter;
- developing and reviewing at least annually the corporate governance principles adopted by the board and advising the board with respect to significant developments in the law and practice of corporate governance and our compliance with such laws and practices; and
- evaluating the performance and effectiveness of the board as a whole.]

#### **Duties and Functions of Directors**

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to exercise the skill they actually possess and such care and diligence that a reasonable prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached. [In accordance with our post-offering amended and restated articles of association, the functions and powers of our board of directors include, among others, (i) convening shareholders' annual general meetings and reporting its work to shareholders at such meetings, (ii) declaring dividends, (iii) appointing officers and determining their terms of offices and responsibilities, and (iv) approving the transfer of shares of our company, including the registering of such shares in our share register. In addition, in the event of a tie vote, the chairman of our board of directors has, in addition to his personal vote, the right to cast a tie-breaking vote.]

## **Terms of Directors and Officers**

[Our officers are elected by and serve at the discretion of the board. Each director is not subject to a term of office and holds office until such time as his successor takes office or until the earlier of his death, resignation or removal from office by [ordinary resolution] or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be of unsound mind; (iii) resigns by notice in writing to our company; (iv) without special leave of absence from our board of directors, is absent from [three] consecutive meetings of the board and the board resolves that his office be vacated; (v) is prohibited by law from being a director; or (vi) is removed from office pursuant to any other provisions of our post-offering amended and restated memorandum and articles of association.]

## **Interested Transactions**

A director may, subject to any separate requirement for audit committee approval under applicable law or applicable Nasdaq rules, vote in respect of any contract or transaction in which he or she is interested, provided that the nature of the interest of any directors in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote in that matter.

## **Compensation of Directors and Executive Officers**

For the year ended December 31, 2020, we paid an aggregate of RMB5.9 million (US\$0.9 million) in cash to our executive officers and directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund. For share incentive grants to our directors and executive officers, see "— Share Incentive Plans."

## **Share Incentive Plans**

### ***2017 PRC Incentive Plan***

In 2017, our PRC subsidiary Atour Shanghai adopted the 2017 Share Incentive Plan, or the 2017 PRC Plan. In 2021, we adopted the Public Company Share Incentive Plan, or the Public Company Plan, at the Cayman Islands' level in preparation for this offering, to replace the 2017 PRC Plan. Under the 2017 PRC Plan, Atour Shanghai had granted a total of 51,190,000 share based awards, representing the corresponding amount of equity interests of Atour Shanghai to certain of its officers, employees and consultants. All of the outstanding and unvested awards under the 2017 PRC Plan have been, or will be, replaced by the awards granted or to be granted under, and governed by the terms and conditions of, the Public Company Plan.

### ***Public Company Plan***

We adopted the Public Company Share Incentive Plan, or the Public Company Plan, in 2021 in preparation for this offering, to replace the 2017 PRC Plan. The purpose of the Public Company Plan is to recognize and reward participants for their contribution to our company, to attract suitable personnel and to provide incentives to them to remain with and further contribute to us.

Under the Public Company Plan, the maximum aggregate number of ordinary shares we are authorized to issue pursuant to equity awards granted thereunder, subject to certain adjustments pursuant to the terms thereof, is 51,029,546 Class A ordinary shares, which have been reserved for issuance pursuant to the Public Company Plan accordingly. The awards representing 14,196,882 Class A

ordinary shares issued under the 2017 PRC Plan will be fully replaced by the awards issued under the Public Company Plan before the completion of this offering. As of the completion of this offering, a total of            share options corresponding to            underlying Class A ordinary shares have been granted to the participants under the Public Company Plan, including 14,196,882 share options granted to participants under our 2017 PRC Plan in exchange for cancellation of awards previously granted to such participants under the 2017 PRC Plan. Pursuant to the Public Company Plan, the vesting condition for 14,849,482 share options granted thereunder will be fully satisfied upon completion of this offering.

The following paragraphs summarize the key terms of the Public Company Plan.

**Types of Awards.** The Public Company Plan permits the awards of options, restricted stock, restricted stock unit and other stock-based award.

**Plan Administration.** The Public Company Plan shall be solely administrated by the board or its compensation committee, or the Administrator, in accordance with the terms and conditions of the Public Company Plan.

**Eligibility.** Equity awards authorized under the Public Company Plan may be granted to any key employee, and any prospective key employee, director or consultant who has accepted an offer of employment, directorship or consultancy from us or our subsidiaries, or any other individual as designated and approved by the Administrator.

**Notice of Grant.** Each award under the Public Company Plan shall be evidenced by an award agreement to be entered into by the grantee and our company, in such form as the Administrator may from time to time determine.

**Conditions of Award.** The Administrator shall determine the provisions, terms, and conditions of each award including, but not limited to, eligible participant, vesting schedule, the lock-up arrangements upon vesting and other terms and conditions that the award is subject to.

**Transfer Restrictions.** Unless the Administrator or our chief executive officer otherwise determines, no award and no right under any such award shall be assignable, alienable, saleable or transferable by a grantee otherwise than by will or by the laws of descent and distribution. No award and no right under any such award may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company.

**Voting Power and Dividend Right of Shares Issued Pursuant to the Public Company Plan.** Until the issuance of the shares, no grantee shall have any right to vote or receive dividends or any other rights with respect to such shares.

**Amendment of the Public Company Plan.** The Public Company Plan may be altered or amended in any respect by the board, except to the extent prohibited by applicable laws.

**Term of the Public Company Plan.** Unless otherwise determined by the Administrator, the term of the Public Company Plan shall be indefinite.

**Termination of the Public Company Plan.** The Public Company Plan may be suspended, discontinued or terminated by the board, except to the extent prohibited by applicable laws.

The following table summarizes, as of the date of this prospectus, the number of Class A ordinary shares under the options that we granted to our directors and executive officers:

	Class A Ordinary Shares Underlying Equity Awards Granted	Exercise Price (US\$/Share)	Date of Grant <sup>(1)</sup>	Date of Expiration
<b>Executive Officers</b>				
Haijun Wang	—	—	—	—
Rui Zhao	*	*	April 2, 2021	April 1, 2031
Hong Lu	4,000,000	0.85	April 2, 2021	April 1, 2031
Lijun Gao	*	*	April 2, 2021	April 1, 2031
Gang Chen	*	*	April 2, 2021	April 1, 2031
Peirong Liu	*	*	April 2, 2021	April 1, 2031
Yisong Zhao	*	*	April 2, 2021	April 1, 2031
Hsueh Chun Tang	*	*	April 2, 2021	April 1, 2031
<b>Non-Employee Directors</b>				
Shiwei Zhou	—	—	—	—
<b>All directors and executive officers as a group</b>	<b>8,584,102</b>	<b>between 0.00 and 1.83</b>	<b>April 2, 2021</b>	<b>April 1, 2031</b>

\* The shares held by each of these directors and executive officers represent less than 1% of our total outstanding shares.

(1) Certain awards shown in this table were issued under the Public Company Plan to replace the awards previously granted to such individuals under the 2017 PRC Plan between July 2017 and March 2021.

As of the date of this prospectus, our employees and other qualified individuals other than members of our senior management as a group held a total of 7,874,244 share options previously granted under the 2017 PRC Plan, which will be canceled and replaced by 7,874,244 share options corresponding to 7,874,244 underlying Class A ordinary shares to be granted under the Public Company Plan before the completion of this offering.

For discussions of our accounting policies and estimates for awards granted pursuant to the Public Company Plan and the 2017 PRC Plan, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Share-based compensation."

## PRINCIPAL SHAREHOLDERS

We are currently undertaking the Restructuring. We are in the process of adjusting our share capital and issuing new Class A ordinary shares to the affiliates of certain existing equityholders of Atour Shanghai, or the Existing Equityholders, pursuant to the Restructuring, such that shareholding structure will be substantially similar to Atour Shanghai's current equityholding structure. Upon the consummation of the Restructuring, which is expected to occur prior to the completion of this offering, (i) we will adjust our share capital and issue new Class A ordinary shares to the affiliates of all Existing Equityholders of Atour Shanghai who, as of the date of this prospectus, hold warrants to acquire a total of 15,859,032 Class A ordinary shares in our company in proportion to their respective equity ownership in Atour Shanghai, such that the shareholding structure of our company at the Cayman Islands level would be substantially similar to the current equity ownership structure of Atour Shanghai, (ii) we expect that these warrant holders will exercise these warrants in full to acquire a total of 15,859,032 Class A ordinary shares underlying such warrants, and (iii) the affiliates of such Existing Equityholders will become parties to and be bound by the terms of our shareholders agreement dated March 3, 2021.

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of the date of this prospectus, on a *pro forma* basis to give effect to the full exercise of the warrants granted to the affiliates of certain Existing Equityholders to acquire a total of 15,859,032 Class A ordinary shares in our company as part of the Restructuring, by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our ordinary shares.

The calculations in the table below are based on (i) 303,289,537 Class A ordinary shares and 73,680,917 Class B ordinary shares outstanding as of the date of this prospectus after giving effect to the full exercise of the warrants granted to the affiliates of certain Existing Equityholders to acquire a total of 15,859,032 Class A ordinary shares in our company as part of the Restructuring and (ii) Class A ordinary shares and Class B ordinary shares outstanding immediately after the completion of this offering, including Class A ordinary shares to be sold by us in this offering in the form of ADSs, assuming that the underwriters do not exercise their option to purchase additional ADSs. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to votes per share on all matters submitted to them for a vote.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant, or other right or the conversion of any other security, which, for the avoidance of doubt, include such warrants granted to the affiliates of certain Existing Equityholders to acquire a total of 15,859,032 Class A ordinary shares in our company as part of the

Restructuring (which will be exercised in full prior to the completion of this offering). These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned Prior to This Offering			Ordinary Shares Beneficially Owned After This Offering			Aggregate Voting Power After This Offering
	Class A Ordinary Shares	Class B Ordinary Shares	%**	Class A Ordinary Shares	Class B Ordinary Shares	%	%***
<b>Directors and Executive Officers:†</b>							
Haijun Wang <sup>(1)</sup>	44,412,523	73,680,917	31.3				
Rui Zhao	*	—	*				
Hong Lu <sup>(2)</sup>	4,000,000	—	1.1				
Gang Chen	*	—	*				
Peirong Liu	*	—	*				
Yisong Zhao	*	—	*				
Lijun Gao	*	—	*				
Hsueh Chun Tang	*	—	*				
Shiwei Zhou <sup>(3)</sup>	—	—	—				
<b>All Directors and Executive Officers as a Group</b>	<b>51,326,625</b>	<b>73,680,917</b>	<b>32.6</b>				
Principal Shareholders:							
Sea Pearl Worldwide Holding Limited <sup>(4)</sup>	44,412,523	73,680,917	31.3				
Legend Capital <sup>(4)</sup>	114,469,418	—	30.4				
Diviner Limited <sup>(5)</sup>	60,912,400	—	16.2				
Trip.com Travel Singapore Pte. Ltd. <sup>(6)</sup>	55,970,815	—	14.8				
GLV Holding Limited <sup>(7)</sup>	20,673,814	—	5.5				
Engine Holdings Limited <sup>(8)</sup>	19,691,412	—	5.2				

Notes:

- \* Less than 1% of our total outstanding shares.
- \*\* For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of (i) 303,289,537 Class A ordinary shares and 73,680,917 Class B ordinary shares outstanding as of the date of this prospectus after giving effect to the full exercise of the warrants granted to the affiliates of certain Existing Equityholders to acquire a total of 15,859,032 Class A ordinary shares in our company as part of the Restructuring, and (ii) the number of Class A ordinary shares underlying the share options held by such person or group that are exercisable within 60 days after the date of this prospectus.
- \*\*\* For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class B ordinary shares is entitled to votes per share, subject to certain conditions, and each holder of Class A ordinary shares is entitled to one vote per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.
- † Except as indicated otherwise below, the business address of our directors and executive officers is 18th floor, Wuzhong Building, 618 Wuzhong Road, Minhang District, Shanghai, People's Republic of China.
- (1) Represents (i) 73,680,917 Class B ordinary shares held of record by Sea Pearl Worldwide Holding Limited, a company registered in British Virgin Islands wholly owned by Haijun Wang, (ii) 19,691,412 Class A ordinary shares held of record by Engine Holdings Limited; and (iii) 24,721,111 Class A ordinary shares held of record by certain minority shareholders of our company. Haijun Wang exercises voting power over the 19,691,412 Class A ordinary shares held of record by Engine



Holdings Limited and the 24,721,111 Class A ordinary shares held of record by certain minority shareholders of our company, respectively, pursuant to certain irrevocable proxy and power of attorney with regard to those Class A ordinary shares. As such, Haijun Wang may be deemed to share beneficially ownership of the foregoing Class A ordinary shares held of record by Engine Holdings Limited and certain minority shareholders of our company. Haijun Wang disclaims economic interests with respect to the foregoing Class A ordinary shares held of record by Engine Holdings Limited and certain minority shareholders of our company. The registered address of Sea Pearl Worldwide Holding Limited is P.O. Box 4301 Road Town, Tortola, British Virgin Islands.

- (2) Represents 4,000,000 Class A ordinary shares underlying 4,000,000 share options granted to Hong Lu under our Public Company Plan that will become vested upon the completion of this offering.
- (3) The business address of Shiwei Zhou is 968 Jinzhong Road, Changning District, Shanghai, People's Republic of China.
- (4) Represents (i) 98,973,600 Class A ordinary shares held of record by Shanghai Yi Nan Enterprise Management Partnership, a limited liability partnership incorporated under the laws of PRC and (ii) 15,495,818 Class A ordinary shares held of record by Shanghai Yin Nai Enterprise Management Partnership, a limited liability partnership incorporated under the laws of PRC. Shanghai Yi Nan Enterprise Management Partnership and Shanghai Yin Nai Enterprise Management Partnership are collectively referred to as Legend Capital. Both of Shanghai Yi Nan Enterprise Management Partnership and Shanghai Yin Nai Enterprise Management Partnership are ultimately controlled by Legend Capital Management Co., Ltd., a PRC limited company. Legend Capital Management Co., Ltd. is majority-owned by Beijing Juncheng Hezhong Investment Management Partnership (Limited Partnership), which is controlled by Beijing Junqi Jiarui Business Management Limited, its general partner. Beijing Junqi Jiarui Business Management Limited is controlled by three founding team members, Mr. Zhu Linan, Mr. Wang Nengguang and Mr. Chen Hao. The registered address of Shanghai Yi Nan Enterprise Management Partnership is Room 368, No.302, Lane 211, North Fute Road, Pilot Free Trade Zone, Shanghai, China. The registered address of Shanghai Yin Nai Enterprise Management Partnership is No. 2800, Wanyuan Road, Minhang District, Shanghai, China.
- (5) Represents 60,912,400 Class A ordinary shares held of record by Diviner Limited, a company registered in British Virgin Islands. Diviner Limited is ultimately controlled by Shanghai Divine Investment Management Co., Ltd., a PRC limited company. Shanghai Divine Investment Management Co., Ltd., is controlled by Jin Bian. The registered address of Diviner Limited is Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town Tortola, British Virgin Islands.
- (6) Represents 55,970,815 Class A ordinary shares held of record by Trip.com Travel Singapore Pte. Ltd., a company registered in Singapore. Trip.com Travel Singapore Pte. Ltd. is ultimately controlled by TRIP.COM GROUP LIMITED., a company registered in the Cayman Islands. The registered address of Trip.com Travel Singapore Pte. Ltd. is 72 Anson Road, #12-01, Anson House, Singapore (079911).
- (7) Represents 20,673,814 Class A ordinary shares held of record by GLV Holding Limited, a company registered in British Virgin Islands wholly owned by Li Jin. The registered address of GLV Holding Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, VG1110, British Virgin Islands.
- (8) Represents 19,691,412 Class A ordinary shares held of record by Engine Holdings Limited, a company registered in British Virgin Islands wholly owned by Xining Rui. See Note (1) above for a description of the irrevocable proxy and power of attorney granted by Engine Holdings Limited with respect to such Class A ordinary shares. The registered address of Engine Holdings Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, VG1110, British Virgin Islands.

As of the date of this prospectus, none of our outstanding ordinary shares are held by record holders in the United States. None of our shareholders has informed us that it is affiliated with a member of Financial Industry Regulatory Authority, or FINRA. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See "Description of Share Capital—History of Securities Issuances" for a description of issuances of our ordinary shares and preferred shares that have resulted in significant changes in ownership held by our major shareholders.

**RELATED PARTY TRANSACTIONS****Employment Agreements and Indemnification Agreements**

See "Management—Employment Agreements and Indemnification Agreements."

**Private Placements**

See "Description of Share Capital—History of Securities Issuances."

**Share Incentives**

See "Management—Share Incentive Plan."

**Other Related Party Transactions**

In the ordinary course of business, from time to time, we carry out other transactions and enter into other arrangements with other related parties. None of these transactions or arrangements are considered to be material except for the following.

The table below sets forth the major related parties and their relationship with us as of March 31, 2021.

Name of related parties	Relationship with the Company
Wang Haijun	Founder, Chairman of Board of Directors and Chief Executive Officer
Trip.com Group Ltd. and its subsidiaries (collectively referred to as "Trip.com Group")	Ultimate parent of a principal shareholder of the Company

The table below sets forth our material related party transactions for the periods indicated:

	Years Ended December 31,		Three Months Ended March 31,	
	2019 RMB	2020 RMB	2020 RMB	2021 RMB
	(in thousands)			
<b>Hotel reservation payments collected on behalf of the Company</b>				
Trip.com Group	134,854	257,963	17,164	88,757
<b>Hotel reservation service fees</b>				
Trip.com Group	13,744	14,473	1,963	2,839

We conduct transactions with Trip.com Group, the ultimate parent of a principal shareholder of the Company, in the ordinary course of our business. Trip.com Group has rendered online travel agency reservation services to us in exchange for certain hotel reservation service fees. Atour Shanghai entered into certain collaboration agreement (the "Collaboration Agreement") with certain subsidiaries of Trip.com Group Ltd. (the "Trip.com Parties") on January 1, 2018. The parties to the Collaboration Agreement have agreed to cooperate in various areas, including membership collaboration, online travel agency reservations and promotional services. Subject to certain exceptions, Atour Shanghai has agreed to pay the Trip.com Parties a commission fee for reservations made through online platforms operated by the Trip.com Parties. The terms of the Collaboration Agreement, including pricing terms, are customary compared with similar agreements entered into by hotels and major online travel agencies in China. The Collaboration Agreement shall remain effective until the execution of a new collaboration agreement among the parties.

The table below sets forth the balances with our related parties as of the dates indicated:

	As of December 31,		As of	As of
	2019	2020	December 31,	March 31,
	RMB	RMB	2020	2021
			RMB	RMB
	(in thousands)			
<b>Amounts due from related parties</b>				
Trip.com Group	16,601	33,592	33,592	41,135
<b>Other amounts due to related parties</b>				
Wang Haijun <sup>(1)</sup>	6,653	6,235	6,236	—
Trip.com Group	2,009	3,762	3,761	2,703

(1) The amount due to Wang Haijun was fully repaid in February 2021 in connection with the Restructuring.

## DESCRIPTION OF SHARE CAPITAL

We are an exempted company incorporated in the Cayman Islands and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and Companies Act (As Revised) of the Cayman Islands, which we refer to as the "Companies Act" below, and the common law of the Cayman Islands.

Our share capital is divided into ordinary shares. In respect of all of our ordinary shares we have power insofar as is permitted by law, to redeem or purchase any of our shares and to increase or reduce the share capital subject to the provisions of the Companies Act and the articles of association and to issue any shares, whether such shares be of the original, redeemed or increased capital, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers under our memorandum and articles of association.

As of the date hereof, our authorized share capital consists of US\$300,000 divided into 3,000,000,000 ordinary shares of par value US\$0.0001 each, consisting of 2,900,000,000 Class A ordinary shares and 100,000,000 Class B ordinary shares of par value of US\$0.0001 each. As of the date of this prospectus, there are 287,430,505 Class A ordinary shares and 73,680,917 Class B ordinary shares issued and outstanding.

We plan to adopt an amended and restated memorandum and articles of association, which will become effective and replace the current memorandum and articles of association in its entirety immediately prior to the completion of this offering. Our authorized share capital immediately prior to completion of the offering will be US\$ divided into Class A ordinary shares and Class B ordinary shares of a par value of US\$0.0001 each. We will issue Class A ordinary shares represented by ADSs in this offering. All awards under the Public Company Plan, regardless of grant dates, will entitle holders to an equivalent number of Class A ordinary shares once the vesting and exercising conditions are met.

The following are summaries of material provisions of our post-offering amended and restated memorandum and articles of association and the Companies Act insofar as they relate to the material terms of our ordinary shares that we expect will become effective upon the closing of this offering.

### **[Ordinary Shares**

**General.** Immediately prior to the completion of this offering, our authorized share capital is US\$ divided into Class A ordinary shares and Class B ordinary shares, with a par value of US\$ each. Holders of ordinary shares will have the same rights except for voting and conversion rights. All of our issued and outstanding ordinary shares are non-assessable. Certificates representing the ordinary shares are issued in registered form. We may not issue share to bearer. Our shareholders who are nonresidents of the Cayman Islands may freely hold and transfer their ordinary shares.

**Conversion.** Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment, disposition, or a change of ultimate beneficial ownership of Class B ordinary shares by a holder thereof to any person who is not Mr. Haijun Wang or any entity which is ultimately controlled by Mr. Haijun Wang, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares.

**Dividends.** The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to our post-offering amended and restated memorandum and articles

of association and the Companies Act. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Our post-offering amended and restated articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act. No dividend may be declared and paid unless our directors determine that, immediately after the payment, we will be able to pay our debts as they become due in the ordinary course of business and we have funds lawfully available for such purpose.

**Voting Rights.** [In respect of all matters subject to a shareholders' vote, on a voting by poll, each holder of Class A ordinary shares is entitled to one vote per share and each holder of Class B ordinary shares is entitled to \_\_\_\_\_ votes per share on all matters subject to vote at our general meetings. Holders of Class A ordinary shares and Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by the members at any such general meeting. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder.

A quorum required for a meeting of shareholders consists of two or more shareholders holding not less than \_\_\_\_\_ of the votes attaching to the issued and outstanding shares entitled to vote at general meetings present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our post-offering memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our directors. We, however, will hold an annual shareholders' meeting during each fiscal year, as required by the Listing Rules at the Nasdaq. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Shareholders' annual general meetings and any other general meetings of our shareholders may be called by a majority of our board of directors or our chairman or upon a requisition of shareholders holding at the date of deposit of the requisition not less than [one-third] of the votes attaching to the issued and outstanding shares entitled to vote at general meetings, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our post-offering amended and restated memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. Advance notice of at least [fifteen (15)] days is required for the convening of our annual general meeting and other general meetings unless such notice is waived in accordance with our articles of association.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting, while a special resolution also requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to our post-offering amended and restated memorandum and articles of association.

**Transfer of Ordinary Shares.** Subject to the restrictions in our post-offering amended and restated memorandum and articles of association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four;
- the shares are free from any lien in favor of the Company; and
- a fee of such maximum sum as the Nasdaq may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within [three] months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the Nasdaq, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, *provided, however*, that the registration of transfers shall not be suspended nor the register closed for 30 more than days in any year as our board may determine.

**Liquidation.** On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. Any distribution of assets or capital to a holder of ordinary share will be the same in any liquidation event.

**Calls on Ordinary Shares and Forfeiture of Ordinary Shares.** Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

**Redemption, Repurchase and Surrender of Ordinary Shares.** We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a [special] resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by [ordinary resolution] of our shareholders, or are otherwise authorized by our post-offering memorandum and articles of association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no

such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

**Variations of Rights of Shares.** If at any time our share capital is divided into different classes or series of shares, the rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may be varied with the consent in writing of a majority the holders of the issued shares of that class or series or with the sanction of a special resolution at a separate meeting of the holders of the shares of the class or series. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

**Inspection of Books and Records.** Holders of our ordinary shares have no general right under Cayman Islands law to inspect our corporate records (other than the memorandum and articles of association, special resolutions which have been passed by our shareholders, our register of mortgages and charges, and a list of our current directors) or obtain copies of our list of shareholders. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

**Issuance of Additional Shares.** Our post-offering amended and restated memorandum of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our post-offering amended and restated memorandum of association also authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

**Anti-Takeover Provisions.** Some provisions of our post-offering amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders or limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our post-offering memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

**Exempted Company.** We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman

Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder's shares of the company.

### **Register of Members**

Under the Companies Act, we must keep a register of members and there should be entered therein:

- the names and addresses of our members, together with a statement of the shares held by each member, and such statement shall confirm (i) the amount paid or agreed to be considered as paid, on the shares of each member, (ii) the number and category of shares held by each member, and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association of our company, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under the Companies Act, the register of members of our company is prima facie evidence of the matters set out therein (that is, the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of the Companies Act to have legal title to the shares as set against its name in the register of members. Upon completion of this offering, we will perform the procedure necessary to immediately update the register of members to record and give effect to the issuance of shares by us to the Depositary (or its nominee) as the depositary. Once our register of members has been updated, the shareholders recorded in the register of members will be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.]



## Differences in Corporate Law

The Companies Act is derived, to a large extent, from the older Companies Acts of England, but does not follow many recent English law statutory enactments. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the State of Delaware.

**Mergers and Similar Arrangements.** The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a "parent" of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, *provided* that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to

the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of a dissenting minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

**Shareholders' Suits.** In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

**Indemnification of Directors and Executive Officers and Limitation of Liability.** Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. [Our post-offering memorandum and articles of association provide that that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.] This

standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our post-offering amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**Directors' Fiduciary Duties.** Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

**Shareholder Action by Written Consent.** Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Companies Act and our post-offering amended and restated articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

**Shareholder Proposals.** Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our post-offering amended and restated articles of association allow our shareholders holding in aggregate not less than [one-third] of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our post-offering amended and restated articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings not called by such shareholders. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

**Cumulative Voting.** Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it.

Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our post-offering amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

**Removal of Directors.** Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our post-offering amended and restated articles of association, directors may be removed with or without cause, by an [ordinary resolution] of our shareholders. A director shall hold office until the expiration of his or her term or his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; (v) is prohibited by law from being a director; or (vi) is removed from office pursuant to any other provisions of our post-offering amended and restated memorandum and articles of association.

**Transactions with Interested Shareholders.** The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, the directors of the Company are required to comply with fiduciary duties which they owe to the Company under Cayman Islands laws, including the duty to ensure that, in their opinion, any such transactions must be entered into bona fide in the best interests of the company, and are entered into for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

***Dissolution; Winding up.*** Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Act and our post-offering amended and restated articles of association, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

***Variation of Rights of Shares.*** Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our post-offering amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

***Amendment of Governing Documents.*** Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our post-offering amended and restated memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

***Rights of Nonresident or Foreign Shareholders.*** There are no limitations imposed by our post-offering amended and restated memorandum and articles of association on the rights of nonresident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our post-offering amended and restated memorandum and articles of association that require our company to disclose shareholder ownership above any particular ownership threshold.

## **History of Securities Issuances**

The following is a summary of our securities issuances in the past three years.

### ***Issuance of Ordinary Shares***

On February 3, 2021, we issued 35,389,948 Class A ordinary shares to Engine Holdings Limited as part of the Restructuring in exchange of cancellation and forfeiture of the existing equity interests in Atour Shanghai held by affiliates of Engine Holdings Limited before the Restructuring. For more details regarding Engine Holdings Limited, see "Principal Shareholders."

On February 3, 2021, we issued 14,876,172 Class A ordinary shares to Li Real Limited as part of the Restructuring in exchange of cancellation and forfeiture of the existing equity interests in Atour Shanghai held by affiliates of Li Real Limited before the Restructuring.

On February 3, 2021, we issued 20,673,814 Class A ordinary shares to GLV Holding Limited as part of the Restructuring in exchange of cancellation and forfeiture of the existing equity interests in Atour Shanghai held by affiliates of GLV Holding Limited before the Restructuring. For more details regarding GLV Holding Limited, see "Principal Shareholders."

On February 3, 2021, we issued 69,177,590 Class B ordinary shares to Sea Pearl Worldwide Holding Limited as part of the Restructuring in exchange of cancellation and forfeiture of the existing equity interests in Atour Shanghai held by affiliates of Sea Pearl Worldwide Holding Limited before the Restructuring. For more details regarding Sea Pearl Worldwide Holding Limited, see "Principal Shareholders."

On March 3, 2021, we issued 4,503,327 Class B ordinary shares to Sea Pearl Worldwide Holding Limited for nominal consideration in connection with the Restructuring.

On March 3, 2021, we issued 301,464 Class A ordinary shares to Engine Holdings Limited for nominal consideration in connection with the Restructuring.

On March 3, 2021, we issued 50,244 Class A ordinary shares to Li Real Limited for nominal consideration in connection with the Restructuring.

On March 3, 2021, we issued 5,923,200 Class A ordinary shares to Ikaria Hotel Investment Holding Limited as part of the Restructuring in exchange of cancellation and forfeiture of the existing equity interests in Atour Shanghai held by affiliates of Ikaria Hotel Investment Holding Limited before the Restructuring.

On March 3, 2021, we issued 48,394,000 Class A ordinary shares to Trip.com Travel Singapore Pte. Ltd. as part of the Restructuring in exchange of cancellation and forfeiture of the existing equity interests in Atour Shanghai held by affiliates of Trip.com Travel Singapore Pte. Ltd. before the Restructuring.

On April 23, 2021, we issued 98,973,600 Class A ordinary shares to Shanghai Yi Nan Enterprise Management Partnership as part of the Restructuring in exchange of cancellation and forfeiture of the existing equity interest in Atour Shanghai held by affiliates of Shanghai Yi Nan Enterprise Management Partnership before the Restructuring.

On April 23, 2021, we issued 60,912,400 Class A ordinary shares to Deviner Limited as part of the Restructuring in exchange of cancellation and forfeiture of the existing equity interest in Atour Shanghai held by affiliates of Diviner Limited before the Restructuring.

#### ***Issuance of Warrants***

As part of the Restructuring, we have granted the following warrants to certain existing equityholders of Atour Shanghai to allow them to acquire certain number of Class A ordinary shares in our company in proportion to their respective equity ownership in Atour Shanghai, such that the shareholding structure of our company at the Cayman Islands level would be substantially similar to the current equity ownership structure of Atour Shanghai upon the consummation of the Restructuring.

On February 8, 2021, we granted warrants to Holgus Junlian Chengyu Venture Capital Co., Ltd. and Zhuhai Junlian Lingheng Equity Investment Enterprise LLP to purchase a total of 98,973,600 Class A ordinary shares in our company at the total exercise price of RMB522,330,000. On April 23, 2021, Holgus Junlian Chengyu Venture Capital Co., Ltd. and Zhuhai Junlian Lingheng Equity Investment Enterprise LLP exercised such warrants in full.

On February 8, 2021, we granted a warrant to Trip.com Travel Singapore Pte. Ltd. to purchase a total of 48,394,000 Class A ordinary shares in our company at the total exercise price of RMB32,798,000. On March 3, 2021, Trip.com Travel Singapore Pte. Ltd. exercised such warrant in full.

On February 8, 2021, we granted a warrant to Ikaria Hotel Investment Holding Limited to purchase a total of 5,923,200 Class A ordinary shares in our company at the total exercise price of RMB30,000,000. On March 3, 2021, Ikaria Hotel Investment Holding Limited exercised such warrant in full.

On March 29, 2021, we granted a warrant to Xing Duo Technology Investment Limited to purchase a total of 5,360,625 Class A ordinary shares in our company at the total exercise price of US\$536.0625. We expect that such warrant will be exercised in full upon the consummation of the Restructuring and before the completion of this offering.

On March 29, 2021, we granted a warrant to Vsixty Limited to purchase a total of 1,753,720 Class A ordinary shares in our company at the total exercise price of US\$175.3720. We expect that such warrant will be exercised in full upon the consummation of the Restructuring and before the completion of this offering.

On March 29, 2021, we granted a warrant to Diviner Limited to purchase a total of 60,912,400 Class A ordinary shares in our company at the total exercise price of RMB41,282,000. On April 23, 2021, Diviner Limited exercised such warrant in full.

On March 29, 2021, we granted a warrant to Every Fair Limited to purchase a total of 3,731,140 Class A ordinary shares in our company at the total exercise price of US\$373.1140. We expect that such warrant will be exercised in full upon the consummation of the Restructuring and before the completion of this offering.

On March 29, 2021, we granted a warrant to Rui Duo Investment Limited to purchase a total of 545,149 Class A ordinary shares in our company at the total exercise price of US\$54.5149. We expect that such warrant will be exercised in full upon the consummation of the Restructuring and before the completion of this offering.

On March 29, 2021, we granted a warrant to Fortune River Limited to purchase a total of 272,574 Class A ordinary shares in our company at the total exercise price of US\$27.2574. We expect that such warrant will be exercised in full upon the consummation of the Restructuring and before the completion of this offering.

On March 29, 2021, we granted a warrant to East Way Holding Limited to purchase a total of 4,195,824 Class A ordinary shares in our company at the total exercise price of US\$419.5824. We expect that such warrant will be exercised in full upon the consummation of the Restructuring and before the completion of this offering.

#### ***Share Option Grants***

We have granted share options to certain of our executive officers and employees. See "Management—Share Incentive Plans."

#### ***Shareholders Agreement***

In connection with the Restructuring, we have entered into a shareholders agreement with the affiliates of Existing Equityholders of Atour Shanghai (as may be amended from time to time, the "**Shareholders Agreement**").

The Shareholders Agreement provides for certain shareholder rights, including information and inspection rights, board representation rights and protective provisions. The inspection rights and board

representation rights will terminate immediately prior to the consummation of this offering, provided that this offering qualifies as a Qualified IPO, which is defined under the Shareholders Agreement as a firm commitment underwritten public offering of the ordinary shares of the Company (or depositary receipts or depositary shares thereof) in the United States on the New York Stock Exchange or the Nasdaq Global Market pursuant to an effective registration statement under the United States Securities Act of 1993, as amended, or on the Hong Kong Stock Exchange, or another international recognized stock exchange approved by our board of directors. The protective provisions terminated immediately upon the first submission of the draft registration statement of the Company to the Securities and Exchange Commission in connection with this offering.



## DESCRIPTION OF AMERICAN DEPOSITARY SHARES

### [American Depositary Shares

The Bank of New York Mellon, as depositary, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent Class A Ordinary Shares (or a right to receive Class A Ordinary Shares) deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary in Hong Kong. Each ADS will also represent any other securities, cash or other property that may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depositary confirming their holdings.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights.

Cayman Islands law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. For directions on how to obtain copies of those documents, see "Where You Can Find Additional Information."

### **Dividends and Other Distributions**

#### ***How will you receive dividends and other distributions on the shares?***

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

**Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See "Taxation." The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.*

**Shares.** The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.

**Rights to purchase additional shares.** If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. In that case, you will receive no value for them. The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

**Other Distributions.** The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

## **Deposit, Withdrawal and Cancellation**

### ***How are ADSs issued?***

The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

***How can ADS holders withdraw the deposited securities?***

You may surrender your ADSs to the depositary for the purpose of withdrawal. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. However, the depositary is not required to accept surrender of ADSs to the extent it would require delivery of a fraction of a deposited share or other security. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

***How do ADS holders interchange between certificated ADSs and uncertificated ADSs?***

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

**Voting Rights**

***How do you vote?***

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise voting rights and there may be nothing you can do if your shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 40 days in advance of the meeting date.

**Fees and Expenses**

Persons depositing or withdrawing shares or ADS holders must pay:	For:
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$0.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depository to ADS holders
\$0.05 (or less) per ADS per calendar year	Depository services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares
	Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)
Expenses of the depository	Converting foreign currency to U.S. dollars
	As necessary
Taxes and other governmental charges the depository or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	
Any charges incurred by the depository or its agents for servicing the deposited securities	As necessary

The depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depository may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depository or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depository may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depository and that may earn or share fees, spreads or commissions.

The depository may convert currency itself or through any of its affiliates, or the custodian or we may convert currency and pay U.S. dollars to the depository. Where the depository converts currency itself or through any of its affiliates, the depository acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among

other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligation to act without negligence or bad faith. The methodology used to determine exchange rates used in currency conversions made by the depositary is available upon request. Where the custodian converts currency, the custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to ADS holders, and the depositary makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the depositary may receive dividends or other distributions from us in U.S. dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by us and, in such cases, the depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor we make any representation that the rate obtained or determined by us is the most favorable rate and neither it nor we will be liable for any direct or indirect losses associated with the rate.

### **Payment of Taxes**

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

### **Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities**

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do so by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and practical to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited

securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender of those ADSs or cancel those ADSs upon notice to the ADS holders.

## **Amendment and Termination**

### ***How may the deposit agreement be amended?***

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

### ***How may the deposit agreement be terminated?***

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if

- 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist the ADSs from an exchange in the United States on which they were listed and do not list the ADSs on another exchange in the United States or make arrangements for trading of ADSs on the U.S. over-the-counter market;
- we appear to be insolvent or enter insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities or reverse previously accepted surrenders of that kind that have not settled if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

## **Limitations on Obligations and Liability**

### ***Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs***

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith, and the depositary will not be a fiduciary or have any fiduciary duty to holders of ADSs;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- the depositary has no duty to make any determination or provide any information as to our tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs or be liable for the inability or failure of an ADS holder to obtain the benefit of a foreign tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

## **Requirements for Depositary Actions**

Before the depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

## **Your Right to Receive the Shares Underlying Your ADSs**

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

## **Direct Registration System**

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is a feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

## **Shareholder communications; inspection of register of holders of ADSs**

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

## **Jury Trial Waiver**

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law. You will not, by agreeing to the terms of the deposit agreement, be deemed to have waived our or the depositary's compliance with U.S. federal securities laws or the rules and regulations promulgated thereunder.]



## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have        ADSs outstanding, representing        ordinary shares, or approximately        % of our outstanding ordinary shares, assuming the underwriters do not exercise their option to purchase additional ADSs. All of the ADSs sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of the ADSs in the public market could adversely affect prevailing market prices of the ADSs. Prior to this offering, there has been no public market for our ordinary shares or the ADSs, and while the ADSs have been approved for listing on the Nasdaq, we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

### Lock-up Agreements

We, [our directors, executive officers and our existing shareholders] have agreed, [subject to some exceptions,] not to transfer or dispose of, directly or indirectly, any of our ordinary shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our ordinary shares, in the form of ADSs or otherwise, for a period of [180] days after the date of this prospectus. After the expiration of the [180]-day period, the ordinary shares or ADSs held by our directors, executive officers and our existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

### Rule 144

All of our ordinary shares outstanding prior to this offering are "restricted shares" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirements. Under Rule 144 as currently in effect, a person who has beneficially owned our restricted shares for at least six months is generally entitled to sell the restricted securities without registration under the Securities Act beginning 90 days after the date of this prospectus, subject to certain additional restrictions.

Our affiliates may sell within any three-month period a number of restricted shares that does not exceed the greater of the following:

- 1% of the then outstanding ordinary shares of the same class, in the form of ADSs or otherwise, which will equal approximately ordinary shares immediately after this offering, assuming the underwriters do not exercise their option to purchase additional ADSs; or
- the average weekly trading volume of our ordinary shares in the form of ADSs or otherwise on the Nasdaq during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to notice requirements and the availability of current public information about us.

Persons who are not our affiliates are only subject to one of these additional restrictions, the requirement of the availability of current public information about us, and this additional restriction does not apply if they have beneficially owned our restricted shares for more than one year.

### Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our executive officers, employees and consultants who purchases our ordinary shares from us in connection with a

compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such ordinary shares 90 days after we became a reporting company under the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

**Form S-8**

We intend to file a registration statement on Form S-8 under the Securities Act covering all ordinary shares which are either subject to outstanding options or may be issued upon exercise or vesting of any options or other equity awards which may be granted or issued in the future pursuant to our share incentive plan. We expect to file this registration statement as soon as practicable after the date of this prospectus. Shares registered under any registration statements will be available for sale in the open market, except to the extent that the shares are subject to vesting restrictions with us or the contractual restrictions and the lock-up described below.

## TAXATION

*The following discussion of Cayman Islands, PRC and United States federal income tax consequences of an investment in the ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in the ADSs or ordinary shares, such as the tax consequences under U.S. state, or local laws or the tax laws of any jurisdiction other than the Cayman Islands, the PRC and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel. To the extent that the discussion relates to matters of PRC tax law, it represents the opinion of JunHe LLP, our PRC legal counsel.*

### **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands, except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of the ADSs or ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the ADSs or ordinary shares, nor will gains derived from the disposal of the ADSs or ordinary shares be subject to Cayman Islands income or corporation tax.

### **People's Republic of China Taxation**

Under the PRC EIT Law, which became effective on January 1, 2008 and was last amended on December 29, 2018, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation regulations to the PRC EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and operations, personnel and human resources, finances and properties of an enterprise.

In addition, the SAT Circular 82 issued by the SAT in April 2009 specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises only if all of the following conditions are met: (a) the primary location of the day-to-day operational management is in the PRC; (b) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (c) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (d) at least 50% of voting board members or senior executives habitually reside in the PRC. Further to SAT Circular 82, the SAT issued the SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 provides for procedures and administration details of determination on resident status and administration on post-determination matters. Our company is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. As such, we do not believe that our company meets all of the conditions above or is a PRC resident enterprise for PRC tax purposes. For similar reasons, we believe our other entities outside of China are

not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." There can be no assurance that the PRC government will ultimately take a view that is consistent with us. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. For example, a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders (including the ADS holders). In addition, non-resident enterprise shareholders (including the ADS holders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders (including the ADS holders) and any gain realized on the sale or other disposition of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). These rates may be reduced by an applicable tax treaty, but it is unclear whether non-PRC shareholders (including the ADS holders) of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. See "Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders and ADS holders."

### **Material U.S. Federal Income Tax Considerations**

In the opinion of Davis Polk & Wardwell LLP, the following are material U.S. federal income tax consequences to the U.S. Holders described below of the ownership and disposition of our ADSs or ordinary shares, but this discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to acquire the ADSs or ordinary shares.

This discussion applies only to a U.S. Holder that acquires ADSs in this offering and holds the ADSs or underlying ordinary shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including the alternative minimum tax, the Medicare contribution tax on net investment income and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- regulated investment companies;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding ADSs or ordinary shares as part of a straddle, integrated or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes and their partners;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- persons that own or are deemed to own ADSs or ordinary shares representing 10% or more of our stock by vote or value; or
- persons holding ADSs or ordinary shares in connection with a trade or business outside the United States.

If a partnership (or other entity that is classified as a partnership for U.S. federal income tax purposes) owns ADSs or ordinary shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning ADSs or ordinary shares and their partners should consult their tax advisers as to their particular U.S. federal income tax consequences of owning and disposing of ADSs or ordinary shares.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the income tax treaty between the United States and the PRC, or the Treaty, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. This discussion does not address any state, local or non-U.S. tax considerations, or any federal taxes (such as estate or gift taxes) other than income taxes. This discussion assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

As used herein, a "U.S. Holder" is a person that is for U.S. federal income tax purposes a beneficial owner of the ADSs or ordinary shares and:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder that owns ADSs will be treated as the owner of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying ordinary shares represented by those ADSs.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of ADSs or ordinary shares in their particular circumstances.

Except as described below under "—Passive Foreign Investment Company Rules," this discussion assumes that we are not, and will not be, a PFIC for any taxable year.

#### **Taxation of Distributions**

Distributions paid on the ADSs or ordinary shares (including any amounts withheld to reflect PRC withholding taxes, as discussed above under "—People's Republic of China Taxation"), other than certain *pro rata* distributions of ADSs or ordinary shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders of ADSs may be taxable at a preferential rate. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of this preferential tax rate on dividends in their particular circumstances.

Dividends will be included in a U.S. Holder's income on the date of receipt by the depository (in the case of ADSs) or the U.S. Holder (in the case of ordinary shares). The amount of any dividend income paid in foreign currency will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder

generally should not be required to recognize foreign currency gain or loss in respect of the amount received. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Dividends will be treated as foreign-source income for foreign tax credit purposes. As described in "—People's Republic of China Taxation," dividends paid by us may be subject to PRC withholding tax. For U.S. federal income tax purposes, the amount of the dividend income will include any amounts withheld in respect of PRC withholding tax. Subject to applicable limitations, which vary depending upon the U.S. Holder's circumstances, PRC taxes withheld from dividend payments (at a rate not exceeding the applicable rate provided in the Treaty in the case of a U.S. Holder that is eligible for Treaty benefits) generally will be creditable against a U.S. Holder's U.S. federal income tax liability. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances. In lieu of claiming a credit, a U.S. Holder may elect to deduct such PRC taxes in computing its taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

#### **Sale or Other Taxable Disposition of ADSs or Ordinary Shares**

A U.S. Holder will generally recognize capital gain or loss on a sale or other taxable disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized and the U.S. Holder's tax basis in the ADSs or ordinary shares disposed of, in each case as determined in U.S. dollars. The gain or loss will be long-term capital gain or loss if, at the time of the sale or disposition, the U.S. Holder has owned the ADSs or ordinary shares for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders are subject to tax rates that are lower than those applicable to ordinary income. The deductibility of capital losses is subject to limitations.

As described in "—People's Republic of China Taxation," gains on the sale of ADSs or ordinary shares may be subject to PRC taxes. A U.S. Holder is entitled to use foreign tax credits to offset only the portion of its U.S. federal income tax liability that is attributable to foreign-source income. Because under the Code capital gains of U.S. persons are generally treated as U.S.-source income, this limitation may preclude a U.S. Holder from claiming a credit for all or a portion of any PRC taxes imposed on any such gains. However, U.S. Holders that are eligible for the benefits of the Treaty may be able to elect to treat gains taxable under PRC law as PRC-source and therefore claim foreign tax credits in respect of PRC taxes on such gains. U.S. Holders should consult their tax advisers regarding their eligibility for the benefits of the Treaty and the creditability or deductibility of any PRC tax on disposition gains in their particular circumstances.

#### **Passive Foreign Investment Company Rules**

In general, a non-U.S. corporation is a PFIC for U.S. federal income tax purposes for any taxable year in which (i) 75% or more of its gross income consists of passive income; or (ii) 50% or more of the average value of its assets (generally determined on a quarterly basis) consists of assets that produce, or are held for the production of, passive income. For purposes of these calculations, a non-U.S. corporation that owns, directly or indirectly, at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties (other than certain royalties derived in an active business), and certain investment gains. Cash is generally a passive asset for these purposes. Goodwill is generally characterized as an active asset to the extent it is associated with business activities that produce active income.

Based upon the manner in which we currently operate our business, the expected composition of our income and assets and the expected value of our assets (including goodwill, which is based on the expected price of the ADSs in this offering), we do not expect to be a PFIC for our current taxable year or the foreseeable future.

However, our PFIC status for any taxable year is an annual factual determination that can be made only after the end of that year. Our PFIC status for any taxable year will depend on the composition of our income and assets and the value of our assets from time to time, including the value of our goodwill (which may be determined, in large part, by reference to our market capitalization, which could be volatile). Therefore, our risk of being or becoming a PFIC will increase if our market capitalization declines while we hold a substantial amount of cash (including cash raised in this offering) and financial investments. In addition, if in the future we change the type of services we provide with respect to our franchised hotels, our PFIC status for any taxable year may depend on whether and to what extent our income from franchised hotels will be treated as derived in the active conduct of a trade or business within the meaning of applicable Treasury regulations. Because of these uncertainties, there can be no assurance that we will not be a PFIC for our current or any future taxable year.

If we are a PFIC for any taxable year and any entity in which we own equity interests is also a PFIC (any such entity, a "Lower-tier PFIC"), U.S. Holders will be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and will be subject to U.S. federal income tax according to the rules described in the next paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holder does not receive any proceeds of those distributions or dispositions.

In general, if we are a PFIC for any taxable year during which a U.S. Holder owns our ADSs or ordinary shares, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of the ADSs or ordinary shares will be allocated ratably over the U.S. Holder's holding period. The amounts allocated to the taxable year of the sale or disposition and to any year before we became a PFIC will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge will be imposed on the resulting tax liability for each such year. Furthermore, to the extent that distributions received by a U.S. Holder in any year on its ADSs or ordinary shares exceed 125% of the average of the annual distributions on the ADSs or ordinary shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, such distributions will be subject to taxation in the same manner. If we are a PFIC for any taxable year during which a U.S. Holder owns ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder owns the ADSs or ordinary shares, even if we cease to meet the threshold requirements for PFIC status, unless the U.S. Holder makes a timely "deemed sale" election, in which case any gain on the deemed sale will be taxed under the PFIC rules described above.

Alternatively, if we are a PFIC for any taxable year and if the ADSs are "regularly traded" on the Nasdaq, a U.S. Holder that owns ADSs could make a mark-to-market election that will result in tax treatment different from the general tax treatment for PFICs described in the preceding paragraph. The ADSs will be treated as regularly traded for any calendar year in which more than a *de minimis* quantity of the ADSs is traded on the Nasdaq on at least 15 days during each calendar quarter. If a U.S. Holder of ADSs makes the mark-to-market election, for each taxable year that we are a PFIC, the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of the ADSs at the end of such U.S. Holder's taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ADSs over their fair market value at the end of such U.S. Holder's taxable year, but only to the extent of the net amount of income

previously included as a result of the mark-to-market election. If a U.S. Holder makes the election, the U.S. Holder's tax basis in the ADSs will be adjusted to reflect the income or loss amounts recognized. Any gain recognized on the sale or other disposition of ADSs in a year in which we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election, with any excess treated as capital loss). If a U.S. Holder makes the mark-to-market election, distributions paid on ADSs will be treated as discussed under "—Taxation of Distributions" above (but subject to the discussion in the immediately subsequent paragraph). Once made, the election will remain in effect for all taxable years in which we are a PFIC, unless it is revoked with the Internal Revenue Service's consent, or the ADSs cease to be regularly traded on a qualified exchange. U.S. Holders should consult their tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances in the case that we are a PFIC for any taxable year. In particular, U.S. Holders should consider carefully the impact of a mark-to-market election with respect to their ADSs given that we may have Lower-tier PFICs, and there is no provision in the Code or Treasury regulations that would enable a U.S. Holder to apply a mark-to-market treatment with respect to Lower-tier PFICs the shares of which are not regularly traded. In addition, because our ordinary shares will not be publicly traded, a U.S. Holder that holds ordinary shares that are not represented by ADSs will generally not be eligible to make a mark-to-market election with respect to such shares.

If we are a PFIC for a taxable year in which we pay a dividend or for the prior taxable year, the preferential tax rate described above with respect to dividends paid to certain non-corporate U.S. Holders will not apply.

If we are a PFIC for any taxable year during which a U.S. Holder owns any ADSs or ordinary shares, the U.S. Holder will generally be required to file annual reports with the Internal Revenue Service. U.S. Holders should consult their tax advisers regarding the determination of whether we are a PFIC for any taxable year and the potential application of the PFIC rules to their ownership of ADSs or ordinary shares.

### ***Information Reporting and Backup Withholding***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other "exempt recipient" or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against its U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (and certain specified entities) may be required to report information relating to their ownership of ADSs or ordinary shares, or non-U.S. accounts through which the ADSs or ordinary shares are held. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to ADSs and ordinary shares.



## UNDERWRITING

BofA Securities, Inc. and Citigroup Global Markets Inc. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of ADSs set forth opposite its name below.

<u>Underwriter</u>	<u>Number of Shares</u>
BofA Securities, Inc.	
Citigroup Global Markets Inc.	
China International Capital Corporation Hong Kong Securities Limited	
CMB International Capital Limited	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the ADSs sold under the underwriting agreement if any of these ADSs are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the ADSs, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the ADSs, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the ADSs to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$ \_\_\_\_\_ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional ADSs.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

The expenses of the offering, not including the underwriting discount, are estimated at \$ \_\_\_\_\_ and are payable by us. [We have agreed to reimburse the underwriters for certain of their expenses in an amount up to \$ \_\_\_\_\_ million.]

Certain of the underwriters are expected to make offers and sales both inside and outside the United States through their respective selling agents. Any offers or sales in the United States will be

conducted by broker-dealers registered with the SEC. China International Capital Corporation Hong Kong Securities Limited is not a broker-dealer registered with the SEC and, to the extent that its conduct may be deemed to involve participation in offers or sales of ADSs in the United States, those offers or sales will be made through one or more SEC-registered broker-dealers in compliance with the applicable laws and regulations.

The address of BofA Securities, Inc. is One Bryant Park, New York, NY 10036, United States of America. The address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, NY 10013, United States of America. The address of China International Capital Corporation Hong Kong Securities Limited is 29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. The address of CMB International Capital Limited is 45-46F, Champion Tower, 3 Garden Road, Central, Hong Kong.

### **Option to Purchase Additional ADSs**

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to \_\_\_\_\_ additional ADSs at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional ADSs proportionate to that underwriter's initial amount reflected in the above table.

### **[Reserved Shares**

At our request, the underwriters have reserved for sale, at the initial public offering price, up to \_\_\_\_\_ [ \_\_\_\_\_ % of the] shares offered by this prospectus for sale to some of our [directors, officers, employees, distributors, dealers, business associates and related persons]. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.]

### **No Sales of Similar Securities**

We, our executive officers and directors and [certain of] our other existing security holders have agreed not to sell or transfer any of our ordinary shares, ADSs or securities convertible into, exchangeable for, exercisable for, or repayable with our ordinary shares or ADSs, for 180 days after the date of this prospectus without first obtaining the written consent of the representatives. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any ordinary shares or ADSs,
- sell any option or contract to purchase any ordinary shares or ADSs,
- purchase any option or contract to sell any ordinary shares or ADSs,
- grant any option, right or warrant for the sale of any ordinary shares or ADSs,
- lend or otherwise dispose of or transfer any ordinary shares or ADSs,
- request or demand that we file or make a confidential submission of a registration statement related to the ordinary shares or ADSs, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any ordinary shares or ADSs whether any such swap or transaction is to be settled by delivery of ADSs or other securities, in cash or otherwise.

This lock-up provision applies to ordinary shares or ADSs and to securities convertible into or exchangeable or exercisable for or repayable with ordinary shares or ADSs. It also applies to ordinary

shares or ADSs owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

### **Nasdaq Global Market Listing**

We expect the ADSs to be approved for listing on the Nasdaq Global Market, subject to notice of issuance, under the symbol "ATAT."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the ADSs may not develop. It is also possible that after the offering the ADSs will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the ADSs in the aggregate to accounts over which they exercise discretionary authority.

### **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the ADSs is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our ADSs. However, the representatives may engage in transactions that stabilize the price of the ADSs, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our ADSs in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of ADSs than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional ADSs described above. The underwriters may close out any covered short position by either exercising their option to purchase additional ADSs or purchasing ADSs in the open market. In determining the source of ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our ADSs in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased ADSs sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our ADSs or preventing or retarding a decline in the market price of our ADSs. As a result, the price of our ADSs may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on Nasdaq, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our ADSs. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Electronic Distribution**

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

### **Other Relationships**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Notice to Prospective Investors in European Economic Area**

In relation to each Member State of the European Economic Area (each an "**EEA State**"), no ADSs have been offered or will be offered pursuant to the offer to the public in that EEA State prior to the publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that EEA State or, where appropriate, approved in another EEA State and notified to the competent authority in that EEA State, all in accordance with the EU Prospectus Regulation, except that it may make an offer to the public in that EEA State of any ADSs at any time under the following exemptions under the EU Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined under the EU Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the EU Prospectus Regulation), subject to obtaining the prior consent of representatives for any such offer; or

- (c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation, provided that no such offer of the ADSs shall require the Issuer or any underwriter to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the ADSs in any EEA State means the communication in any form and by any means of sufficient information on the terms of the offer and any ADSs to be offered so as to enable an investor to decide to purchase or subscribe for any ADSs, and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

#### **Notice to Prospective Investors in the United Kingdom**

In relation to the United Kingdom, no ADSs have been offered or will be offered pursuant to the offer to the public in the United Kingdom prior to the publication of a prospectus in relation to the ADSs which has been approved by the Financial Conduct Authority in accordance with the UK Prospectus Regulation, except that it may make an offer to the public in the United Kingdom of any ADSs at any time under the following exemptions under the UK Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined under the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of representatives for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the UK Prospectus Regulation,

provided that no such offer of the ADSs shall require the Issuer or any underwriter to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

In the United Kingdom, the offer is only addressed to, and is directed only at, "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation, who are also (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order; or (iii) persons to whom it may otherwise lawfully be communicated (all such persons being referred to as "**relevant persons**"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

For the purposes of this provision, the expression an "offer to the public" in relation to the ADSs in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any ADSs to be offered so as to enable an investor to decide to purchase or subscribe for any ADSs, and the expression "**UK Prospectus Regulation**" means the UK version of Regulation (EU) No 2017/1129 as amended by The Prospectus (Amendment etc.) (EU Exit) Regulations 2019, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

#### **Notice to Prospective Investors in Switzerland**

The ADSs may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses

under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the ADSs or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the ADSs have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of ADSs will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of ADSs has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of ADSs.

#### **Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with exempt offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The ADSs to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

#### **Notice to Prospective Investors in Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission ("ASIC"), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the ADSs may only be made to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the ADSs without disclosure to investors under Chapter 6D of the Corporations Act.

The ADSs applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring ADSs must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

### **Notice to Prospective Investors in Hong Kong**

The securities have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the securities has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Notice to Prospective Investors in Japan**

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

### **Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the securities were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be

transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law; or
- (d) as specified in Section 276(7) of the SFA.

#### **Notice to Prospective Investors in Canada**

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (**NI 33-105**), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.



**EXPENSES RELATING TO THIS OFFERING**

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the Nasdaq listing fee, all amounts are estimates. The Company will pay all of the expenses of this offering.

<u>Expenses</u>	<u>Amount</u>
U.S. Securities and Exchange Commission registration fee	US\$
Nasdaq listing fee	US\$
FINRA filing fee	US\$
Printing and engraving expenses	US\$
Legal fees and expenses	US\$
Accounting fees and expenses	US\$
Miscellaneous costs	US\$
<b>Total</b>	<b>US\$</b>

## LEGAL MATTERS

We are being represented by Davis Polk & Wardwell LLP with respect to certain legal matters of U.S. federal securities and New York state law. The underwriters are being represented by Latham & Watkins, LLP with respect to certain legal matters as to United States federal securities and New York State law. The validity of the ordinary shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Maples and Calder (Hong Kong) LLP. Legal matters as to PRC law will be passed upon for us by JunHe LLP and for the underwriters by Zhong Lun Law Firm. Davis Polk & Wardwell LLP may rely upon Maples and Calder (Hong Kong) LLP with respect to matters governed by Cayman Islands law and JunHe LLP with respect to matters governed by PRC law. Latham & Watkins, LLP may rely upon Zhong Lun Law Firm with respect to matters governed by PRC law.

## EXPERTS

The consolidated financial statements of Atour Lifestyle Holdings Limited as of and for the years ended December 31, 2019 and 2020 have been included herein and in the registration statement in reliance upon the report of KPMG Huazhen LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The office of KPMG Huazhen LLP is located at 25th Floor, Tower II, Plaza 66, 1266 Nanjing West Road, Shanghai, People's Republic of China.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the U.S. Securities and Exchange Commission a registration statement (including amendments and exhibits to the registration statement) on Form F-1 under the Securities Act. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information, we refer you to the registration statement and the exhibits and schedules filed as part of the registration statement. If a document has been filed as an exhibit to the registration statement, we refer you to the copy of the document that has been filed. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit.

Upon completion of this offering, we will become subject to the informational requirements of the Exchange Act. Accordingly, we will be required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information we have filed electronically with the SEC.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

ATOUR LIFESTYLE HOLDINGS LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<b>Consolidated Financial Statements</b>	
<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">F-2</a>
<a href="#">Consolidated Balance Sheets as of December 31, 2019 and 2020</a>	<a href="#">F-3</a>
<a href="#">Consolidated Statements of Comprehensive Income for the years ended December 31, 2019 and 2020</a>	<a href="#">F-6</a>
<a href="#">Consolidated Statements of Changes in Deficit for the years ended December 31, 2019 and 2020</a>	<a href="#">F-7</a>
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2020</a>	<a href="#">F-8</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">F-9</a>
<b>Unaudited Condensed Consolidated Financial Statements</b>	
<a href="#">Unaudited Condensed Consolidated Balance Sheets as of December 31, 2020 and March 31, 2021</a>	<a href="#">F-46</a>
<a href="#">Unaudited Condensed Consolidated Statements of Comprehensive (Loss) Income for the Three Months Ended March 31, 2020 and 2021</a>	<a href="#">F-47</a>
<a href="#">Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2020 and 2021</a>	<a href="#">F-50</a>
<a href="#">Notes to the Unaudited Condensed Consolidated Financial Statements</a>	<a href="#">F-51</a>

When the restructuring transaction referred to in note 1 of the consolidated financial statements has been consummated, we will be in a position to render the following report.

/s/ KPMG Huazhen LLP  
Shanghai, China  
April 8, 2021

**"Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors  
Atour Lifestyle Holdings Limited:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Atour Lifestyle Holdings Limited (the "Company") and the subsidiaries (collectively the "Group") as of December 31, 2019 and 2020, the related consolidated statements of comprehensive income, changes in deficit, and cash flows for the years then ended, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2021.

Shanghai, China  
April 8, 2021, except for the effects of the restructuring as described in note 1, which is as of "

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**CONSOLIDATED BALANCE SHEETS**

(In thousands of RMB, except share data and per share data, or otherwise noted)

	Note	As of December 31,		
		2019	2020	2020
		RMB '000	RMB '000	USD '000 (Note 2(d))
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		763,232	824,546	126,367
Restricted cash		160	—	—
Short-term investments		12,400	—	—
Accounts receivable, net of allowance of RMB11,758 and RMB14,966 as of December 31, 2019 and 2020, respectively	13(b)	80,263	140,142	21,478
Prepayments and other current assets	3	75,734	126,269	19,352
Amounts due from related parties	17(b)	16,601	33,592	5,148
Inventories		14,617	30,343	4,650
Loans due from third parties	4	—	15,000	2,299
<b>Total current assets</b>		<b>963,007</b>	<b>1,169,892</b>	<b>179,294</b>
<b>Non-current assets</b>				
Restricted cash		8,590	8,590	1,316
Contract costs	2(j)	44,660	52,610	8,063
Property and equipment, net	5	414,236	467,450	71,640
Intangible assets, net	6	3,053	3,324	509
Goodwill	7	17,446	17,446	2,674
Other assets	3	118,561	153,093	23,463
Deferred tax assets	8	78,980	113,311	17,366
<b>Total non-current assets</b>		<b>685,526</b>	<b>815,824</b>	<b>125,031</b>
<b>Total assets</b>		<b>1,648,533</b>	<b>1,985,716</b>	<b>304,325</b>

The accompanying notes are an integral part of these consolidated financial statements.

**ATOUR LIFESTYLE HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEETS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

	Note	As of December 31,		
		2019	2020	2020
		RMB '000	RMB '000	USD'000 (Note 2(d))
<b>Current liabilities</b>				
Accounts payable		80,920	85,763	13,144
Deferred revenue	13(b)	171,961	186,797	28,628
Salary and welfare payable		87,552	85,614	13,121
Accrued expenses and other payables	9	261,315	378,532	58,013
Income taxes payable		21,930	61,509	9,427
Short-term borrowings	10	40,263	89,269	13,681
Current portion of long-term borrowings	10	4,086	1,000	153
Other amounts due to related parties	17(b)	8,662	9,997	1,532
<b>Total current liabilities</b>		<b>676,689</b>	<b>898,481</b>	<b>137,699</b>
<b>Non-current liabilities</b>				
Deferred revenue	13(b)	200,506	229,068	35,106
Long-term borrowings, non-current portion	10	28,294	31,165	4,776
Other non-current liabilities	11	214,289	261,205	40,031
<b>Total non-current liabilities</b>		<b>443,089</b>	<b>521,438</b>	<b>79,913</b>
<b>Total liabilities</b>		<b>1,119,778</b>	<b>1,419,919</b>	<b>217,612</b>

The accompanying notes are an integral part of these consolidated financial statements.



**ATOUR LIFESTYLE HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEETS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

	Note	As of December 31,		
		2019	2020	2020
		RMB '000	RMB '000	USD'000 (Note 2(d))
<b>Mezzanine equity</b>				
Redeemable Series B shares (USD0.0001 par value, 48,394,000 shares authorized, issued and outstanding as of December 31, 2019 and 2020; Redemption value of RMB269,338 and RMB296,272 as of December 31, 2019 and 2020, respectively; Liquidation preference of RMB217,585 and RMB227,635 as of December 31, 2019 and 2020, respectively)	12	167,500	167,500	25,670
Redeemable Series C shares (USD0.0001 par value, 104,896,800 shares authorized, issued and outstanding as of December 31, 2019 and 2020; Redemption value of RMB661,012 and RMB713,893 as of December 31, 2019 and 2020, respectively; Liquidation preference of RMB661,012 and RMB713,893 as of December 31, 2019 and 2020, respectively)	12	661,012	713,893	109,409
<b>Total mezzanine equity</b>		<b>828,512</b>	<b>881,393</b>	<b>135,079</b>
<b>Deficit</b>				
Series A shares (USD0.0001 par value; 60,912,400 shares authorized, issued and outstanding as of December 31, 2019 and 2020; Liquidation preference of RMB69,661 and RMB72,601 as of December 31, 2019 and 2020, respectively)	12	43	43	7
Ordinary shares (USD0.0001 par value; 285,796,800 shares authorized, and 171,589,918 shares issued and outstanding as of December 31, 2019 and 2020)	16	130	130	20
Accumulated deficit		(295,512)	(306,342)	(46,948)
<b>Total deficit attributable to shareholders of the Company</b>		<b>(295,339)</b>	<b>(306,169)</b>	<b>(46,921)</b>
Non-controlling interests		(4,418)	(9,427)	(1,445)
<b>Total deficit</b>		<b>(299,757)</b>	<b>(315,596)</b>	<b>(48,366)</b>
Commitments and contingencies	18	—	—	—
<b>Total liabilities, mezzanine equity and shareholders' deficit</b>		<b>1,648,533</b>	<b>1,985,716</b>	<b>304,325</b>

The accompanying notes are an integral part of these consolidated financial statements.

**ATOUR LIFESTYLE HOLDINGS LIMITED**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands of RMB, except share data and per share data, or otherwise noted)

	Note	Years ended December 31,		
		2019 RMB '000	2020 RMB '000	2020 USD '000 (Note 2(d))
<b>Revenues:</b>	13			
Manachised hotels		840,400	926,307	141,963
Leased hotels		614,829	496,470	76,087
Retail revenues and others		111,862	143,775	22,034
<b>Net revenues</b>		<b>1,567,091</b>	<b>1,566,552</b>	<b>240,084</b>
<b>Operating costs and expenses:</b>				
Hotel operating costs		(1,097,441)	(1,150,101)	(176,261)
Other operating costs		(81,337)	(78,746)	(12,068)
Selling and marketing expenses		(75,745)	(70,972)	(10,877)
General and administrative expenses		(138,241)	(131,366)	(20,133)
Technology and development expenses		(29,363)	(33,649)	(5,157)
Pre-opening expenses		(68,166)	(61,878)	(9,483)
<b>Total operating costs and expenses</b>		<b>(1,490,293)</b>	<b>(1,526,712)</b>	<b>(233,979)</b>
Other operating income	2(w)/2(r)	14,602	23,429	3,591
<b>Income from operation</b>		<b>91,400</b>	<b>63,269</b>	<b>9,696</b>
Interest income		240	707	108
Gain from short-term investments		22,165	11,046	1,693
Interest expenses		(4,294)	(1,481)	(227)
Other (expense) income, net		(1,187)	1,883	289
<b>Income before income tax</b>		<b>108,324</b>	<b>75,424</b>	<b>11,559</b>
Income tax expense	8	(47,493)	(37,602)	(5,763)
<b>Net income</b>		<b>60,831</b>	<b>37,822</b>	<b>5,796</b>
Less: net loss attributable to non-controlling interests		(4,129)	(4,229)	(648)
<b>Net income attributable to the Company</b>		<b>64,960</b>	<b>42,051</b>	<b>6,444</b>
Less: accretion of redeemable Series C shares	12	(48,964)	(52,881)	(8,104)
<b>Net income (loss) available to shareholders of the Company</b>		<b>15,996</b>	<b>(10,830)</b>	<b>(1,660)</b>
<b>Net income</b>		<b>60,831</b>	<b>37,822</b>	<b>5,796</b>
Other comprehensive income		—	—	—
<b>Total comprehensive income</b>		<b>60,831</b>	<b>37,822</b>	<b>5,796</b>
Comprehensive loss attributable to non-controlling interests		(4,129)	(4,229)	(648)
<b>Comprehensive income attributable to the Company</b>		<b>64,960</b>	<b>42,051</b>	<b>6,444</b>
Net income per ordinary share	14			
—Basic and diluted		0.04	(0.06)	(0.01)
Weighted average ordinary shares used in calculating net income per share				
—Basic and diluted		171,589,918	171,589,918	171,589,918

The accompanying notes are an integral part of these consolidated financial statements.

**ATOUR LIFESTYLE HOLDINGS LIMITED**
**CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT**

(In thousands of RMB, except share data and per share data, or otherwise noted)

	Note	Series A shares		Ordinary shares		Accumulated deficit	Total deficit attributable to shareholders of the Company	Non-controlling interests	Total deficit
		Number of shares	RMB'000	Number of shares	RMB'000				
<b>Balances at</b>									
<b>January 1, 2019</b>		<b>60,912,400</b>	<b>43</b>	<b>171,589,918</b>	<b>130</b>	<b>(311,508)</b>	<b>(311,335)</b>	<b>(1,069)</b>	<b>(312,404)</b>
Profit (loss) for the year		—	—	—	—	64,960	64,960	(4,129)	60,831
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income (loss)		—	—	—	—	64,960	64,960	(4,129)	60,831
Acquisition of a subsidiary	7	—	—	—	—	—	—	780	780
Accretion to the redemption value of redeemable Series C shares	12	—	—	—	—	(48,964)	(48,964)	—	(48,964)
<b>Balances at</b>									
<b>December 31, 2019 and January 1, 2020</b>		<b>60,912,400</b>	<b>43</b>	<b>171,589,918</b>	<b>130</b>	<b>(295,512)</b>	<b>(295,339)</b>	<b>(4,418)</b>	<b>(299,757)</b>
Profit (loss) for the year		—	—	—	—	42,051	42,051	(4,229)	37,822
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income (loss)		—	—	—	—	42,051	42,051	(4,229)	37,822
Acquisition of non-controlling interest	7	—	—	—	—	—	—	(780)	(780)
Accretion to the redemption value of redeemable Series C shares	12	—	—	—	—	(52,881)	(52,881)	—	(52,881)
<b>Balances at</b>									
<b>December 31, 2020</b>		<b>60,912,400</b>	<b>43</b>	<b>171,589,918</b>	<b>130</b>	<b>(306,342)</b>	<b>(306,169)</b>	<b>(9,427)</b>	<b>(315,596)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**ATOUR LIFESTYLE HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands of RMB, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2019 RMB '000	2020 RMB '000	2020 USD '000 (Note 2(d))
<b>Cash flows from operating activities:</b>			
<b>Net income</b>	<b>60,831</b>	<b>37,822</b>	<b>5,796</b>
<b>Adjustments to reconcile net income to net cash generated from operating activities:</b>			
Depreciation and amortization	70,095	84,955	13,021
Gain from short-term investments	(22,165)	(11,046)	(1,693)
Net loss on disposal of property and equipment	5	—	—
Allowance for doubtful accounts	4,054	3,208	492
Deferred income tax expense (benefit)	1,656	(34,331)	(5,261)
<b>Changes in operating assets and liabilities, net of effect of the acquisition of a subsidiary:</b>			
Accounts receivable	(38,824)	(63,087)	(9,669)
Inventories	(4,955)	(15,726)	(2,410)
Amounts due from related parties	(10,294)	(16,991)	(2,604)
Contract costs	(18,591)	(7,950)	(1,218)
Prepayments and other current assets	(29,959)	(50,535)	(7,745)
Other assets	(52,259)	(41,535)	(6,366)
Accounts payable	9,826	4,843	742
Other amounts due to related parties	1,044	1,335	205
Deferred revenue	66,631	43,398	6,651
Salary and welfare payable	19,331	(1,938)	(297)
Accrued expenses and other payables	151,336	99,913	15,312
Income taxes payable	(6,511)	39,579	6,066
Other non-current liabilities	22,863	46,756	7,166
<b>Net cash generated from operating activities</b>	<b>224,114</b>	<b>118,670</b>	<b>18,188</b>
<b>Cash flows from investing activities:</b>			
Acquisition of a subsidiary, net of cash acquired	(23,014)	—	—
Payment for purchases of property and equipment	(136,798)	(112,750)	(17,280)
Payment for purchases of intangible assets	(1,094)	(1,223)	(187)
Payment for purchase of short-term investments	(3,681,000)	(3,395,902)	(520,445)
Proceeds from maturities of short-term investments	4,106,765	3,419,348	524,038
Loans to third parties	—	(15,000)	(2,299)
<b>Net cash generated from (used in) investing activities</b>	<b>264,859</b>	<b>(105,527)</b>	<b>(16,173)</b>
<b>Cash flows from financing activities:</b>			
Acquisition of non-controlling interest	—	(780)	(120)
Proceeds from borrowings	34,980	127,507	19,541
Repayment of borrowings	(45,064)	(78,716)	(12,064)
<b>Net cash (used in) generated from financing activities</b>	<b>(10,084)</b>	<b>48,011</b>	<b>7,357</b>
<b>Net increase in cash and cash equivalents and restricted cash</b>	<b>478,889</b>	<b>61,154</b>	<b>9,372</b>
Cash and cash equivalents and restricted cash at the beginning of the year	293,093	771,982	118,311
Cash and cash equivalents and restricted cash at the end of the year	<u>771,982</u>	<u>833,136</u>	<u>127,683</u>
<b>Supplemental disclosure of cash flow information:</b>			
Income tax paid	49,869	38,955	5,970
Interest paid	4,419	1,754	269
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Payable for purchase of property and equipment	24,637	41,941	6,428
Interest payable	1,509	2,414	370
Accretion to the redemption value of redeemable Series C shares	48,964	52,881	8,104
<b>Supplemental disclosure of cash and cash equivalents and restricted cash:</b>			
Cash and cash equivalents	763,232	824,546	126,367
Restricted cash	8,750	8,590	1,316
Total cash, cash equivalents, and restricted cash	<u>771,982</u>	<u>833,136</u>	<u>127,683</u>

The accompanying notes are an integral part of these consolidated financial statements.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of RMB, except share data and per share data, or otherwise noted)

**1. Description of the business and organization**

**(a) Description of the business**

Atour Lifestyle Holdings Limited ("Atour LifeStyle" or the "Company"), is a holding company incorporated in the Cayman Islands. The Company conducts its business through its subsidiary, Shanghai Yaduo Business Management (Group) Co., Ltd. ("Atour Shanghai"), and the subsidiaries of Atour Shanghai ("together referred to as the "Group"). The principal business activities of the Group are to develop lifestyle brands around hotel offerings in the People's Republic of China (the "PRC").

**Manachised hotels**

Manachised hotels refers to franchised-and-managed hotels. Typically the Group enters into certain franchise and management arrangements with franchisees for which the Group is responsible for providing branding, appointing and training of the hotel managers, and various other management services. Under typical franchise and management agreements, the franchisee is required to pay an upfront franchise fee and ongoing franchise and management service fees, the majority of which are determined based on a certain percentage of the revenues of the hotel. The franchisee is responsible for hotel construction, renovation and maintenance. The term of the franchise and management agreements are typically eight to fifteen years.

**Leased hotels**

Leased hotels refer to the hotels that the Group operates and manages and where the properties are leased from third party lessors. The Group is responsible for hotel development and customization to conform to the Group's standards, as well as for repairs and maintenance and operating costs and expenses of properties over the term of the lease. The Group is also responsible for all aspects of hotel operations and management, including hiring, training and supervising the hotel managers and employees required to operate our hotels and purchasing supplies.

**(b) Restructuring**

The Group is currently in the process of completing certain corporate restructuring transactions ("Restructuring"). The purpose of the Restructuring is to establish an offshore structure to hold the entire equity interest in Atour Shanghai.

In March 2021, the Company set up a subsidiary in Hong Kong, Atour Hong Kong, and owns 100% of the equity interest in Atour Hong Kong. Atour Hong Kong owns the entire equity interests in Atour Shanghai. Upon the consummation of the Restructuring, the affiliates of all existing equity holders of Atour Shanghai will acquire the equity interests in Atour Lifestyle substantially in proportion to their respective equity ownership in Atour Shanghai prior to the completion of the Restructuring.

Each of Atour Lifestyle and Atour Hong Kong currently has no substantial assets or operations, other than their respective holdings of the equity interests of their wholly owned subsidiaries. After the Restructuring, all of the Group's business will continue to be conducted through Atour Shanghai and its subsidiaries.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

1. Description of the business and organization (Continued)

(b) Restructuring (continued)

The Restructuring was approved by the shareholders and board of directors of Atour Shanghai in December 2020 and a reorganization framework agreement was entered into by Atour Shanghai and the shareholders of Atour Shanghai in February 2021.

The Restructuring is expected to be accounted for as a reverse recapitalization of Atour Shanghai rather than a business combination. Accordingly, the accompanying financial statements of the Company are prepared as if the corporate structure of the Company immediately after the Restructuring has been in existence throughout the years presented.

As of December 31, 2020, the principal subsidiaries of the Group are as follows:

Major subsidiaries	Percentage of Ownership	Date of Incorporation, Merger or Acquisition	Place of Incorporation	Major Operation
Xi'an Jiaduo Hotel Management Co., Ltd	100%	August 30, 2013	PRC	Hotel management
Shanghai Qingju Investment Management Co., Ltd	100%	July 15, 2015	PRC	Investment management
Shanghai Yaduoyu Investment Management Co., Ltd	80%	August 07, 2015	PRC	Investment management
Shanghai Hongwang Financial Information Service Co., Ltd	100%	January 27, 2016	PRC	Financial information service management
Shanghai Shankuai Information Technology Co., Ltd	100%	February 01, 2016	PRC	Retail management
Atour (Tianjin) Hotel Management Co., Ltd	100%	October 18, 2016	PRC	Hotel management
Gongyu (Shanghai) Culture Communication Co., Ltd	100%	November 03, 2016	PRC	Retail management
Yueduo (Shanghai) Apartment Management Service Co., Ltd	80%	March 23, 2017	PRC	Hotel management
Hangzhou Anduo Hotel Management Co., Ltd	100%	April 20, 2017	PRC	Hotel management
Shanghai Naiduo Hotel Management Co., Ltd	100%	July 25, 2017	PRC	Hotel management
Shanghai Zhouduo Hotel Management Co., Ltd	100%	August 04, 2017	PRC	Hotel management
Shanghai Chengduo Information Technology Co., Ltd	100%	November 15, 2017	PRC	Software and information technology services
Fuzhou Hailian Atour Hotel Management Co., Ltd	51%	December 04, 2017	PRC	Hotel management
Chengdu Atour Hotel Management Co., Ltd	100%	December 28, 2017	PRC	Hotel management
Beijing Chengduo Data Technology Co., Ltd	100%	January 22, 2018	PRC	Technology services
Shanghai Xiangduo Enterprise Management Co., Ltd	100%	April 13, 2018	PRC	Hotel management
Shanghai Leiduo Information Technology Co., Ltd	100%	May 08, 2018	PRC	Retail management
Shanghai Guiduo Hotel Management Co., Ltd	100%	May 08, 2018	PRC	Hotel management
Atour (Shanghai) Travel Agency Co., Ltd	100%	July 05, 2018	PRC	Travel agency operation
Guangzhou Zhongduo Hotel Management Co., Ltd	100%	July 19, 2018	PRC	Hotel management
Shanghai Banduo Hotel Management Co., Ltd	100%	October 11, 2018	PRC	Hotel management
Chengdu Zhongchengyaduo Hotel Management Co., Ltd	100%	January 31, 2019	PRC	Hotel management
Beijing Yueduo Property Management Co., Ltd	100%	February 13, 2019	PRC	Property Management
Shanghai Jiangduo Information Technology Co., Ltd	100%	March 07, 2019	PRC	Retail management
Shenzhen Jiaoduo Hotel Management Co., Ltd	100%	March 25, 2019	PRC	Hotel management
Shanghai Xingduo Hotel Management Co., Ltd	100%	May 24, 2019	PRC	Hotel management
Shanghai Huiduo Hotel Management Co., Ltd	100%	June 15, 2019	PRC	Hotel management
Shanghai Mingduo Business Management Co., Ltd	100%	June 18, 2019	PRC	Hotel management
Shanghai Youduo Hotel Management Co., Ltd	100%	July 26, 2019	PRC	Hotel management
Shanghai Yinduo Culture Communication Co., Ltd	100%	August 27, 2020	PRC	Hotel management

2. Significant accounting policies

(a) Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**2. Significant accounting policies (Continued)**

**(a) Basis of preparation (continued)**

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousands except share data and per share data, or otherwise noted.

**(b) Principles of consolidation**

The Company's consolidated financial statements include the financial statements of the Company and its subsidiaries.

All intercompany transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation.

**(c) Use of estimates**

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the balance sheet date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include, but are not limited to, estimate of standalone selling prices of each unit of accounting in multiple elements arrangements, estimate of breakage, the realization of deferred tax assets, the fair value of share-based compensation awards, and the recoverability of long-lived assets. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

**(d) Convenience translation**

Translations of balances in the consolidated financial statements from RMB into US\$ as of and for the year ended December 31, 2020 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB 6.5250 representing the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2020, or at any other rate. The US\$ convenience translation is not required under U.S. GAAP and all US\$ convenience translation amounts in the accompanying consolidated financial statements are unaudited.

**(e) Functional currency**

The Group's reporting currency is RMB. RMB is the currency of the primary economic environment in which the Group operates. The functional currency of the Company is the United States dollars ("USD"). The functional currency of the Company's PRC subsidiaries is the RMB. The Group determined its functional currency to be RMB based on the criteria of Accounting Standards Codification ("ASC") 830, Foreign Currency Matters.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

2. Significant accounting policies (Continued)

*(f) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and highly liquid investments. The Group considers highly liquid investments that are readily convertible into known amounts of cash and with a maturity of three months or less when purchased to be cash equivalents. Substantially all of the Group's bank deposits are placed with financial institutions in the PRC.

*(g) Restricted cash*

Restricted cash mainly consists of security deposits as requested by local government agencies and landlords. Restricted cash is classified as either current or non-current based on when the funds will be released in accordance with the terms of the respective agreement for the establishment.

*(h) Short-term investments*

Short-term investments include wealth management products with original maturities less than one year when purchased, which are with variable interest rates or principal amounts are not guaranteed and are placed with certain financial institutions. The gains from short-term investments were recorded in gain from short-term investments in the consolidated statements of comprehensive income.

*(i) Accounts receivable, net*

Accounts receivable primarily consists of receivables from franchisees, corporate customers, travel agents, hotel guests and credit card receivables, which are recognized and carried at the original invoice amount less an allowance for doubtful accounts. The Group establishes an allowance for doubtful accounts primarily based on the aging of the receivables and factors surrounding the credit risk of specific franchisees and other customers. Accounts receivable balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2019 and 2020, the Group does not have any off-balance-sheet credit exposure relate to its franchisees and other customers.

*(j) Contract costs*

Contract costs are the incremental costs of obtaining a contract with a customer. Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (e.g. an incremental sales commission). Incremental costs of obtaining a contract are capitalized when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred. Capitalized contract costs are amortized on straight-line basis over the fixed franchise and management agreement term considering the expected beneficial period from the contract cost asset is the fixed contract term. Capitalized contract costs are stated at cost less accumulated amortisation and impairment losses.

Contract costs capitalized as of December 31, 2019 and 2020 relate to the incremental sales commissions paid to the Group's sales personnel whose selling activities resulted in customers entering into franchise and management agreements with the Group. Contract costs are recognized as part of selling and marketing expenses in the consolidated statements of comprehensive income in the period



## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 2. Significant accounting policies (Continued)

*(j) Contract costs (continued)*

in which revenue from the franchise fees is recognized. The amount of capitalized costs recognized in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2020 were RMB6,286 and RMB7,556.

*(k) Inventories*

Inventories mainly consists of lifestyle products, small appliances and daily consumables, which are stated at the lower of cost and net realizable value. Cost of inventory is determined using the specific identification method.

*(l) Property and equipment, net*

Property and equipment are stated at cost less accumulated depreciation and any impairment.

The estimated useful lives are presented below.

Leasehold improvements	Shorter of the lease term and the estimated useful lives of the assets
Equipment, fixtures and furniture, and other fixed assets	5 - 10 years

Depreciation commences when the asset is ready for its intended use. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

Expenditures for repairs and maintenance are expensed as incurred. Gains or losses arising from the disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of disposal.

*(m) Capitalized interest*

Interest costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of that asset. The capitalization of interest costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, interest costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalization of interest costs is ceased when the asset is substantially complete and ready for its intended use.

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 2. Significant accounting policies (Continued)

*(m) Capitalized interest (continued)*

A reconciliation of total interest costs to interest expenses as reported in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2020 is as follows:

	Years ended December 31,	
	2019	2020
	RMB '000	RMB '000
Total interest expenses	7,965	6,130
Less: interest expenses capitalized	(3,671)	(4,649)
Interest expenses	<u>4,294</u>	<u>1,481</u>

*(n) Intangible assets, net*

Intangible assets consist primarily software.

Amortization of finite-lived intangible assets is computed using the straight-line method over the estimated useful lives. The amortization period is as follows:

Purchased software	5 years
--------------------	---------

*(o) Impairment of long-lived assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of impairment testing of long-lived assets of leased hotel, the Group has concluded that an individual hotel is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. When there were circumstances that require the long-lived assets of a hotel be tested for possible impairment, the Group first compares undiscounted cash flows generated by the assets to the carrying amount. If the carrying amount of the long-lived assets is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recorded for the years ended December 31, 2019 and 2020.

*(p) Business combination*

Business combination is recorded using the acquisition method of accounting. The assets acquired, the liabilities assumed, and any non-controlling interests of the acquiree at the acquisition date, if any, are measured at their fair values as of the acquisition date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any non-controlling interest of the acquiree and fair value of previously held equity interest in the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired. Consideration transferred in a business acquisition is measured at the fair value as of the date of acquisition.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

2. Significant accounting policies (Continued)

*(q) Goodwill*

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination.

Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. The Group performs its annual impairment review of goodwill at December 31 of each year.

The Group has determined that it has one reporting unit, which is also its only reportable segment.

The Group has the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value prior to performing the two-step goodwill impairment test. If it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required. If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the Group performs step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Application of the goodwill impairment test requires judgment, including the determination of the fair value of each reporting unit. Estimating fair value is performed by utilizing various valuation techniques, with a primary technique being a discounted cash flow which requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long term rate of growth for the Group's business, estimation of the useful life over which cash flows will occur, and determination of the Group's weighted average cost of capital.

No impairment losses were recorded for goodwill for the years ended December 31, 2019 and 2020.

*(r) Value-added-tax ("VAT")*

Entities that are VAT general taxpayers are permitted to offset qualified input VAT paid to suppliers against their output VAT upon receipt of appropriate supplier VAT invoices on an entity by entity basis. When the output VAT exceeds the input VAT, the difference is remitted to tax authorities, usually on a monthly basis; whereas when the input VAT exceeds the output VAT, the difference is treated as VAT recoverable which can be carried forward indefinitely to offset future net VAT payables.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

2. Significant accounting policies (Continued)

(r) Value-added-tax ("VAT") (continued)

VAT related to purchases and sales which have not been settled at the balance sheet date is disclosed separately as an asset and liability, respectively, in the consolidated balance sheet.

For entities engaged in hospitality industry, the input VAT credit is entitled to additional 10% to 15% deduction from April 1, 2019 to December 31, 2021. For the years ended December 31, 2019 and 2020, the Group recognized RMB2,211 and RMB5,766 of input VAT additional deduction benefit, respectively, and included in other operating income in the consolidated statements of comprehensive income.

In response to the COVID-19 pandemic, the PRC government has implemented VAT exemption policy on impacted industries in 2020. For the year ended December 31, 2020, the Group recognized RMB2,885 of VAT exemption benefit and included in other operating income in the consolidated statements of comprehensive income.

(s) Operating leases

Under ASC 840, leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. When a lease contains rent holidays or requires fixed escalations of the minimum lease payments, the Group records the total rental expense on a straight-line basis over the initial lease term and the difference between the straight-line rental expense and cash payment under the lease is recorded as deferred rent. The initial direct costs paid by the Group as lessee is deferred and amortized over the term of the lease using the straight-line method.

As of December 31, 2019 and 2020, deferred rent of RMB4,918 and RMB8,783 were recorded in other current liabilities and RMB134,456 and RMB172,513 were recorded in other non-current liabilities, respectively. Rental expenses amounted to RMB317,379 and RMB358,853 for the years ended December 31, 2019 and 2020, respectively. The Group was granted RMB12,668 in lease concessions from landlords related to the effects of the COVID-19 pandemic for the year ended December 31, 2020, which were primarily in the form of rent reduction over the period of time and recognized as reduction of rental expenses for the year ended December 31, 2020.

The Group had no capital leases for the years ended December 31, 2019 and 2020.

Sublease rental revenues are derived from subleasing partial space of the leased hotels to third-parties, which are recognized on a straight-line basis over the contractual lease term. The sublease rental revenue is recorded in other revenues in the consolidated statements of comprehensive income amounted to RMB5,633 and RMB6,149 for the years ended December 31, 2019 and 2020, respectively.

(t) Asset retirement costs

The Group's asset retirement obligations are primarily related to its leased hotels, of which the majority are leased under long-term arrangements, and, in certain cases, are required to be returned to the landlords in their original condition. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred. The corresponding asset retirement costs are capitalized as part of the cost of leasehold improvements and are depreciated over the shorter of the asset or the term of the lease subsequent to the initial measurement. The Group accretes the liability

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 2. Significant accounting policies (Continued)

## (t) Asset retirement costs (continued)

in relation to the asset retirement obligations over time and the accretion expense is recorded in hotel operating costs in the consolidated statements of comprehensive income.

Asset retirement obligations are recorded in other non-current liabilities. The following table summarizes the activities of the asset retirement obligation liability:

	As of December 31,	
	2019	2020
	RMB '000	RMB '000
Balance at the beginning of the year	968	3,269
Addition during the year	2,157	—
Accretion expense	144	160
Balance at the end of the year	<u>3,269</u>	<u>3,429</u>

## (u) Revenue recognition

The Group adopted ASC 606, Revenue from Contracts with Customers on January 1, 2019. Revenue is primarily derived from contracts of franchised hotels with third party franchisees, products and services in leased hotels, as well as sales of lifestyle products via the e-commerce platforms and hotel shops.

## (1) Franchised hotel revenues

The franchise and management agreements primarily contain the following promised goods or services:

- Intellectual Property ("IP") license grants the right to access the Group's hotel system IP, including brand names.
- Pre-opening services (e.g. information system installation service, and services related to the assistance on employees training and other hotel opening preparation activities).
- Hotel management services include providing day-to-day management services of the hotels for the franchisees.
- Sales of hotel supplies and other products.

The promises to provide pre-opening services (e.g. information system installation service, and services related to the assistance on employees training and other hotel opening preparation activities) are not considered distinct performance obligation because they are highly interrelated with the IP license. Therefore, the promises to provide these pre-opening services have been combined with the related IP license as a single performance obligation.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

2. Significant accounting policies (Continued)

(u) Revenue recognition (continued)

Manachised hotel revenues are derived from franchise and management agreements where the franchisees are primarily required to pay (i) upfront franchise fees, (ii) continuing franchise fees, which primarily consist of on-going franchise and management fees and hotel managers fees; and iii) fees for purchase of hotel supplies and other products.

The transaction prices are allocated to the performance obligations based on the estimated standalone selling prices of each components.

Upfront franchise fees are typically fixed and collected upfront and recognized as revenue on straight-line basis over the term of the franchise contract. The Group does not consider that the upfront franchise fees give rise to a significant financing component, since the primary purpose of the upfront franchise fee is to protect the Group from failure by franchisees to comply with the terms in the contract.

On-going franchise and management fees are generally calculated as a certain percentage of the revenues of the manachised hotel, which are due and payable on a monthly basis and revenue is recognized over time as services are rendered. Hotel managers fees are also billed and collected monthly and revenue is recognized over time as services are rendered.

Revenue from sales of hotel supplies and other products is recognized at a point of time when the control of the goods is transferred to the customers, generally when the goods are delivered to the customer and the customer has obtained the physical possession and legal title of the goods.

In certain cases, the Group also provides hotel renovation services to franchisees to convert their buildings suitable for hotel use. When the renovation revenue can be reasonably measured, such revenue is recognized progressively over time using the output method, based on the surveys of performance by the Group's experts who review the work performed to date under each contract. When the renovation revenue cannot be reasonably measured, such revenue is recognized only to the extent of contract costs incurred that are expected to be recovered. The hotel renovation service revenue is included in manachised hotels revenues—other transactions with the franchisees in the consolidated statements of comprehensive income.

(2) Leased hotel revenues

Leased hotel revenues are primarily derived from the rental of rooms, food and beverage sales and other ancillary services, including but not limited to laundry, parking and conference reservation. Each of these products and services represents a distinct performance obligation and, in exchange for these products and services, the Group receives fixed amounts based on published 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 services revenue are recognized when they have been delivered or rendered to the guests as the respective performance obligations are satisfied.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

2. Significant accounting policies (Continued)

(u) Revenue recognition (continued)

(3) Retail revenues

Revenues from sales from lifestyle products through the e-commerce platforms and hotel shops are recognized when the control of the goods is transferred to the customers, generally when the goods are delivered to the customer and the customer has obtained the physical possession and the legal title of the goods.

*Customer loyalty program*

The Group invites its customers to participate in a membership program with different tiers of membership. Members could pay a membership fee for a higher membership tier.

Under the membership program, members earn loyalty points, which generally expire two years after being earned and 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 Group is responsible for providing or arranging for the provision of those free or discounted goods or services in exchange. The Group is acting as a principal if the members redeem the points for the room nights in leased hotels or other lifestyle products. The Group is acting as an agent if the members redeem the points for room nights in manachised hotels.

For points earned in leased hotels, a portion of the leased hotel revenues is deferred until the members redeem points. For points earned in manachised hotels, the Group collects a loyalty program management fee from manachised hotels at a fixed rate per point. Such loyalty program management fee is recognized on a net basis by netting off refunds to manachised hotels when members redeem the points for room nights in manachised hotels, and is included in manachised hotels revenues—other transactions with the franchisees in the consolidated statements of comprehensive income.

The Group estimates breakage for loyalty points that members will never redeem based on the Group's historical experience and expectations of future member behavior and re-assess the estimate at the end of each reporting period. The estimated breakage for points earned in manachised hotels are also recognized as manachised hotels revenues—other transactions with the franchisees in the consolidated statements of comprehensive income.

Membership fee from the Group's customer loyalty program is recognized on a straight-line basis over the membership period, which is included in other revenues in the consolidated statements of comprehensive income.

(v) Contract assets and deferred revenue

Contract assets primarily represent revenue earned that is not yet billable based on the terms of the contracts. The Company does not have impairment losses on contract assets for the years ended December 31, 2019 and 2020.

Cash proceeds received from customers are recorded as deferred revenue before the Group performs under the contracts.

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**2. Significant accounting policies (Continued)****(v) Contract assets and deferred revenue (continued)**

Contract assets and deferred revenue are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current in the consolidated balance sheet when the Group expects to realize within one year from the balance sheet date. Contract liabilities are classified as current in the consolidated balance sheet when the Group expects to settle within one year from the balance sheet date.

**(w) Government grant**

Government subsidies are received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. Such subsidies allow the Group full discretion to utilize the funds and are used by the Group for general corporate purposes. During the years ended December 31, 2019 and 2020, the Group received financial subsidies of RMB12,391 and RMB14,778 from various local PRC government authorities, respectively. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. Such amounts are recorded as other operating income in the consolidated statements of comprehensive income, when received as the amount of the subsidies and the timing of payment are determined solely at the discretion of the relevant government authorities and there is no assurance that the Group will continue to receive any or similar subsidies in the future.

**(x) Advertising and promotion expenses**

Advertising related expenses, including promotion expenses and production costs of marketing materials, are charged to the consolidated statements of comprehensive income as incurred and amounted to RMB14,662 and RMB15,469 for the years ended December 31, 2019 and 2020, respectively.

**(y) Technology and development expenses**

Technology and development expenses are expensed as incurred, mainly consist of (i) staff costs incurred for the self-developed hotel operation and reservation systems, (ii) servers and cloud infrastructure costs, (iii) other expenses related to technology and development functions.

**(z) Pre-opening expenses**

For leased hotels, the Group expenses all costs incurred in connection with start-up activities. Pre-opening expenses primarily include rental expenses and staff costs incurred during the hotel pre-opening period.

**(aa) Employee benefits**

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the Company's PRC subsidiaries make contributions to the government for these benefits based on certain



ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**2. Significant accounting policies (Continued)**

**(aa) Employee benefits (continued)**

percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made.

Total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB74,553 and RMB50,389 for the years ended December 31, 2019 and 2020. In response to the COVID-19 pandemic, the PRC government has implemented relief policies to exempt or reduce enterprises' payments of certain social benefits provided to employees during 2020. The amount of exemption and reduction for employee social benefits for the year ended December 31, 2020 was approximately RMB42,680.

**(ab) Income taxes**

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as operating loss and tax credit carryforwards, if any. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or tax laws is recognized in the consolidated statements of comprehensive income in the period the change in tax rates or tax laws is enacted.

The Group reduces the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence, it is "more-likely-than-not" that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed at each reporting period based on a "more-likely-than-not" realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, and the Group's experience with operating loss and tax credit carryforwards, if any, not expiring.

The Group recognizes in its financial statements the impact of a tax position if that position is "more-likely-than-not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more-likely-than-not" recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Interest and penalties recognized related to unrecognized tax benefits are classified as income tax expense in the consolidated statements of comprehensive income.

**(ac) Share based compensation**

The Company accounts for the compensation cost from share-based payment transactions with employees based on the grant-date fair value of the equity instrument issued.

The grant-date fair value of the award is recognized as compensation expense, over the period during which an employee is required to provide service in exchange for the award, which is generally the vesting period. When no future services are required to be performed by the employee in exchange

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**2. Significant accounting policies (Continued)**

**(ac) Share based compensation (continued)**

for an award of equity instruments, and if such award does not contain a performance or market condition, the cost of the award is expensed on the grant date.

Awards granted to employees with performance conditions attached are measured at fair value on the grant date and are recognized as the compensation expenses in the period and thereafter when the performance goal becomes probable to achieve.

**(ad) Statutory reserve**

In accordance with the Company Laws of the PRC, the PRC Entities registered as PRC domestic companies must make appropriations from its after-tax profit as determined under the PRC GAAP to non-distributable reserve funds including a statutory surplus fund and a discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits as determined in accordance with the legal requirements in the PRC. Appropriation is not required if the surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

The use of the statutory reserves are restricted to the off-setting of losses or increasing capital of the respective company. All these reserves are not allowed to be transferred to their investors in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

As of December 31, 2019 and 2020, the PRC statutory reserve funds amounted to RMB36,997 and RMB58,221, respectively.

**(ae) Segment reporting**

The Company uses the management approach in determining its operating segments. The Company's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Company. For the purpose of internal reporting and management's operation review, the Company's Chief Executive Officer does not segregate the Company's business by product or service lines. Management has determined that the Company has one operating segment, which is the Atour Group.

**(af) Contingencies**

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including but not limited to non-compliance respect to licenses and permits, franchise and management agreements and lease contracts, which are handled and defended in the ordinary course of business. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

2. Significant accounting policies (Continued)

(ag) Fair value measurements

The Group applies ASC 820, Fair Value measurements and Disclosures, for fair value measurements financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the financial statements on a recurring and non-recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

The Group's financial instruments include cash and cash equivalent, restricted cash, short-term investments, accounts receivable, prepayments and other current assets, amounts due from related parties, loans due from third parties, accounts payable, amounts due to related parties, accrued expenses and other payables, short-term borrowings and long-term borrowings. The carrying amounts of these short-term financial instruments approximates their fair value due to their short-term nature. The long-term borrowings approximate their fair values, because the bearing interest rate approximates market interest rate, and market interest rates have not fluctuated significantly since the commencement of loan contracts signed.

**ATOUR LIFESTYLE HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In thousands of RMB, except share data and per share data, or otherwise noted)****2. Significant accounting policies (Continued)****(ah) Net income (loss) per ordinary share**

Basic income (loss) per ordinary share is computed by dividing net income (loss) available to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, net income (loss) is allocated between ordinary shares and other participating securities based on participating rights in undistributed earnings.

Diluted income (loss) per ordinary share is calculated by dividing net income (loss) available to the Company's ordinary shareholders as adjusted for the effect of dilutive ordinary share equivalents, if any, by the weighted average number of ordinary and dilutive ordinary share equivalents outstanding during the year. Potential dilutive securities are not included in the calculation of diluted income (loss) per ordinary share if the impact is anti-dilutive.

**(ai) Recently issued accounting pronouncements**

In February 2016, the FASB issued Accounting Standards Updates ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 specifies the accounting for leases. For operating leases, ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. ASU 2016-02 was further amended in November 2019 by ASU 2019-10 and in June 2020 by ASU 2020-05, which deferred the effective date of new lease standard. As a result, ASC 842, Leases, is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2018. For all other entities, it is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. As the Company is an "emerging growth company" and elects to apply for the new and revised accounting standards at the effective date for a private company, the Group will adopt the new standard on January 1, 2022. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which a company recognizes an allowance based on the estimate of expected credit loss. ASU 2016-13 was further amended in November 2019 by ASU 2019-10. As a result, ASC 326, Financial Instruments—Credit Losses is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2019. For all other entities it is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. As the Company is an "emerging growth company" and elects to apply for the new and revised accounting standards at the effective date for a private company, the Group will adopt the new standard on January 1, 2023. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

2. Significant accounting policies (Continued)

(ai) Recently issued accounting pronouncements (continued)

impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step two to measure the impairment loss. The guidance is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2019. For all other entities it is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. As the Company is an "emerging growth company" and elects to apply for the new and revised accounting standards at the effective date for a private company, the Group will adopt the new standard on January 1, 2023. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13 ("ASU 2018-13"), Fair Value Measurement. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Group adopted the new standard on January 1, 2020, and the adoption did not have a material impact on its consolidated financial statements.

(aj) Risks and concentration

(1) Foreign exchange risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The management does not expect that there will be any significant currency risk for the Group during the reporting periods.

(2) Concentration of credit risk

The Group's credit risk primarily arises from cash and cash equivalents, restricted cash, short-term investments, prepayments and other current assets, accounts receivable and loans due from third parties. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk.

The Group expects that there is no significant credit risk associated with the cash and cash equivalents, restricted cash and short-term investments which are held by reputable financial institutions. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

The Group has no significant concentrations of credit risk with respect to its prepayments and other current assets.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**2. Significant accounting policies (Continued)**

**(aj) Risks and concentration (continued)**

Accounts receivable are unsecured and are primarily derived from revenue earned from manachised hotels. The risk with respect to accounts receivable is mitigated by credit evaluations performed on them.

Loans due from third parties are unsecured and are provided to the manachised hotels. The risk with respect to accounts receivable is mitigated by credit evaluations performed on them.

**3. Prepayments and other assets**

Prepayments and other current assets consist of the following:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB '000</u>	<u>RMB '000</u>
Prepaid rental and property management fees	8,750	9,990
Prepayment for purchase of goods and services	14,261	23,849
VAT recoverable	14,450	18,714
Receivables on behalf of manachised hotels <sup>(i)</sup>	25,995	60,837
Contract assets (Note 13(b))	607	3,438
Deposits	5,480	5,686
Others	9,632	7,196
Subtotal	<u>79,175</u>	<u>129,710</u>
Less: allowance for doubtful accounts	<u>(3,441)</u>	<u>(3,441)</u>
Total	<u><u>75,734</u></u>	<u><u>126,269</u></u>

(i) The amount represents fees to be collected from corporate customers and travel agencies on behalf of franchisees.

Changes in the allowance for doubtful accounts is as follows:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB '000</u>	<u>RMB '000</u>
At the beginning of the year	3,441	3,441
Allowance made during the year	<u>—</u>	<u>—</u>
At the end of the year	<u><u>3,441</u></u>	<u><u>3,441</u></u>

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**3. Prepayments and other assets (Continued)**

Other assets consist of the following:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB '000</u>	<u>RMB '000</u>
Long-term rental deposits	71,832	75,458
Contract assets (Note 13(b))	17,526	52,926
VAT recoverable	4,588	6,248
Payments for purchase of property and equipment	10,242	3,239
Deferred rental initial direct costs	14,373	15,222
Total	<u>118,561</u>	<u>153,093</u>

**4. Loans due from third parties**

The balance as of December 31, 2020 represented the entrusted loans provided by the Group to certain franchised hotels. The loans carried an interest rate per annum of 4.55%. The maturity term of the loans was one year.

**5. Property and equipment, net**

Property and equipment, net consists of the following:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB '000</u>	<u>RMB '000</u>
Cost:		
Leasehold improvements	366,955	421,550
Equipment, fixture and furniture, and other fixed assets	294,634	377,256
Total cost	661,589	798,806
Less: accumulated depreciation	(247,353)	(331,356)
Property and equipment, net	<u>414,236</u>	<u>467,450</u>

Depreciation expense recognized for the years ended December 31, 2019 and 2020 was RMB69,201 and RMB84,003, respectively.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**6. Intangible assets, net**

Intangible assets, net, consist of the following:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB '000</u>	<u>RMB '000</u>
Purchased software	5,298	6,521
Total cost	5,298	6,521
Less: accumulated amortization	(2,245)	(3,197)
Intangible assets, net	<u>3,053</u>	<u>3,324</u>

Amortization expense recognized for the years ended December 31, 2019 and 2020 was RMB894 and RMB952 respectively.

Estimated amortization expense of the existing intangible assets is as follows:

<u>For the year ending December 31,</u>	
2021	1,179
2022	936
2023	586
2024	390
2025	233
Total	<u>3,324</u>

**7. Goodwill**

Changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2020 are as follows:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB '000</u>	<u>RMB '000</u>
Beginning balance	—	17,446
Addition	17,446	—
Ending balance	<u>17,446</u>	<u>17,446</u>

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in the acquisition.

On January 31, 2019, the Group consummated the acquisition of 93% of the equity interests in a manachised hotel for a cash consideration of RMB24,790. No purchase price allocation is presented as the acquisition was considered immaterial. On September 30, 2020, the Group acquired the remaining 7% of the equity interests in this manachised hotel for a cash consideration of RMB780.



## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**7. Goodwill (Continued)**

The amounts of net revenue and net income of the acquiree included in the Group's consolidated statements of comprehensive income from the acquisition date to December 31, 2019 were considered immaterial.

Goodwill is not deductible for tax purposes and is assigned to the only reporting unit of the Group, which is the Atour Group. The Group did not incur any impairment loss on goodwill for the years ended December 31, 2019 and 2020.

**8. Income tax****(a) Income Tax***Cayman Islands*

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

*PRC*

Under the Law of the PRC on Enterprise Income Tax ("EIT Law"), which was effective from January 1, 2008, the Company's PRC subsidiaries are subject to a uniform tax rate of 25%, and the industries and projects that are encouraged and supported by the State may enjoy tax preferential treatment.

Income tax expense consists of the following:

	Years ended December 31,	
	2019	2020
	RMB '000	RMB '000
Current income tax expense	45,837	71,933
Deferred income tax expense (benefit)	1,656	(34,331)
Total	47,493	37,602

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**8. Income tax (Continued)**

**(a) Income Tax (continued)**

The actual income tax expenses reported in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2020 differ from the amount computed by applying the PRC statutory income tax rate of 25% to income before income taxes due to the following:

	Years ended December 31,	
	2019	2020
	RMB '000	RMB '000
Income before income taxes	108,324	75,424
Computed expected tax expense	27,081	18,856
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	4,646	2,470
Additional deduction for research and development expenses	(1,628)	(1,629)
Change in valuation allowance	17,394	17,905
<b>Total</b>	<b>47,493</b>	<b>37,602</b>

**(b) Deferred taxes**

The tax effects of temporary differences that give rise to the deferred tax assets (liabilities) balances as of December 31, 2019 and 2020 are as follows:

	As of December 31,	
	2019	2020
	RMB '000	RMB '000
Deferred tax assets (liabilities)		
Tax losses carried forward	36,562	64,124
Allowance for doubtful accounts	3,799	4,601
Accrued payroll and other expenses	8,559	5,710
Deferred revenue	44,798	60,777
Contract costs	(11,165)	(13,153)
Deferred rent	17,578	5,747
Deferred rental initial direct costs	(3,593)	(3,806)
Property and equipment	28,342	45,096
Others	(6,516)	1,504
<b>Total gross deferred tax assets</b>	<b>118,364</b>	<b>170,600</b>
Valuation allowance on deferred tax assets	(39,384)	(57,289)
<b>Deferred tax assets, net of valuation allowance</b>	<b>78,980</b>	<b>113,311</b>

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 8. Income tax (Continued)

## (b) Deferred taxes (continued)

Reported in consolidated balance sheets as:

	As of December 31,	
	2019	2020
	RMB '000	RMB '000
Deferred tax assets	78,980	113,311
Deferred tax liabilities	—	—
Net deferred tax assets	<u>78,980</u>	<u>113,311</u>

The movement of the valuation allowance is as follows:

	As of December 31,	
	2019	2020
	RMB '000	RMB '000
Balance at the beginning of the year	21,990	39,384
Addition during the year	17,394	17,905
Balance at the end of the year	<u>39,384</u>	<u>57,289</u>

The valuation allowance as of December 31, 2019 and 2020 was primarily provided for the deferred tax assets of certain PRC subsidiaries, which were in cumulative loss positions. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or utilizable. Management considers projected future taxable income and tax planning strategies in making this assessment. The net operating losses carry forward of the Group's PRC subsidiaries amounted to RMB256,496 as of December 31, 2020, of which RMB361, RMB22,601, RMB34,173, RMB89,101 and RMB110,260 will expire if unused by December 31, 2021, 2022, 2023, 2024 and 2025, respectively.

## (c) Unrecognized tax benefits

The Group recognizes the benefit of positions taken or expected to be taken in tax returns in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. A recognized tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**8. Income tax (Continued)**

*(c) Unrecognized tax benefits (continued)*

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB '000</u>	<u>RMB '000</u>
Balance at the beginning of the year	4,129	6,601
Additions on tax positions	2,472	—
Settlements	—	(6,601)
Balance at the end of the year	<u>6,601</u>	<u>—</u>

The unrecognized tax benefits balance as of December 31, 2019 was included in other non-current liabilities, and related to the uncertainty with regard to the deductibility of certain operating expenses incurred, all of which, if recognized upon audit settlement or statute expiration, would affect the effective tax rate. Interest and penalties related to unrecognized tax benefits were immaterial during the years ended December 31, 2019 and 2020.

The Group is subject to reviews, examinations and audits by PRC tax authorities with respect to income and non-income based taxes. According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion.

**9. Accrued expenses and other payables**

Accrued expenses and other payables consist of the following:

<u>Accrued expenses and other payables</u>	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB '000</u>	<u>RMB '000</u>
Deposits	24,645	34,424
Payments received on behalf of manachised hotels <sup>(i)</sup>	155,887	252,225
Deferred rent	4,918	8,783
VAT and other taxes payable	23,102	23,061
Payable for purchase of property and equipment	24,637	41,941
Others	28,126	18,098
<b>Total</b>	<u>261,315</u>	<u>378,532</u>

(i) The amount represents the payments collected or to be collected from customers or travel agencies on behalf of the franchisees for the reservation of manachised hotels.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**10. Borrowings**

Borrowings consist of the following:

	As of December 31,	
	2019	2020
	RMB '000	RMB '000
<b>Short-term borrowings:</b>		
Bank loans <sup>(i)</sup>	—	84,190
Loan from employees <sup>(ii)</sup>	4,725	—
Loan from third parties <sup>(iii)</sup>	35,538	5,079
<b>Total</b>	<u>40,263</u>	<u>89,269</u>
<b>Current portion of long-term borrowings:</b>		
Bank loans <sup>(i)</sup>	—	1,000
Loan from third parties <sup>(iii)</sup>	4,086	—
<b>Total</b>	<u>4,086</u>	<u>1,000</u>
<b>Long-term borrowings, non-current portion:</b>		
Bank loans <sup>(i)</sup>	—	29,165
Loan from third parties <sup>(iii)</sup>	28,294	2,000
<b>Total</b>	<u>28,294</u>	<u>31,165</u>

- (i) During the year ended December 31, 2020, the Group entered into several credit facilities with third party banks under which the Group can borrow up to RMB338,303 during the term of the facilities mature from March 2021 to May 2023. The drawdown of the credit facilities is subject to the terms and conditions of each agreement. The credit facilities also require the Group to comply with the various covenants and other restrictions, including but not limited to keep a debt-to-asset ratio, which is the ratio of total liabilities to total assets, lower than 65% and a liquidity ratio no less than 1.2. As of December 31, 2020, the Group had drawn down bank loans of RMB114,355 under the term facility agreements with interest rate ranging from 3.9% to 4.8% per annum. As of December 31, 2019 and 2020, the Group was in compliance with the above financial covenants. As of December 31, 2020, bank loans of RMB4,500 were secured by the equity interests the Group held in a subsidiary.
- (ii) The Group entered into loan agreements with certain employees. The loans carried an interest rate ranging from 8.0% to 9.5% per annum and were repayable on demand. The Group fully repaid employee loans in cash in 2020.
- (iii) The Group entered into various loan and financing agreements with third parties other than the banks. The loans carried an interest rate from 3.9% to 19.0% per annum. As of December 31, 2019, long-term borrowings of RMB24,780 were secured by the equity interests the Group held in two subsidiaries, and guaranteed by an individual. The Group repaid the amount in 2020. As of December 31, 2020, short-term borrowings of RMB801 (December 31, 2019: RMB1,750) were pledged by certain property and equipment with a net book value of RMB2,259 as of December 31, 2020 (December 31, 2019: RMB2,466).

The weighted average interest rates of short-term borrowings and long-term borrowings as of December 31, 2020 were 4.4% (2019: 7.6%) and 5.0% (2019: 11.0%) per annum, respectively.

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**10. Borrowings (Continued)**

The aggregate maturities of the above long-term borrowings for each for the five years and thereafter subsequent to December 31, 2020 are as follows:

For the year ending December 31,	
2021	1,000
2022	1,000
2023	27,165
2024	1,000
2025	500
2026 and thereafter	1,500
Total	<u>32,165</u>

**11. Other non-current liabilities**

Other non-current liabilities consist of the following:

	As of December 31,	
	2019	2020
	RMB '000	RMB '000
Deposits received from franchisees	69,963	85,263
Deferred rent	134,456	172,513
Asset retirement obligations (Note 2(t))	3,269	3,429
Non-current income tax payable (Note 8(c))	6,601	—
Total	<u>214,289</u>	<u>261,205</u>

**12. Ordinary shares with preference rights**

As of December 31, 2019 and 2020, the Company issued ordinary shares with certain preferences rights to certain investors, including Series A Shares, Series B Shares and Series C Shares. The rights, preferences and privileges of the Series A Shares, Series B Shares and Series C Shares are as follows:

**Redemption rights**

For Series C Shares, at any time of the occurrence of the following events, the holders of Series C Shares are entitled to request the Company to redeem all of the outstanding Series C Shares at the redemption price equal to one hundred percent (100%) of the Series C Shares issue price (RMB552,330), plus interest at a compound rate of eight percent (8%) per annum from the applicable issue date to the redemption payment date. (i) failure to complete a Qualified initial public offering ("IPO") or a Whole Sale transaction as acknowledged by the Series C shareholders within the fifth anniversary of the Series C Shares issue dates (being July 25, 2017 and October 25, 2017). Whole Sale transaction is defined as either a sale of more than 50% equity interests of the Company, or a disposal of all or substantially all of the assets of the Company or an exclusive license of all or substantially all of the Company's intellectual properties to a third party; (ii) any material change of the Company's principal business, the founder and the other senior executives, which would result in substantial

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**12. Ordinary shares with preference rights (Continued)**

obstacle of completing a Qualified IPO, without the Series C shareholders' approval; iii) any material breach of representations, commitments and undertakings made by the Company and/or the founder in connection with the Series C Share investment; (iv) any material breach of the fiduciary duty by the founder and/or other senior executives, which would result in substantial obstacle of completing a Qualified IPO.

For Series B Shares, upon the redemption of Series C Shares, and the occurrence of the following events: 1) sale of over 50% equity interests of the Company, substantial assets sale or exclusive license of the substantial intellectual properties of the Company; 2) any material breach of representations, commitments and undertakings made by the Company and/or the founder in connection with the Series B Share investment, the holders of Series B Shares is entitled to request the Company to redeem all of the outstanding Series B Shares at the redemption price equal to one hundred percent (100%) of the Series B Shares issue price (RMB167,500), plus interest at a compound rate of ten percent (10%) per annum from the applicable issue date (January 8, 2015) to the redemption payment date.

For Series A Shares, they are only redeemable upon the liquidation events.

**Liquidation preference**

Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the holders of Series C Shares, Series B Shares and Series A Shares have the top, secondary and third priority, respectively, to be distributed or paid in preference to the other ordinary shareholders: (i) Each holder of Series C Shares, shall be entitled to receive an amount equal to one hundred percent (100%) of the applicable issue price plus interest at a compound rate of eight percent (8%) per annum from the applicable issue date to the payment date; ii) each holder of Series B Shares and Series A Shares shall be entitled to receive an amount equal to one hundred percent (100%) of the applicable issue price plus interest at a simple rate of six percent (6%) per annum from the applicable issue date to the payment date. For Series A Shares, the applicable issue price is RMB49,000 and the issue date is December 23, 2012.

**Accounting for the ordinary shares with preference rights**

The Company classified the Series B and Series C Shares in the mezzanine equity in the consolidated balance sheets as they are contingently redeemable upon the occurrence of certain events outside of the Company's control. The Company concluded the embedded redemption option of the Series B and Series C Shares did not need to be bifurcated pursuant to ASC 815 because these terms do not permit net settlement, nor they can be readily settled net by a means outside the contract, nor they can provide for delivery of an asset that puts the holders in a position not substantially different from net settlement.

The Company classified the Series A Shares in permanent equity in the consolidated balance sheets as they are only redeemable upon the liquidation events.

As of December 31, 2019 and 2020, the Company concluded that it was probable that the Series C Shares would become redeemable, and it was not probable that the Series B Shares would become redeemable.

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**12. Ordinary shares with preference rights (Continued)**

For Series B shares, no subsequent adjustment was made on the carrying amount as they were not probable to be redeemed.

For Series C Shares, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the redeemable shares to equal the redemption value at the end of each reporting period. The accretions, if any, are recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit.

The Company's Series C Shares activities for the years ended December 31, 2019 and 2020 and consist of the following:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Balance at the beginning of the year	612,048	661,012
Accretion to the redemption value of redeemable Series C Shares	48,964	52,881
Balance at the end of the year	<u>661,012</u>	<u>713,893</u>

Pursuant to the reorganization framework agreement entered into by Atour Shanghai and its shareholders in February 2021, the preference rights (including liquidation preference and redemption rights, where applicable) of Series A, B and C shares were terminated upon the submission of a Qualified IPO application (e.g. submission of the draft registration statement) on April 8, 2021. The redeemable Series B and C shares were reclassified from mezzanine equity to permanent equity and Series A shares were reclassified to ordinary shares within permanent equity on April 8, 2021 as a result of the termination of the preference rights.



ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

13. Revenue

(a) Disaggregation of revenue

	Years ended December 31,	
	2019	2020
	RMB'000	RMB'000
Upfront franchise fees	27,166	29,841
Continuing franchise fees	275,326	351,933
Sales of hotel supplies and other products	458,025	421,217
Other transactions with the franchisees	79,883	123,316
<b>Manachised hotels revenues</b>	<b>840,400</b>	<b>926,307</b>
Room revenues	571,566	457,173
Food and beverage revenues	40,331	36,244
Others	2,932	3,053
<b>Leased hotels revenues</b>	<b>614,829</b>	<b>496,470</b>
<b>Retail revenues</b>	<b>63,588</b>	<b>70,877</b>
<b>Others</b>	<b>48,274</b>	<b>72,898</b>
<b>Total</b>	<b>1,567,091</b>	<b>1,566,552</b>

No geographical information is presented as the operations, customers and assets of the Company are all located in the PRC.

(b) Contract balances

i) The following table provides information about accounts receivable from contracts with customers.

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Accounts receivable	92,021	155,108
Less: Allowance for doubtful accounts	(11,758)	(14,966)
Accounts receivable, net	80,263	140,142

Changes in the allowance for doubtful accounts is as follows:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
At the beginning of the year	7,704	11,758
Allowance made during the year	4,054	3,208
At the end of the year	11,758	14,966

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 13. Revenue (Continued)

## (b) Contract balances (continued)

ii) The following table provides information about contracts assets:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Current	607	3,438
Non-current	17,526	52,926
Contract assets	<u>18,133</u>	<u>56,364</u>

The contract assets as of December 31, 2019 and 2020 were related to the Group's right to consideration for hotel renovation services provided to franchisees to convert their buildings suitable for hotel use. The fees for the renovation services are billed and collected by the Group on monthly basis.

iii) The following table provides information about deferred revenue from contracts with customers.

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Current	171,961	186,797
Non-current	200,506	229,068
Deferred revenue	<u>372,467</u>	<u>415,865</u>

The deferred revenue balances above as of December 31, 2019 and 2020 were comprised of the following:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Upfront franchise fees	231,095	256,885
Advances from sales of hotel supplies and other products	99,095	91,887
Loyalty program	21,614	28,694
Others	20,663	38,399
Deferred revenue	<u>372,467</u>	<u>415,865</u>

The Company recognized revenues of RMB139,358 and RMB143,570 during the years ended December 31, 2019 and 2020, which were included in deferred revenue as of January 1, 2019 and 2020, respectively.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**13. Revenue (Continued)**

**(c) Revenue allocated to remaining performance obligation**

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods.

As of December 31, 2019 and 2020, the Group had RMB231,095 and RMB256,885 of deferred revenues related to upfront franchise fees which are expected to be recognized as revenues over the remaining contract periods over 1 to 20 years.

The Group has elected, as a practical expedient, not to disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations that are part of a contract that has an original expected duration of one year or less.

**14. Net income (loss) per ordinary share**

Basic and diluted income (loss) per ordinary share for the years ended December 31, 2019 and 2020 are calculated as follow:

	<b>Years ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Numerator:</b>		
Net income attributable to the Company	64,960	42,051
Accretion to the redemption value of redeemable Series C shares	(48,964)	(52,881)
Net income attributable to redeemable Series C shares	(4,349)	—
Net income attributable to redeemable Series B shares	(2,007)	—
Net income attributable to Series A shares	(2,526)	—
Net income (loss) attributable to ordinary shares	7,114	(10,830)
<b>Denominator:</b>		
Weighted average number of ordinary shares	171,589,918	171,589,918
<b>Basic and diluted net income (loss) per ordinary share (in RMB)</b>	<b>0.04</b>	<b>(0.06)</b>

The Series A shares, redeemable series B and C shares have the contractual participation right to share the undistributed earnings with ordinary shareholders on a one-to-one per-share basis. Therefore, the net income attributable to Series A, B, C shares were subtracted from net income when computing net income per ordinary shares.

For the years ended December 31, 2019 and 2020, the Series A shares, redeemable series B and C shares were excluded from the calculation of diluted income per ordinary share as their inclusion would have been anti-dilutive. In addition, for the years ended December 31, 2019 and 2020, 12,125,567 and 11,663,920 share options were also excluded from the calculation of diluted net income per ordinary share as their vesting is contingent upon the satisfaction of a performance condition (i.e. completion of a Qualified IPO), which is not considered probable until the event occurs.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**15. Share based compensation**

In accordance with the share incentive plan adopted in 2017 ("2017 Share Incentive Plan"), 51,200,000 ordinary shares were reserved for issuance to selected persons including its directors, employees and consultants.

Under the 2017 Share Incentive Plan, share options granted contain a performance condition such that the awards only vest upon the completion of a Qualified IPO. For employees who terminate the employment before the completion of a Qualified IPO, the share options granted are forfeited upon the termination of employment. Options granted under the 2017 Share Incentive Plan are valid and effective for 10 years from the grant date.

A summary of activities of the share options for the years ended December 31, 2019 and 2020 are presented below:

	<u>Number of share options</u>	<u>Weighted average exercise price (RMB)</u>	<u>Weighted remaining contractual years</u>	<u>Aggregate intrinsic value (RMB'000)</u>
Outstanding at January 1, 2019	8,881,697	3.56		
Grant	3,786,730	5.55		
Forfeiture	(542,860)	4.33		
Outstanding at December 31, 2019	<u>12,125,567</u>	<u>4.15</u>	8.28	70,176
Grant	306,058	5.57		
Forfeiture	(767,705)	4.76		
Outstanding at December 31, 2020	<u>11,663,920</u>	<u>4.15</u>	7.34	90,764
Expect to vested as of December 31, 2020	<u>11,663,920</u>	<u>4.15</u>	7.34	90,764

The weighted average grant date fair value of the share options for the years ended December 31, 2019 and 2020 was RMB4.62 and RMB6.02, respectively.

The fair value of the share options granted is estimated on the date of grant using the binomial option pricing model with the following assumptions used.

	<u>2019</u>	<u>2020</u>
Risk-free rate of return <sup>(1)</sup>	3.10%~3.20%	2.90%~3.10%
Volatility <sup>(2)</sup>	32.10%~33.68%	34.30%~34.40%
Expected dividend yield <sup>(3)</sup>	0%	0%
Fair value of ordinary share (in RMB) <sup>(4)</sup>	6.12~9.94	10.54~10.93
Exercise multiple <sup>(5)</sup>	2.2	2.2
Expected term <sup>(6)</sup>	10	10

(1) Risk-free rate was estimated based on the yield of China government bond as of the valuation date for a term consistent with the option life.

(2) Expected volatility was assumed based on the historical volatility of the Company's comparable companies in the period equal to the expected term of each grant.

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 15. Share based compensation (Continued)

- (3) The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the share options.
- (4) The estimated fair value of the underlying ordinary shares at the grant dates was estimated by management with the assistance of an independent valuation firm. The Company first determined its enterprise value by using income approach, which required the estimation of future cash flows, and the application of an appropriate discount rate with reference to comparable listed companies engaged in the similar industry to convert such future cash flows to a single present value, and then allocated the enterprise value between the ordinary shares and ordinary shares with preference rights.
- (5) The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely accepted academic research publication.
- (6) The expected term is the contract life of the option from grant date.

For the years ended December 31, 2019 and 2020, the Group did not recognize any share-based compensation expenses for the share options granted as all awards contain a performance condition which is contingent upon the completion of a Qualified IPO and is not considered probable until the event happens.

As of December 31, 2020, the total unrecognized compensation expense associated with share options amounted to RMB30,520, which is expected to be recognized upon the completion of the Company's IPO.

## 16. Ordinary shares

The authorized shares were 500,000,000 divided into 285,796,800 ordinary shares and 60,912,400 Series A Shares, 48,394,000 Series B Shares 104,896,800 Series C Shares as of December 31, 2019 and 2020. The preference rights of Series A shares, Series B shares and Series C shares are disclosed in Note 12. The number of ordinary shares issued and outstanding was 171,589,918 as of December 31, 2019 and 2020.

## 17. Related party transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions.

<u>Name of party</u>	<u>Relationship</u>
Wang Haijun	Founder, Chairman of Board of Directors and Chief Executive Officer.
Trip.com Group Ltd. and its subsidiaries (collectively referred to as "Trip.com Group")	Ultimate parent of a principal shareholder of the Company

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**17. Related party transactions (Continued)**

*(a) Major transactions with related parties*

	Years ended December 31,	
	2019	2020
	RMB'000	RMB'000
<b>Hotel reservation payments collected on behalf of the Group</b>		
Trip.com Group	134,854	257,963
<b>Hotel reservation service fees</b>		
Trip.com Group	13,744	14,473

Trip.com Group has rendered online travel agency reservation services to the Group in exchange for certain hotel reservation service fees.

*(b) Balances with related parties*

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
<b>Amounts due from related parties</b>		
Trip.com Group	16,601	33,592
<b>Other amounts due to related parties</b>		
Wang Haijun <sup>(i)</sup>	6,653	6,235
Trip.com Group	2,009	3,762

(i) The amount due to Wang Haijun was fully repaid in connection with the Restructuring in 2021.

**18. Commitment and Contingencies**

*(a) Capital commitments*

Capital commitments outstanding in respect of leasehold improvements and fixtures, fittings and other fixed assets as of December 31, 2020, not provided for in the financial statements were as follows:

	As of December 31,	
	2019	2020
	RMB'000	RMB'000
Contracted for	105,679	34,228

*(b) Operating lease commitments*

As lessee

The Group has entered into lease agreements for business offices and certain hotels which it operates. Such leases are classified as operating leases.

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**18. Commitment and Contingencies (Continued)****(b) Operating lease commitments (continued)**

Future minimum lease payments under non-cancellable operating lease agreements as of December 31, 2020 were as follows:

For the year ending December 31,	
2021	371,462
2022	384,765
2023	383,303
2024	362,760
2025	335,817
2026 and thereafter	1,539,158
Total	<u>3,377,265</u>

As lessor

The Group subleases its leased assets under operating lease arrangements for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As of December 31, 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

For the year ending 31 December, 2020	
2021	10,993
2022	13,277
2023	12,445
2024	11,536
2025	11,667
2026 and thereafter	37,877
Total	<u>97,795</u>

**(c) Litigation and contingencies**

The Group and its operations from time to time are, and in the future may be, parties to or targets of lawsuits, claims, investigations, and proceedings, including but not limited to non-compliance respect to licenses and permits, franchise and management agreements and lease contracts, which are handled and defended in the ordinary course of business. The Group believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the consolidated financial statements, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**19. Subsequent events**

**(a) Restructuring**

In connection with the Restructuring as described in Note 1(b), Atour Shanghai and its shareholders entered into a reorganization framework agreement in February 2021, to establish an offshore structure to acquire 100% of the equity interest in Atour Shanghai. Upon the consummation of the Restructuring, the affiliates of all existing equity holders of Atour Shanghai will acquire the equity interests in the Company substantially in proportion to their respective equity ownership in Atour Shanghai prior to the completion of the Restructuring. Pursuant to reorganization framework agreement, the preference rights (including redemption rights and liquidation preference, where applicable) of Series A, B and C shares were terminated upon the submission of a Qualified IPO application (e.g. submission of the draft registration statement) on April 8, 2021.

In February 2021, the Company passed a board resolution to increase its authorized shares from 500,000,000 shares to 3,000,000,000 shares of par value USD0.0001 each, including 2,900,000,000 Class A ordinary shares and 1,000,000,000 Class B ordinary shares of par value USD0.0001 each.

**(b) Share repurchase**

A subsidiary of the Company agreed to pay a cash consideration of RMB111,260 in May 2021 to acquire 8,822,664 ordinary shares held by a shareholder of Atour Shanghai, who agreed not to participate in the Restructuring. The transaction is accounted for as share repurchase by the Company.

**(c) Distribution to shareholders**

The Company agreed with certain shareholders to distribute of RMB20,645 in cash to these shareholders in May 2021.

**(d) Share base compensation**

In March 2021, the Company's board of directors approved a new share incentive plan ("Public Company Plan"), 51,029,546 ordinary shares were reserved for issuance to selected persons including its directors, employees and consultants. The unvested portion of share options under the 2017 Share Incentive Plan ("Original Awards") have been replaced by the options granted by the Company under Public Company Plan ("Modified Awards"), with the terms of the Modified Awards substantially the same as those of the Original Awards in April 2021.

**20. Pro forma financial information (unaudited)**

The unaudited pro forma earnings per ordinary share (basic and diluted) for the year ended December 31, 2020 after giving effects to i) the termination of the preference rights of Series A, B and C shares; and ii) the repurchase of 8,822,664 ordinary shares from a shareholder with a cash consideration of RMB111,260, as of the beginning of the year, are calculated as follows, which result in i) the adjustment of accretion to the redemption value of redeemable Series C shares in the pro forma net income attributable to ordinary shares; ii) a total of 214,203,200 Series A, B, C shares being



## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 20. Pro forma financial information (unaudited) (Continued)

included in the pro forma weighted average number of ordinary shares; iii) 8,822,664 ordinary shares repurchased being excluded from the pro forma weighted average number of ordinary shares.

	For the year ended December 31, 2020 <u>RMB '000</u>
<b>Numerator:</b>	
Net loss attributable to ordinary shares	(10,830)
Pro forma effect of the termination of the preference rights of Series A, B and C shares	<u>52,881</u>
Pro forma net income attributable to ordinary shares	42,051
<b>Denominator</b>	
Weighted average number of ordinary shares	171,589,918
Pro forma effect of the termination of the preference rights of Series A, B and C shares	214,203,200
Pro forma effect of ordinary shares repurchase	<u>(8,822,664)</u>
Pro forma weighted average number of ordinary shares	376,970,454
<b>Basic and diluted net income per ordinary share (in RMB)</b>	0.11

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands of RMB, except share data and per share data, or otherwise noted)

Note	As of December 31, 2020	As of March 31, 2021	As of March 31, 2021	As of March 31, 2021	As of March 31, 2021
	RMB '000	RMB '000	USD'000 (Note 2(b))	RMB'000 Pro forma (Note 20)	USD'000 Pro forma (Note 2(b))
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	824,546	884,941	135,068	884,941	135,068
Short-term investments	—	3,000	458	3,000	458
Accounts receivable, net of allowance of RMB14,966 and RMB15,496 as of December 31, 2020 and March 31, 2021, respectively	12(b) 140,142	146,289	22,328	146,289	22,328
Prepayments and other current assets	3 126,269	145,660	22,232	145,660	22,232
Amounts due from related parties	16(b) 33,592	41,135	6,278	41,135	6,278
Inventories	30,343	36,883	5,629	36,883	5,629
Loans due from third parties	4 15,000	15,000	2,289	15,000	2,289
<b>Total current assets</b>	<b>1,169,892</b>	<b>1,272,908</b>	<b>194,282</b>	<b>1,272,908</b>	<b>194,282</b>
<b>Non-current assets</b>					
Restricted cash	8,590	8,590	1,311	8,590	1,311
Contract costs	12(d) 52,610	54,130	8,262	54,130	8,262
Property and equipment, net	5 467,450	466,896	71,262	466,896	71,262
Intangible assets, net	6 3,324	3,115	475	3,115	475
Goodwill	17,446	17,446	2,663	17,446	2,663
Other assets	3 153,093	164,474	25,104	164,474	25,104
Deferred tax assets	113,311	119,751	18,278	119,751	18,278
<b>Total non-current assets</b>	<b>815,824</b>	<b>834,402</b>	<b>127,355</b>	<b>834,402</b>	<b>127,355</b>
<b>Total assets</b>	<b>1,985,716</b>	<b>2,107,310</b>	<b>321,637</b>	<b>2,107,310</b>	<b>321,637</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands of RMB, except share data and per share data, or otherwise noted)

	As of December 31, 2020	As of March 31, 2021	As of March 31, 2021	As of March 31, 2021	As of March 31, 2021
Note	RMB '000	RMB '000	USD'000 (Note 2(b))	RMB'000 Pro forma (Note 20)	USD'000 Pro forma (Note 2(b))
<b>Current liabilities</b>					
Accounts payable	85,763	59,803	9,126	59,803	9,126
Deferred revenue	12(b) 186,797	202,670	30,933	202,670	30,933
Salary and welfare payable	85,614	59,031	9,010	59,031	9,010
Accrued expenses and other payables	8 378,532	419,941	64,096	531,201	81,078
Income taxes payable	61,509	62,962	9,610	62,962	9,610
Short-term borrowings	9 89,269	165,396	25,244	165,396	25,244
Current portion of long-term borrowings	9 1,000	1,000	153	1,000	153
Other amounts due to related parties	16(b) 9,997	2,703	413	23,348	3,564
<b>Total current liabilities</b>	<b>898,481</b>	<b>973,506</b>	<b>148,585</b>	<b>1,105,411</b>	<b>168,718</b>
<b>Non-current liabilities</b>					
Deferred revenue	12(b) 229,068	236,845	36,150	236,845	36,150
Long-term borrowings, non-current portion	9 31,165	42,045	6,417	42,045	6,417
Other non-current liabilities	10 261,205	277,222	42,312	277,222	42,312
<b>Total non-current liabilities</b>	<b>521,438</b>	<b>556,112</b>	<b>84,879</b>	<b>556,112</b>	<b>84,879</b>
<b>Total liabilities</b>	<b>1,419,919</b>	<b>1,529,618</b>	<b>233,464</b>	<b>1,661,523</b>	<b>253,597</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ATOUR LIFESTYLE HOLDINGS LIMITED**
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands of RMB, except share data and per share data, or otherwise noted)**

	As of December 31, 2020	As of March 31, 2021	As of March 31, 2021	As of March 31, 2021	As of March 31, 2021
Note	RMB '000	RMB '000	USD'000 (Note 2(b))	RMB'000 Pro forma (Note 20)	USD'000 Pro forma (Note 2(b))
<b>Mezzanine equity</b>					
Redeemable Series B shares (USD0.0001 par value, 48,394,000 shares authorized, issued and outstanding; Redemption value of RMB296,272 and RMB303,416 as of December 31, 2020 and March 31, 2021, respectively; Liquidation preference of RMB227,635 and RMB230,147 as of December 31, 2020 and March 31, 2021, respectively; and none outstanding on a pro forma basis as of March 31, 2021)	167,500	167,500	25,565	—	—
Redeemable Series C shares (USD0.0001 par value, 104,896,800 shares authorized, issued and outstanding; Redemption value of RMB713,893 and RMB727,761 as of December 31, 2020 and March 31, 2021, respectively; Liquidation preference of RMB713,893 and RMB727,761 as of December 31, 2020 and March 31, 2021, respectively; and none outstanding on a pro forma basis as of March 31, 2021)	11	713,893	727,761	111,078	—
<b>Total mezzanine equity</b>	<b>881,393</b>	<b>895,261</b>	<b>136,643</b>	<b>—</b>	<b>—</b>
<b>Deficit</b>					
Series A shares (USD0.0001 par value; 60,912,400 shares authorized, issued and outstanding; Liquidation preference of RMB72,601 and RMB73,336 as of December 31, 2020 and March 31, 2021, respectively; and none outstanding on a pro forma basis as of March 31, 2021)	43	43	7	—	—
Ordinary shares (USD0.0001 par value; 285,796,800 shares and 2,785,796,800 shares authorized as of December 31, 2020 and March 31, 2021, respectively; 171,589,918 shares issued and outstanding; and 376,970,453 shares issued and outstanding on a pro forma basis as of March 31, 2021)	15	130	130	274	42
Additional paid in Capital	—	—	—	763,255	116,495
Accumulated deficit	(306,342)	(307,969)	(47,005)	(307,969)	(47,005)
Accumulated other comprehensive income	—	426	65	426	65
<b>Total deficit attributable to shareholders of the Company</b>	<b>(306,169)</b>	<b>(307,370)</b>	<b>(46,913)</b>	<b>455,986</b>	<b>69,597</b>
Non-controlling interests	(9,427)	(10,199)	(1,557)	(10,199)	(1,557)
<b>Total deficit</b>	<b>(315,596)</b>	<b>(317,569)</b>	<b>(48,470)</b>	<b>445,787</b>	<b>68,040</b>
Commitments and contingencies	17	—	—	—	—
<b>Total liabilities, mezzanine equity and shareholders' deficit</b>	<b>1,985,716</b>	<b>2,107,310</b>	<b>321,637</b>	<b>2,107,310</b>	<b>321,637</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ATOUR LIFESTYLE HOLDINGS LIMITED**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

(In thousands of RMB, except share data and per share data, or otherwise noted)

	Note	For the three months ended March 31,		
		2020 RMB '000	2021 RMB '000	2021 USD '000 (Note 2(b))
<b>Revenues:</b>	12			
Manachised hotels		130,613	254,066	38,778
Leased hotels		52,661	124,891	19,062
Retail revenues and others		18,876	40,901	6,243
<b>Net revenues</b>		<b>202,150</b>	<b>419,858</b>	<b>64,083</b>
<b>Operating costs and expenses:</b>				
Hotel operating costs		(222,862)	(307,402)	(46,919)
Other operating costs		(12,104)	(25,223)	(3,850)
Selling and marketing expenses		(11,073)	(14,302)	(2,183)
General and administrative expenses		(30,748)	(40,617)	(6,199)
Technology and development expenses		(8,122)	(8,467)	(1,292)
Pre-opening expenses		(21,286)	(6,780)	(1,035)
<b>Total operating costs and expenses</b>		<b>(306,195)</b>	<b>(402,791)</b>	<b>(61,478)</b>
Other operating income		8,155	2,208	337
<b>(Loss) income from operation</b>		<b>(95,890)</b>	<b>19,275</b>	<b>2,942</b>
Interest income		148	390	60
Gain from short-term investments		3,431	2,137	326
Interest expenses		(500)	(1,565)	(239)
Other income, net		76	1,022	156
<b>(Loss) income before income tax</b>		<b>(92,735)</b>	<b>21,259</b>	<b>3,245</b>
Income tax benefit (expense)	7	16,657	(9,790)	(1,494)
<b>Net (loss) income</b>		<b>(76,078)</b>	<b>11,469</b>	<b>1,751</b>
Less: net loss attributable to non-controlling interests		(2,154)	(772)	(118)
<b>Net (loss) income attributable to the Company</b>		<b>(73,924)</b>	<b>12,241</b>	<b>1,869</b>
Less: accretion of redeemable Series C shares	11	(12,841)	(13,868)	(2,117)
<b>Net loss available to shareholders of the Company</b>		<b>(86,765)</b>	<b>(1,627)</b>	<b>(248)</b>
<b>Net (loss) income</b>		<b>(76,078)</b>	<b>11,469</b>	<b>1,751</b>
<b>Other comprehensive income</b>				
Foreign currency translation adjustments, net of nil income taxes		—	426	65
<b>Other comprehensive income, net of income taxes</b>		<b>—</b>	<b>426</b>	<b>65</b>
<b>Total comprehensive (loss) income</b>		<b>(76,078)</b>	<b>11,895</b>	<b>1,816</b>
Comprehensive loss attributable to non-controlling interests		(2,154)	(772)	(118)
<b>Comprehensive (loss) income attributable to the Company</b>		<b>(73,924)</b>	<b>12,667</b>	<b>1,934</b>
Net loss per ordinary share	13			
—Basic and diluted		(0.51)	(0.01)	—
Pro forma net income per ordinary share	20			
—Basic and diluted			0.03	—
Weighted average ordinary shares used in calculating net loss per ordinary share				
—Basic and diluted	13	171,589,918	171,589,918	171,589,918
Pro forma weighted average ordinary shares used in calculating net income per ordinary share	20			
—Basic and diluted			376,970,453	376,970,453

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ATOUR LIFESTYLE HOLDINGS LIMITED**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands of RMB, except share data and per share data, or otherwise noted)**

	<b>For the three months ended March 31,</b>		
	<b>2020</b>	<b>2021</b>	<b>2021</b>
	<b>RMB '000</b>	<b>RMB '000</b>	<b>USD '000 (Note 2(b))</b>
<b>Cash flows from operating activities:</b>			
<b>Net cash (used in) generated from operating activities</b>	<b>(230,058)</b>	<b>5,593</b>	<b>854</b>
<b>Cash flows from investing activities:</b>			
Payment for purchases of property and equipment	(31,379)	(31,289)	(4,776)
Payment for purchases of intangible asset	—	(53)	(8)
Payment for purchases of short-term investments	(1,177,170)	(756,000)	(115,388)
Proceeds from maturities of short-term investments	1,106,531	755,137	115,256
<b>Net cash used in investing activities</b>	<b>(102,018)</b>	<b>(32,205)</b>	<b>(4,916)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings	39,508	149,099	22,757
Repayment of borrowings	(412)	(62,092)	(9,477)
Acquisition of non-controlling interests	(780)	—	—
<b>Net cash generated from financing activities</b>	<b>38,316</b>	<b>87,007</b>	<b>13,280</b>
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	<b>(293,760)</b>	<b>60,395</b>	<b>9,218</b>
Cash and cash equivalents and restricted cash at the beginning of the period	771,982	833,136	127,161
Cash and cash equivalents and restricted cash at the end of the period	478,222	893,531	136,379
<b>Supplemental disclosure of cash flow information:</b>			
Income tax paid	22,229	14,777	2,255
Interest paid	520	1,502	229
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Payable for purchase of property and equipment	19,356	34,543	5,272
Interest payable	2,340	1,335	204
Accretion to the redemption value of redeemable Series C shares	12,841	13,868	2,117
<b>Supplemental disclosure of cash and cash equivalents and restricted cash:</b>			
Cash and cash equivalents	469,632	884,941	135,068
Restricted cash	8,590	8,590	1,311
Total cash and cash equivalents and restricted cash	478,222	893,531	136,379

The accompanying notes are an integral part of these condensed consolidated financial statements.

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of RMB, except share data and per share data, or otherwise noted)

**1. Description of the business and organization**

**(a) Description of the business**

Atour Lifestyle Holdings Limited ("Atour LifeStyle" or the "Company"), is a holding company incorporated in the Cayman Islands. The Company conducts its business through its subsidiary, Shanghai Yaduo Business Management (Group) Co., Ltd. ("Atour Shanghai"), and the subsidiaries of Atour Shanghai ("together referred to as the "Group"). The principal business activities of the Group are to develop lifestyle brands around hotel offerings in the People's Republic of China (the "PRC").

***Manachised hotels***

Manachised hotels refers to franchised-and-managed hotels. Typically the Group enters into certain franchise and management arrangements with franchisees for which the Group is responsible for providing branding, appointing and training of the hotel managers, and various other management services. Under typical franchise and management agreements, the franchisee is required to pay an upfront franchise fee and ongoing franchise and management service fees, the majority of which are determined based on a certain percentage of the revenues of the hotel. The franchisee is responsible for hotel construction, renovation and maintenance. The term of the franchise and management agreements are typically eight to fifteen years.

***Leased hotels***

Leased hotels refer to the hotels that the Group operates and manages and where the properties are leased from third party lessors. The Group is responsible for hotel development and customization to conform to the Group's standards, as well as for repairs and maintenance and operating costs and expenses of properties over the term of the lease. The Group is also responsible for all aspects of hotel operations and management, including hiring, training and supervising the hotel managers and employees required to operate our hotels and purchasing supplies.

**(b) Restructuring**

The Group is currently in the process of completing certain corporate restructuring transactions ("Restructuring"). The purpose of the Restructuring is to establish an offshore structure to hold the entire equity interest in Atour Shanghai.

In March 2021, the Company set up a subsidiary in Hong Kong, Atour Hong Kong, and owns 100% of the equity interest in Atour Hong Kong. Atour Hong Kong owns the entire equity interests in Atour Shanghai. Upon the consummation of the Restructuring, the affiliates of all existing equity holders of Atour Shanghai will acquire the equity interests in Atour Lifestyle substantially in proportion to their respective equity ownership in Atour Shanghai prior to the completion of the Restructuring.

Each of Atour Lifestyle and Atour Hong Kong currently has no substantial assets or operations, other than their respective holdings of the equity interests of their wholly owned subsidiaries. After the Restructuring, all of the Group's business will continue to be conducted through Atour Shanghai and its subsidiaries.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**1. Description of the business and organization (Continued)**

The Restructuring was approved by the shareholders and board of directors of Atour Shanghai in December 2020 and a reorganization framework agreement was entered into by Atour Shanghai and the shareholders of Atour Shanghai in February 2021.

The Restructuring is expected to be accounted for as a reverse recapitalization of Atour Shanghai rather than a business combination. Accordingly, the accompanying financial statements of the Company are prepared as if the corporate structure of the Company immediately after the Restructuring has been in existence throughout the periods presented.

As of March 31, 2021, the principal subsidiaries of the Group are as follows:

<b>Major subsidiaries</b>	<b>Percentage of Ownership</b>	<b>Date of Incorporation, Merger or Acquisition</b>	<b>Place of Incorporation</b>	<b>Major Operation</b>
Xi'an Jiaduo Hotel Management Co., Ltd	100%	August 30, 2013	PRC	Hotel management
Shanghai Qingju Investment Management Co., Ltd	100%	July 15, 2015	PRC	Investment management
Shanghai Yaduoyu Investment Management Co., Ltd	80%	August 07, 2015	PRC	Investment management
Shanghai Hongwang Financial Information Service Co., Ltd	100%	January 27, 2016	PRC	Financial information service management
Shanghai Shankuai Information Technology Co., Ltd	100%	February 01, 2016	PRC	Retail management
Atour (Tianjin) Hotel Management Co., Ltd	100%	October 18, 2016	PRC	Hotel management
Gongyu (Shanghai) Culture Communication Co., Ltd	100%	November 03, 2016	PRC	Retail management
Yueduo (Shanghai) Apartment Management Service Co., Ltd	80%	March 23, 2017	PRC	Hotel management
Hangzhou Anduo Hotel Management Co., Ltd	100%	April 20, 2017	PRC	Hotel management
Shanghai Naiduo Hotel Management Co., Ltd	100%	July 25, 2017	PRC	Hotel management
Shanghai Zhouduo Hotel Management Co., Ltd	100%	August 04, 2017	PRC	Hotel management
Shanghai Chengduo Information Technology Co., Ltd	100%	November 15, 2017	PRC	Software and information technology services
Fuzhou Hailian Atour Hotel Management Co., Ltd	51%	December 04, 2017	PRC	Hotel management



**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**1. Description of the business and organization (Continued)**

<b>Major subsidiaries</b>	<b>Percentage of Ownership</b>	<b>Date of Incorporation, Merger or Acquisition</b>	<b>Place of Incorporation</b>	<b>Major Operation</b>
Chengdu Atour Hotel Management Co., Ltd	100%	December 28, 2017	PRC	Hotel management
Beijing Chengduo Data Technology Co., Ltd	100%	January 22, 2018	PRC	Technology services
Shanghai Xiangduo Enterprise Management Co., Ltd	100%	April 13, 2018	PRC	Hotel management
Shanghai Leiduo Information Technology Co., Ltd	100%	May 08, 2018	PRC	Retail management
Shanghai Guiduo Hotel Management Co., Ltd	100%	May 08, 2018	PRC	Hotel management
Atour (Shanghai) Travel Agency Co., Ltd	100%	July 05, 2018	PRC	Travel agency operation
Guangzhou Zhongduo Hotel Management Co., Ltd	100%	July 19, 2018	PRC	Hotel management
Shanghai Banduo Hotel Management Co., Ltd	100%	October 11, 2018	PRC	Hotel management
Chengdu Zhongchengyaduo Hotel Management Co., Ltd	100%	January 31, 2019	PRC	Hotel management
Beijing Yueduo Property Management Co., Ltd	100%	February 13, 2019	PRC	Property Management
Shanghai Jiangduo Information Technology Co., Ltd	100%	March 07, 2019	PRC	Retail management
Shenzhen Jiaoduo Hotel Management Co., Ltd	100%	March 25, 2019	PRC	Hotel management
Shanghai Xingduo Hotel Management Co., Ltd	100%	May 24, 2019	PRC	Hotel management
Shanghai Huiduo Hotel Management Co., Ltd	100%	June 15, 2019	PRC	Hotel management
Shanghai Mingduo Business Management Co., Ltd	100%	June 18, 2019	PRC	Hotel management
Shanghai Youduo Hotel Management Co., Ltd	100%	July 26, 2019	PRC	Hotel management
Shanghai Yinduo Culture Communication Co., Ltd	100%	August 27, 2020	PRC	Hotel management
Atour Hotel (HK) Holdings, Ltd.	100%	March 05, 2021	Hong Kong	Hotel management

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

2. Significant accounting policies

(a) *Basis of preparation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The consolidated balance sheet as of December 31, 2020 was derived from the audited consolidated financial statements of the Group. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Group as of and for the year ended December 31, 2020.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the financial position as of March 31, 2021, the results of operations and cash flows for the three months ended March 31, 2020 and 2021, have been made.

The preparation of the unaudited condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported periods. Significant accounting estimates include, but not limited to estimate of standalone selling prices of each unit of accounting in multiple elements arrangements, estimate of breakage, the realization of deferred tax assets, the fair value of share-based compensation awards, and the recoverability of long-lived assets. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the unaudited condensed consolidated financial statements.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousands except share data and per share data, or otherwise noted.

(b) *Convenience translation*

Translations of balances in the unaudited condensed consolidated financial statements from RMB into US\$ as of and for the three months ended March 31, 2021 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.5518, representing the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on March 31, 2021. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on March 31, 2021, or at any other rate.

(c) *Risks and concentration*

(1) Foreign exchange risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**2. Significant accounting policies (Continued)**

transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The management does not expect that there will be any significant currency risk for the Group during the reporting periods.

(2) Concentration of credit risk

The Group's credit risk primarily arises from cash and cash equivalents, restricted cash, short-term investments, prepayments and other current assets, accounts receivable and loans due from third parties. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk.

The Group expects that there is no significant credit risk associated with the cash and cash equivalents, restricted cash and short-term investments which are held by reputable financial institutions. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

The Group has no significant concentrations of credit risk with respect to its prepayments and other current assets.

Accounts receivable are unsecured and are primarily derived from revenue earned from franchised hotels. The risk with respect to accounts receivable is mitigated by credit evaluations performed on them.

Loans due from third parties are unsecured and are provided to the franchised hotels. The risk with respect to accounts receivable is mitigated by credit evaluations performed on them.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**3. Prepayments and other assets**

Prepayments and other current assets consist of the following:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Prepaid rental and property management fees	9,990	11,454
Prepayment for purchase of goods and service	23,849	27,774
VAT recoverable	18,714	20,204
Receivables on behalf of manachised hotels(i)	60,837	74,046
Contract assets (Note 12(b))	3,438	3,938
Deposits	5,686	5,963
Others	7,196	5,722
Subtotal	129,710	149,101
Less: allowance for doubtful accounts	(3,441)	(3,441)
Total	<u>126,269</u>	<u>145,660</u>

(i) The amount represents fees to be collected from corporate customers and travel agencies on behalf of franchisees.

Changes in the allowance for doubtful accounts are as follows:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
At the beginning of the year/period	3,441	3,441
Allowance made during the year/period	—	—
At the end of the year/period	<u>3,441</u>	<u>3,441</u>

Other assets consist of the following:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Long-term rental deposits	75,458	75,458
Contract assets (Note 12(b))	52,926	56,634
VAT recoverable	6,248	8,519
Prepayments for purchase of property and equipment	3,239	4,563
Deferred rental initial direct costs	15,222	14,865
Deferred initial public offering related costs	—	4,435
Total	<u>153,093</u>	<u>164,474</u>

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**4. Loans due from third parties**

The balance as of March 31, 2021 represented the entrusted loans provided by the Group to certain franchised hotels. The loans carried an interest rate per annum of 4.55%. The maturity term of the loans was one year.

**5. Property and equipment, net**

Property and equipment, net consists of the following:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Cost:		
Leasehold improvements	421,550	432,452
Equipment, fixture and furniture, and other fixed assets	377,256	388,600
Total cost	798,806	821,052
Less: accumulated depreciation	(331,356)	(354,156)
Property and equipment, net	<u>467,450</u>	<u>466,896</u>

Depreciation expense recognized for the three months ended March 31, 2020 and 2021 was RMB21,435 and RMB23,163, respectively.

**6. Intangible assets, net**

Intangible assets, net, consist of the following:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Purchased software	6,521	6,573
Total cost	6,521	6,573
Less: accumulated amortization	(3,197)	(3,458)
Intangible assets, net	<u>3,324</u>	<u>3,115</u>

Amortization expense recognized for the three months ended March 31, 2020 and 2021 was RMB237 and RMB261 respectively.

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**6. Intangible assets, net (Continued)**

Estimated amortization expense of the existing intangible assets is as follows:

Nine months ending December 31, 2021	970
2022	936
2023	586
2024	390
2025	233
Total	<u>3,115</u>

**7. Income tax**

The income tax benefit for the three-month months ended March 31, 2020 was RMB16,657 and the income tax expense for the three month ended March 31, 2021 was RMB9,790. The Company's effective tax rates for the three-month periods ended March 31, 2020 and 2021 were 18% and 46%, respectively.

The actual income tax benefit (expense) reported in the condensed consolidated statements of comprehensive (loss) income differ from the amount computed by applying the PRC statutory income tax rate to (loss) income before income taxes, which is primarily due to the valuation allowance provided for the deferred tax assets of certain PRC subsidiaries, which were in cumulative loss positions.

**8. Accrued expenses and other payables**

Accrued expenses and other payables consist of the following:

	As of December 31, 2020 RMB '000	As of March 31, 2021 RMB '000
Deposits	34,424	36,808
Payments received on behalf of manachised hotels <sup>(i)</sup>	252,225	291,575
Deferred rent	8,783	6,962
VAT and other taxes payable	23,061	30,895
Payable for purchase of property and equipment	41,941	34,543
Others	18,098	19,158
Total	<u>378,532</u>	<u>419,941</u>

The amount represents the payments collected or to be collected from customers or travel agencies on behalf of the franchisees for the reservation of manachised hotels.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**9. Borrowings**

Borrowings consist of the following:

	As of December 31, 2020 RMB '000	As of March 31, 2021 RMB '000
<b>Short-term borrowings:</b>		
Bank loans <sup>(i)</sup>	84,190	160,607
Loan from third parties <sup>(ii)</sup>	5,079	4,789
<b>Total</b>	<b>89,269</b>	<b>165,396</b>
<b>Current portion of long-term borrowings:</b>		
Bank loans <sup>(i)</sup>	1,000	1,000
<b>Total</b>	<b>1,000</b>	<b>1,000</b>
<b>Long-term borrowings, non-current portion:</b>		
Bank loans <sup>(i)</sup>	29,165	40,045
Loan from third parties <sup>(ii)</sup>	2,000	2,000
<b>Total</b>	<b>31,165</b>	<b>42,045</b>

(i) As of March 31, 2021, the Group had several credit facilities with third party banks under which the Group can borrow up to RMB418,639 during the term of the facilities mature from March 2021 to May 2023. The drawdown of the credit facilities is subject to the terms and conditions of each agreement. The credit facilities also require the Group to comply with the various covenants and other restrictions, including but not limited to keep a debt-to-asset ratio, which is the ratio of total liabilities to total assets, lower than 65% and a liquidity ratio no less than 1.2. As of March 31, 2021, the Group had drawn down bank loans of RMB201,652 under the term facility agreements with interest rate ranging from 3.9% to 4.8% per annum. As of March 31, 2021, the Group was in compliance with the above financial covenants. As of March 31, 2021, bank loans of RMB4,250 were secured by the equity interests the Group held in a subsidiary.

(ii) The Group entered into various loan and financing agreements with third parties other than the banks. The loans carried an interest rate from 3.9% to 19.0% per annum. As of March 31, 2021, short-term borrowings of RMB511 (December 31, 2020: RMB801) were pledged by certain property and equipment with a net book value of RMB2,207 as of March 31, 2021 (December 31, 2020: RMB2,259).

The weighted average interest rates of short-term borrowings and long-term borrowings as of March 31, 2021 were 4.4% (December 31, 2020: 4.4%) and 4.7% (December 31, 2020: 5.0%) per annum, respectively.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**9. Borrowings (Continued)**

The aggregate maturities of the above long-term borrowings for each for the five years and thereafter subsequent to March 31, 2021 are as follows:

Nine months ending December 31, 2021	750
2022	1,000
2023	38,295
2024	1,000
2025	500
2026 and thereafter	1,500
<b>Total</b>	<b><u>43,045</u></b>

**10. Other non-current liabilities**

Other non-current liabilities consist of the following:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Deposits received from franchisees	85,263	89,465
Deferred rent	172,513	184,286
Asset retirement obligations	3,429	3,471
<b>Total</b>	<b><u>261,205</u></b>	<b><u>277,222</u></b>

**11. Ordinary shares with preference rights**

The activities of the redeemable Series C shares for the three months ended March 31, 2021 are as follows:

	March 31, 2021
	RMB '000
Balance as of January 1, 2021	713,893
Accretion to the redemption value of redeemable Series C Shares	13,868
<b>Balance as of March 31, 2021</b>	<b><u>727,761</u></b>

Pursuant to the reorganization framework agreement entered into by Atour Shanghai and its shareholders in February 2021, the preference rights (including liquidation preference and redemption rights, where applicable) of Series A, B and C shares were terminated upon the submission of a Qualified IPO application (e.g. submission of the draft registration statement) on April 8, 2021. The redeemable Series B and C shares were reclassified from mezzanine equity to permanent equity and Series A shares were reclassified to ordinary shares within permanent equity on April 8, 2021 as a result of the termination of the preference rights (see Note 20).



ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

12. Revenue

(a) *Disaggregation of revenue*

	For the three months ended March 31,	
	2020	2021
	RMB '000	RMB '000
Upfront franchise fees	6,231	7,727
Continuing franchise fees	42,291	109,336
Sales of hotel supplies and other products	65,409	108,324
Other transactions with the franchisees	16,682	28,679
<b>Manachised hotels revenues</b>	<b>130,613</b>	<b>254,066</b>
Room revenues	48,279	115,074
Food and beverage revenues	4,186	8,871
Others	196	946
<b>Leased hotels revenues</b>	<b>52,661</b>	<b>124,891</b>
<b>Retail revenues</b>	<b>7,498</b>	<b>20,230</b>
<b>Others</b>	<b>11,378</b>	<b>20,671</b>
<b>Total</b>	<b>202,150</b>	<b>419,858</b>

No geographical information is presented as the operations, customers and assets of the Company are all located in the PRC.

(b) *Contract balances*

i) The following table provides information about accounts receivable from contracts with customers.

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Accounts receivable	155,108	161,785
Less: Allowance for doubtful accounts	(14,966)	(15,496)
Accounts receivable, net	140,142	146,289

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 12. Revenue (Continued)

Changes in the allowance for doubtful accounts is as follows:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
At the beginning of the year/period	11,758	14,966
Allowance made during the year/period	3,208	530
At the end of the year/period	<u>14,966</u>	<u>15,496</u>

ii) The following table provides information about contracts assets:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Current	3,438	3,938
Non-current	52,926	56,634
Contract assets	<u>56,364</u>	<u>60,572</u>

The contract assets as of December 31, 2020 and March 31, 2021 were related to the Group's right to consideration for hotel renovation services provided to franchisees to convert their buildings suitable for hotel use. The fees for the renovation services are billed and collected by the Group on monthly basis.

iii) The following table provides information about deferred revenue from contracts with customers.

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Current	186,797	202,670
Non-current	229,068	236,845
Deferred revenue	<u>415,865</u>	<u>439,515</u>

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**12. Revenue (Continued)**

The deferred revenue balances above as of December 31, 2020 and March 31, 2021 were comprised of the following:

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
Upfront franchise fees	256,885	265,213
Advances from sales of hotel supplies and other products	91,887	96,686
Loyalty program	28,694	33,009
Others	38,399	44,607
Deferred revenue	<u>415,865</u>	<u>439,515</u>

The Company recognized revenues of RMB56,661 and RMB68,293 during the three months ended March 31, 2020 and 2021, which were included in deferred revenue balance at the beginning of each period.

**(c) Revenue allocated to remaining performance obligation**

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods.

As of December 31, 2020 and March 31, 2021, the Group had RMB256,885 and RMB265,213 of deferred revenues related to upfront franchise fees which are expected to be recognized as revenues over the remaining contract periods over 1 to 20 years.

The Group has elected, as a practical expedient, not to disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations that are part of a contract that has an original expected duration of one year or less.

**(d) Contract costs**

Contract costs capitalized as of December 31, 2020 and March 31, 2021 relate to the incremental sales commissions paid to the Group's sales personnel whose selling activities resulted in customers entering into franchise and management agreements with the Group. Contract costs are recognized as part of selling and marketing expenses in the consolidated statements of comprehensive income in the period in which revenue from the franchise fees is recognized. The amount of capitalized costs recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2020 and 2021 were RMB1,594 and RMB1,987, respectively.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**13. Net loss per ordinary share**

Basic and diluted net loss per ordinary share for the three months ended December 31, 2020 and 2021 are calculated as follow:

	For the three months ended	
	March 31,	
	2020	2021
	RMB '000	RMB '000
<b>Numerator:</b>		
Net (loss) income attributable to the Company	(73,924)	12,241
Accretion to the redemption value of redeemable Series C shares	(12,841)	(13,868)
Net loss available to ordinary shares of the Company	(86,765)	(1,627)
<b>Denominator:</b>		
Weighted average number of ordinary shares	171,589,918	171,589,918
<b>Basic and diluted net loss per ordinary share (in RMB)</b>	<b>(0.51)</b>	<b>(0.01)</b>

For the three months ended March 31, 2020 and 2021, the Series A shares, redeemable Series B and C shares were excluded from the calculation of diluted loss per ordinary share as their inclusion would have been anti-dilutive. In addition, for the three months ended March 31, 2020 and 2021, 12,125,567 and 14,206,882 share options were also excluded from the calculation of diluted net loss per ordinary share as their vesting is contingent upon the satisfaction of a performance condition (i.e. completion of a Qualified IPO), which is not considered probable until the event occurs.

**14. Share based compensation**

In accordance with the share incentive plan adopted in 2017 ("2017 Share Incentive Plan"), 51,200,000 ordinary shares were reserved for issuance to selected persons including its directors, employees and consultants.

Under the 2017 Share Incentive Plan, share options granted contain a performance condition such that the awards only vest upon the completion of a Qualified IPO. For employees who terminate the employment before the completion of a Qualified IPO, the share options granted are forfeited upon the termination of employment. Options granted under the 2017 Share Incentive Plan are valid and effective for 10 years from the grant date.

In March 2021, the Company's board of directors approved a new share incentive plan ("Public Company Plan"), 51,029,546 ordinary shares were reserved for issuance to selected persons including its directors, employees and consultants. The unvested portion of share options under the 2017 Share Incentive Plan ("Original Awards") have been replaced by the options granted by the Company under Public Company Plan ("Modified Awards"), with the terms of the Modified Awards substantially the same as those of the Original Awards in April 2021.

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**14. Share based compensation (Continued)**

A summary of activities of the share options for the three months ended March 31, 2021 are presented below:

	Number of share options	Weighted average exercise price (RMB)	Weighted remaining contractual years	Aggregate intrinsic value (RMB'000)
Outstanding at January 1, 2021	11,663,920	4.15		
Grant	2,711,148	5.58		
Forfeiture	(168,186)	5.58		
Outstanding at March 31, 2021	<u>14,206,882</u>	<u>4.40</u>	<u>7.61</u>	<u>235,213</u>
Expect to vest as of March 31, 2021	<u>14,206,882</u>	<u>4.40</u>	<u>7.61</u>	<u>235,213</u>

The weighted average grant date fair value of the share options for the three months period ended March 31, 2021 was RMB8.30.

The fair value of the share options granted is estimated on the date of grant using the binomial option pricing model with the following assumptions used.

	For the three months ended March 31, 2021
Risk-free rate of return <sup>(1)</sup>	3.2%
Volatility <sup>(2)</sup>	34.61% - 34.82%
Expected dividend yield <sup>(3)</sup>	0%
Fair value of ordinary share (in RMB) <sup>(4)</sup>	11.93 - 20.96
Exercise Multiple <sup>(5)</sup>	2.2
Expected term <sup>(6)</sup>	10

- (1) Risk-free rate was estimated based on the yield of China government bond as of the valuation date for a term consistent with the option life.
- (2) Expected volatility was assumed based on the historical volatility of the Company's comparable companies in the period equal to the expected term of each grant.
- (3) The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the share options.
- (4) The estimated fair value of the underlying ordinary shares at the grant dates was estimated by management with the assistance of an independent valuation firm. The Company first determined its enterprise value by using income approach, which required the estimation of future cash flows, and the application of an appropriate discount rate with reference to comparable listed companies engaged in the similar industry to convert such future cash flows to a single present value, and then allocated the enterprise value between the ordinary shares and ordinary shares with preference rights.
- (5) The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient

**ATOUR LIFESTYLE HOLDINGS LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In thousands of RMB, except share data and per share data, or otherwise noted)**

**14. Share based compensation (Continued)**

information of past employee exercise history, it was estimated by referencing to a widely accepted academic research publication.

(6) The expected term is the contract life of the option from grant date.

For the three months ended March 31, 2020 and 2021, the Group did not recognize any share-based compensation expenses for the share options granted as all awards contain a performance condition which is contingent upon the completion of a Qualified IPO and is not considered probable until the event happens.

As of March 31, 2021, the total unrecognized compensation expense associated with share options amounted to RMB51,946 which is expected to be recognized upon the completion of the Company's IPO.

**15. Ordinary shares**

As of December 31, 2020, the authorized shares were 500,000,000 divided into 285,796,800 ordinary shares, 60,912,400 Series A Shares, 48,394,000 Series B Shares and 104,896,800 Series C Shares. Series A, B and C shares have liquidation preferences and Series B and C shares have certain redemption rights, pursuant to their respective investment and shareholders agreement.

In February 2021, the Company passed a board resolution to increase its authorized shares from 500,000,000 shares to 3,000,000,000 shares of par value USD0.0001 each, including 2,900,000,000 Class A ordinary shares and 100,000,000 Class B ordinary shares of par value USD0.0001 each.

**16. Related party transactions**

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions.

<u>Name of party</u>	<u>Relationship</u>
Wang Haijun	Founder, Chairman of Board of Directors and Chief Executive Officer
Trip.com Group Ltd. and its subsidiaries (collectively referred to as "Trip.com Group")	Ultimate parent of a principal shareholder of the Company

**(a) Major transactions with related parties**

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2021</b>
	<b>RMB '000</b>	<b>RMB '000</b>
<b>Hotel reservation payments collected on behalf of the Group</b>		
Trip.com Group	17,164	88,757
<b>Hotel reservation service fees</b>		
Trip.com Group	1,963	2,839

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 16. Related party transactions (Continued)

Trip.com Group has rendered online travel agency reservation services to the Group in exchange for certain hotel reservation service fees.

*(b) Balances with related parties*

	As of December 31, 2020	As of March 31, 2021
	RMB '000	RMB '000
<b>Amounts due from related parties</b>		
Trip.com Group	33,592	41,135
<b>Other amounts due to related parties</b>		
Wang Haijun <sup>(i)</sup>	6,235	—
Trip.com Group	3,762	2,703

(i) The amount due to Wang Haijun was fully repaid in February 2021 in connection with the Restructuring.

## 17. Commitment and Contingencies

*(a) Capital commitments*

Capital commitments outstanding in respect of leasehold improvements and fixtures, fittings and other fixed assets as of March 31, 2021, not provided for in the financial statements were as follows:

	As of March 31, 2021
	RMB '000
Contracted for	21,622

*(b) Operating lease commitments*As lessee

The Group has entered into lease agreements for business offices and certain hotels which it operates. Such leases are classified as operating leases. Rental expenses were RMB96,695 and RMB91,309 for the three months ended March 31, 2020 and 2021, respectively.

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 17. Commitment and Contingencies (Continued)

Future minimum lease payments under non-cancellable operating lease agreements as of March 31, 2021 were as follows:

Nine months ending December 31, 2021	280,153
2022	384,765
2023	383,303
2024	362,760
2025	335,817
2026 and thereafter	1,539,158
Total	<u>3,285,956</u>

As lessor

The Group subleases its leased assets under operating lease arrangements for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As of March 31, 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Nine months ending December 31, 2021	9,097
2022	13,277
2023	12,445
2024	11,536
2025	11,667
2026 and thereafter	37,877
Total	<u>95,899</u>

*(c) Litigation and contingencies*

The Group and its operations from time to time are, and in the future may be, parties to or targets of lawsuits, claims, investigations, and proceedings, including but not limited to non-compliance respect to licenses and permits, franchise and management agreements and lease contracts, which are handled and defended in the ordinary course of business. The Group believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the condensed consolidated financial statements, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.



**ATOUR LIFESTYLE HOLDINGS LIMITED**
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of RMB, except share data and per share data, or otherwise noted)

**18. Changes in shareholders' deficit**

	Series A shares		Ordinary shares		Accumulated deficit	Accumulated other comprehensive income	Total deficit attributable to shareholders of the Company	Non-controlling interests	Total deficit
	Number of shares	RMB'000	Number of shares	RMB'000					
<b>Balances at January 1, 2020</b>	<b>60,912,400</b>	<b>43</b>	<b>171,589,918</b>	<b>130</b>	<b>(295,512)</b>	<b>—</b>	<b>(295,339)</b>	<b>(4,418)</b>	<b>(299,757)</b>
Loss for the period	—	—	—	—	(73,924)	—	(73,924)	(2,154)	(76,078)
Foreign currency translation adjustments, net of nil income taxes	—	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	(73,924)	—	(73,924)	(2,154)	(76,078)
Accretion to the redemption value of redeemable Series C shares	—	—	—	—	(12,841)	—	(12,841)	—	(12,841)
<b>Balances at March 31, 2020</b>	<b>60,912,400</b>	<b>43</b>	<b>171,589,918</b>	<b>130</b>	<b>(382,277)</b>	<b>—</b>	<b>(382,104)</b>	<b>(6,572)</b>	<b>(388,676)</b>

	Series A shares		Ordinary shares		Accumulated deficit	Accumulated other comprehensive income	Total deficit attributable to shareholders of the Company	Non-controlling interests	Total deficit
	Number of shares	RMB'000	Number of shares	RMB'000					
<b>Balances at January 1, 2021</b>	<b>60,912,400</b>	<b>43</b>	<b>171,589,918</b>	<b>130</b>	<b>(306,342)</b>	<b>—</b>	<b>(306,169)</b>	<b>(9,427)</b>	<b>(315,596)</b>
Profit (loss) for the period	—	—	—	—	12,241	—	12,241	(772)	11,469
Foreign currency translation adjustments, net of nil income taxes	—	—	—	—	—	426	426	—	426
Total comprehensive income(loss)	—	—	—	—	12,241	426	12,667	(772)	11,895
Accretion to the redemption value of redeemable Series C shares	—	—	—	—	(13,868)	—	(13,868)	—	(13,868)
<b>Balances at March 31, 2021</b>	<b>60,912,400</b>	<b>43</b>	<b>171,589,918</b>	<b>130</b>	<b>(307,969)</b>	<b>426</b>	<b>(307,370)</b>	<b>(10,199)</b>	<b>(317,569)</b>

ATOUR LIFESTYLE HOLDINGS LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

**19. Subsequent events**

**(a) Termination of the preference rights of Series A, B and C shares**

Pursuant to the reorganization framework agreement entered into by Atour Shanghai and its shareholders in February 2021, the preference rights (including liquidation preference and redemption rights, where applicable) of Series A, B and C shares were terminated upon the submission of a Qualified IPO application (e.g. submission of the draft registration statement) on April 8, 2021. The redeemable Series B and C shares were reclassified from mezzanine equity to permanent equity and Series A shares were reclassified to ordinary shares within permanent equity on April 8, 2021 as a result of the termination of the preference rights (see Note 20).

**(b) Share repurchase**

A subsidiary of the Company agreed to pay a cash consideration of RMB111,260 in May 2021 to acquire 8,822,664 ordinary shares held by a shareholder of Atour Shanghai, who agreed not to participate in the Restructuring. The transaction is accounted for as share repurchase by the Company.

**(c) Distribution to shareholders**

The Company agreed with certain shareholders to distribute of RMB20,645 in cash to these shareholders in May 2021.

**20. Pro forma financial information**

The unaudited pro forma balance sheet as of March 31, 2021 presents an adjusted financial position after giving effect to i) the termination of the preference rights of Series A, B and C shares; ii) the repurchase of 8,822,664 ordinary shares from a shareholder with a cash consideration of RMB111,260; and iii) the distribution of RMB20,645 to certain shareholders, as if these events occurred on March 31, 2021, which result in i) redeemable Series B and C shares being reclassified from mezzanine equity to permanent equity and Series A shares being reclassified to ordinary shares within permanent equity; ii) share repurchase consideration of RMB111,260 being payable; and iii) cash distribution of RMB20,645 being payable, on March 31, 2021.

The unaudited pro forma earnings per ordinary share (basic and diluted) for the three months ended March 31, 2021 after giving effects to i) the termination of the preference rights of Series A, B and C shares; and ii) the repurchase of 8,822,664 ordinary shares from a shareholder with a cash consideration of RMB111,260, as of the beginning of the period, are calculated as follows, which result in i) the adjustment of accretion to the redemption value of redeemable Series C shares in the pro forma net income attributable to ordinary shares; ii) a total of 214,203,200 Series A, B, C shares being

## ATOUR LIFESTYLE HOLDINGS LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of RMB, except share data and per share data, or otherwise noted)

## 20. Pro forma financial information (Continued)

included in the pro forma weighted average number of ordinary shares; iii) 8,822,664 ordinary shares repurchased being excluded from the pro forma weighted average number of ordinary shares.

	<u>For the three months ended</u> <u>March 31, 2021</u> <u>RMB '000</u>
<b>Numerator:</b>	
Net loss attributable to ordinary shares	(1,627)
Pro forma effect of the termination of the preference rights of Series A, B and C shares	13,868
Pro forma net income attributable to ordinary shares	12,241
<b>Denominator:</b>	
Weighted average number of ordinary shares	171,589,918
Pro forma effect of the termination of the preference rights of Series A, B and C shares	214,203,200
Pro forma effect of ordinary shares repurchase	(8,822,664)
Pro forma weighted average number of ordinary shares	376,970,454
<b>Pro forma basic and diluted net income per ordinary share (in RMB)</b>	<b>0.03</b>

## PART II

### INFORMATION NOT REQUIRED IN THE PROSPECTUS

#### Item 6. Indemnification of Directors and Officers

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences or committing a crime. Under our post-offering memorandum and articles of association, which will become effective immediately prior to the completion of this offering, to the fullest extent permissible under Cayman Islands law every director and officer of our company shall be indemnified against [all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in connection with the execution or discharge of his duties, powers, authorities or discretions as a director or officer of our company, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.]

Pursuant to the form of indemnification agreements to be filed as Exhibit 10.2 to this Registration Statement, we will agree to indemnify our directors and executive officers against certain liabilities and expenses that they incur in connection with claims made by reason of their being a director or officer of our company.

The Underwriting Agreement, the form of which to be filed as Exhibit 1.1 to this Registration Statement, will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

#### Item 7. Recent Sales of Unregistered Securities

During the past three years, we have issued the following securities (including options to acquire our ordinary shares) without registering the securities under the Securities Act. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions, pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering and/or Rule 701 of the Securities Act. None of the transactions involved an underwriter. We have not received any substantial considerations from such issuances which were made in connection with our corporate

restructuring process in preparation for this offering. Our minority equity holders have previously made capital contributions in connection with the private financing of our PRC operating entity.

<u>Purchaser</u>	<u>Date of Issuance</u>	<u>Title and Number of Securities</u>	<u>Consideration</u>
<b>Ordinary Shares</b>			
Engine Holdings Limited	February 3, 2021	35,389,948 Class A ordinary shares	in exchange of the existing equity interests in Atour Shanghai held by affiliates of Engine Holdings Limited before the Restructuring
Li Real Limited	February 3, 2021	14,876,172 Class A ordinary shares	in exchange of the existing equity interests in Atour Shanghai held by affiliates of Li Real Limited before the Restructuring
GLV Holding Limited	February 3, 2021	20,673,814 Class A ordinary shares	in exchange of the existing equity interests in Atour Shanghai held by affiliates of GLV Holding Limited before the Restructuring
Sea Pearl Worldwide Holding Limited	February 3, 2021	69,177,590 Class B ordinary shares	in exchange of the existing equity interests in Atour Shanghai held by affiliates of Sea Pearl Worldwide Holding Limited before the Restructuring
Sea Pearl Worldwide Holding Limited	March 3, 2021	4,503,327 Class B ordinary shares	US\$450.3
Engine Holdings Limited	March 3, 2021	301,464 Class A ordinary shares	US\$30.1
Li Real Limited	March 3, 2021	50,244 Class A ordinary shares	US\$5.0
Ikaria Hotel Investment Holding Limited	March 3, 2021	5,923,200 Class A ordinary shares	in exchange of the existing equity interests in Atour Shanghai held by affiliates of Ikaria Hotel Investment Holding Limited before the Restructuring
Trip.com Travel Singapore Pte. Ltd.	March 3, 2021	48,394,000 Class A ordinary shares	in exchange of the existing equity interests in Atour Shanghai held by affiliates of Trip.com Travel Singapore Pte. Ltd. before the Restructuring

<u>Purchaser</u>	<u>Date of Issuance</u>	<u>Title and Number of Securities</u>	<u>Consideration</u>
Shanghai Yi Nan Enterprise Management Partnership	April 23, 2021	98,973,600 Class A ordinary shares	in exchange of cancellation and forfeiture of the existing equity interest in Atour Shanghai held by affiliates of Shanghai Yi Nan Enterprise Management Partnership before the Restructuring
Deviner Limited	April 23, 2021	60,912,400 Class A ordinary shares	in exchange of cancellation and forfeiture of the existing equity interest in Atour Shanghai held by affiliates of Diviner Limited before the Restructuring.
<b>Warrants</b>			
Holgus Junlian Chengyu Venture Capital Co., Ltd. (霍尔果斯君联承宇创业投资有限公司), Zhuhai Junlian Lingheng Equity Investment Enterprise LLP (珠海君联凌恒股权投资企业(有限合伙))	February 8, 2021	Warrant to purchase 98,973,600 Class A ordinary shares	N/A
Trip.com Travel Singapore Pte. Ltd.	February 8, 2021	Warrant to purchase 48,394,000 Class A ordinary shares	N/A
Ikaria Hotel Investment Holding Limited	February 8, 2021	Warrant to purchase 5,923,200 Class A ordinary shares	N/A
Xing Duo Technology Investment Limited	March 29, 2021	Warrant to purchase a total of 5,360,625 Class A ordinary shares	N/A
Vsixty Limited	March 29, 2021	Warrant to purchase a total of 1,753,720 Class A ordinary shares	N/A
Diviner Limited	March 29, 2021	Warrant to purchase a total of 60,912,400 Class A ordinary shares	N/A
Every Fair Limited	March 29, 2021	Warrant to purchase a total of 3,731,140 Class A ordinary shares	N/A

<u>Purchaser</u>	<u>Date of Issuance</u>	<u>Title and Number of Securities</u>	<u>Consideration</u>
Rui Duo Investment Limited	March 29, 2021	Warrant to purchase a total of 545,149 Class A ordinary shares	N/A
Fortune River Limited	March 29, 2021	Warrant to purchase a total of 272,574 Class A ordinary shares	N/A
East Way Holding Limited	March 29, 2021	Warrant to purchase a total of 4,195,824 Class A ordinary shares	N/A

**Options**

Certain executive officers, employees and consultants	April 2, 2021	17,923,060 ordinary shares underlying 17,923,060 options	Past and future services provided by these individuals to our group
---	---------------	---	---

**Item 8. Exhibits and Financial Statement Schedules**

## (a) Exhibits:

See Exhibit Index for a complete list of all exhibits filed as part of this registration, which Exhibit Index is incorporated herein by reference.

## (b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements and the notes thereto.

**Item 9. Undertakings**

The undersigned hereby undertakes:

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.



## ATOUR LIFESTYLE HOLDINGS LIMITED

## EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement
3.1	Memorandum and Articles of Association of the Registrant, as currently in effect
3.2*	Form of Amended and Restated Memorandum and Articles of Association of the Registrant, as effective immediately prior to the completion of this offering
4.1*	Form of Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3)
4.2*	Registrant's Specimen Certificate for Ordinary Shares
4.3*	Form of Deposit Agreement between the Registrant, the depository and holders of the American Depositary Shares
4.4	Shareholders Agreement dated March 3, 2021 by and among Atour Lifestyle Holdings Limited and certain other parties as listed therein
5.1*	Opinion of Maples and Calder (Hong Kong) LLP regarding the validity of the ordinary shares being registered
8.1*	Opinion of Maples and Calder (Hong Kong) LLP regarding certain Cayman Island tax matters (included in Exhibit 5.1)
8.2*	Opinion of JunHe LLP regarding certain PRC tax matters (included in Exhibit 99.2)
10.1	Public Company Share Incentive Plan
10.2*	Form of Indemnification Agreement with the Registrant's directors
10.3*	Form of Employment Agreement between the Registrant and an executive officer of the Registrant
21.1	Principal Subsidiaries of the Registrant
23.1*	Consent of KPMG Huazhen LLP, Independent Registered Public Accounting Firm
23.2*	Consent of Maples and Calder (Hong Kong) LLP (included in Exhibit 5.1)
23.3*	Consent of JunHe LLP (included in Exhibit 99.2)
24.1*	Powers of Attorney (included on signature page)
99.1*	Code of Business Conduct and Ethics of the Registrant
99.2*	Opinion of JunHe LLP regarding certain PRC law matters
99.3*	Consent of Frost & Sullivan

---

\* To be filed by amendment

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Shanghai, the People's Republic of China, on \_\_\_\_\_, 2021.

### **Atour Lifestyle Holdings Limited**

By: \_\_\_\_\_

Name: Haijun Wang  
Title: *Chairman of the Board of Director and Chief Executive Officer*

II-7

---

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Mr. Haijun Wang and Ms. Rui Zhao and each of them, individually, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, in connection with this registration statement, including to sign in the name and on behalf of the undersigned, this registration statement and any and all amendments thereto, including post-effective amendments and registrations filed pursuant to Rule 462 under the U.S. Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons on \_\_\_\_\_, 2021 in the capacities indicated:

<u>Signature</u>	<u>Title</u>
_____ Haijun Wang	Chairman of the Board of Director and Chief Executive Officer (principal executive officer))
_____ Rui Zhao	Chief Financial Officer (principal financial and accounting officer)
_____ Hong Lu	Director, Senior Vice President
_____ Lijun Gao	Director, Vice President
_____ Shiwei Zhou	Director

**SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES**

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of Atour Lifestyle Holdings Limited, has signed this registration statement or amendment thereto in New York on \_\_\_\_\_, 2021.

Authorized U.S. Representative

By: \_\_\_\_\_

Name:

Title:

II-9

---



**THE COMPANIES ACT (AS REVISED)  
OF THE CAYMAN ISLANDS  
COMPANY LIMITED BY SHARES**

**SEVENTH AMENDED AND RESTATED  
MEMORANDUM AND ARTICLES OF ASSOCIATION**

**OF**

**ATOUR LIFESTYLE HOLDINGS LIMITED**

*(adopted by a special resolution passed on March 3, 2021)*

---

**THE COMPANIES ACT (AS REVISED)  
OF THE CAYMAN ISLANDS  
COMPANY LIMITED BY SHARES**

**SEVENTH AMENDED AND RESTATED  
MEMORANDUM OF ASSOCIATION**

**OF  
ATOOR LIFESTYLE HOLDINGS LIMITED**

*(adopted by a special resolution passed on March 3, 2021)*

- 1 The name of the Company is ATOOR LIFESTYLE HOLDINGS LIMITED.
- 2 The Registered Office of the Company shall be at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1- 1205 Cayman Islands or at such other place within the Cayman Islands as the Directors may decide.
- 3 The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.
- 4 The liability of each Member is limited to the amount unpaid on such Member's shares.
- 5 The share capital of the Company is US\$300,000 divided into 3,000,000,000 ordinary shares of par value US\$0.0001 each, consisting of 2,900,000,000 Class A Ordinary Shares and 100,000,000 Class B Ordinary Shares of par value of US\$0.0001 each with power for the Company insofar as is permitted by law and , to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Act (As Revised) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.
- 6 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
- 7 Capitalised terms that are not defined in this Memorandum of Association bear the respective meanings given to them in the Articles of Association of the Company.

**THE COMPANIES ACT (AS REVISED)  
OF THE CAYMAN ISLANDS  
COMPANY LIMITED BY SHARES**

**SEVENTH AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION  
OF  
ATOUR LIFESTYLE HOLDINGS LIMITED**  
*(adopted by a special resolution passed on March 3, 2021)*

**1 Interpretation**

1.1 In the Articles Table A in the First Schedule to the Statute does not apply and, unless there is something in the subject or context inconsistent therewith:

“ <b>Articles</b> ”	means these articles of association of the Company.
“ <b>Auditor</b> ”	means the person for the time being performing the duties of auditor of the Company (if any).
“ <b>Company</b> ”	means the above named company.
“ <b>Chairman</b> ”	means the chairman of the board of Directors.
“ <b>Charter Documents</b> ”	has the same meaning as in the Shareholders Agreement.
“ <b>Class A Ordinary Shares</b> ”	means the Class A ordinary shares in the capital of the Company with a par value of US\$0.0001 each having such rights and subject to such restrictions as set out in the Articles
“ <b>Class B Ordinary Shares</b> ”	means the Class B ordinary shares in the capital of the Company with a par value of US\$0.0001 each having such rights and subject to such restrictions as set out in the Articles
“ <b>Class A Shareholder(s)</b> ”	means the holder(s) of Class A Ordinary Share(s)
“ <b>Class B Shareholder(s)</b> ”	means the holder(s) of Class B Ordinary Share(s)



<b>“Directors”</b>	means the directors for the time being of the Company.
<b>“Investor Director”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Dividend”</b>	means any dividend (whether interim or final) resolved to be paid on Shares pursuant to the Articles.
<b>“Electronic Record”</b>	has the same meaning as in the Electronic Transactions Act.
<b>“Electronic Transactions Act”</b>	means the Electronic Transactions Act (As Revised) of the Cayman Islands.
<b>“Equity Securities”</b>	has the same meaning as in the Shareholders Agreement.
<b>“ESOP”</b>	means any stock option plan or equity incentive plan adopted by the Company from time to time in relation to the grant or issue of shares, stock options or any other securities to its employees, officers, directors, consultants and/or other eligible persons.
<b>“Founders”</b>	means Wang Haijun, Rui Xining and Chen Jun.
<b>“Founder Holdcos”</b>	means SEA PEARL WORLDWIDE HOLDING LIMITED, ENGINE HOLDINGS LIMITED, LI REAL LIMITED.
<b>“Group Companies”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Investors”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Dehui”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Ctrip”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Legend”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Ikaria”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Key Holders”</b>	means the Founders and the Founder Holdcos.
<b>“Member”</b>	has the same meaning as in the Statute.
<b>“Memorandum”</b>	means the memorandum of association of the Company.

<b>“Ordinary Shares”</b>	means the ordinary shares of US\$0.0001 par value per share in the capital of the Company, including the Class A Ordinary Shares and Class B Ordinary Shares.
<b>“Ordinary Resolution”</b>	means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by the Articles.
<b>“Qualified IPO”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Register of Members”</b>	means the register of Members maintained in accordance with the Statute and includes (except where otherwise stated) any branch or duplicate register of Members.
<b>“Registered Office”</b>	means the registered office for the time being of the Company.
<b>“Restructuring Documents”</b>	has the same meaning as in the Shareholders Agreement.
<b>“Seal”</b>	means the common seal of the Company and includes every duplicate seal.
<b>“Shanghai Atour”</b>	means Shanghai Atour Business Management Group Co., Ltd. (上海亚朵商业管理(集团)股份有限公司).
<b>“Share”</b>	means a share in the Company and includes a fraction of a share in the Company.
<b>“Shareholders Agreement”</b>	means the Shareholders Agreement dated as of <i>March 3, 2021</i> by and among, inter alia, the Company, Shanghai Atour, Key Holders and other relevant parties as listed therein
<b>“Special Resolution”</b>	has the same meaning as in the Statute, and includes a unanimous written resolution.
<b>“Statute”</b>	means the Companies Act (As Revised) of the Cayman Islands.
<b>“Treasury Share”</b>	means a Share held in the name of the Company as a treasury share in accordance with the Statute.
<b>“Warrants”</b>	has the same meaning as in the Shareholders Agreement
<b>“Warrant Holder(s)”</b>	has the same meaning as in the Shareholders Agreement

1.2 In the Articles:

- (a) words importing the singular number include the plural number and vice versa;
- (b) words importing the masculine gender include the feminine gender;
- (c) words importing persons include corporations as well as any other legal or natural person;
- (d) “written” and “in writing” include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;
- (e) “shall” shall be construed as imperative and “may” shall be construed as permissive;
- (f) references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced;
- (g) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (h) the term “and/or” is used herein to mean both “and” as well as “or.” The use of “and/or” in certain contexts in no respects qualifies or modifies the use of the terms “and” or “or” in others. The term “or” shall not be interpreted to be exclusive and the term “and” shall not be interpreted to require the conjunctive (in each case, unless the context otherwise requires);
- (i) headings are inserted for reference only and shall be ignored in construing the Articles;
- (j) any requirements as to delivery under the Articles include delivery in the form of an Electronic Record;
- (k) any requirements as to execution or signature under the Articles including the execution of the Articles themselves can be satisfied in the form of an electronic signature as defined in the Electronic Transactions Act;
- (l) sections 8 and 19(3) of the Electronic Transactions Act shall not apply;
- (m) the term “clear days” in relation to the period of a notice means that period excluding the day when the notice is received or deemed to be received and the day for which it is given or on which it is to take effect; and

(n) the term “holder” in relation to a Share means a person whose name is entered in the Register of Members as the holder of such Share.

- 1.3 Notwithstanding anything to the contrary in the Articles or the Shareholders Agreement, solely for the purposes of the Articles, if applicable, each Warrant Holder shall be deemed to be a Class A Shareholder owning that number of Class A Ordinary Shares, as set forth in the applicable Warrant, to be issued to such Warrant Holder assuming the exercise by such Warrant Holder of the applicable Warrant, and such Class A Ordinary Shares shall be deemed to be issued and outstanding solely for such purposes, as applicable.

## **2 Commencement of Business**

- 2.1 The business of the Company may be commenced as soon after incorporation of the Company as the Directors shall see fit.
- 2.2 The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company, including the expenses of registration.

## **3 Issue of Shares**

- 3.1 Subject to the provisions, if any, in the Memorandum and the Articles (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing Shares, the Directors may allot, issue, grant options over or otherwise dispose of Shares (including fractions of a Share) with or without preferred, deferred or other rights or restrictions, whether in regard to Dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper, and may also (subject to the Statute and the Articles) vary such rights.
- 3.2 The Company shall not issue Shares to bearer.

## **4 Register of Members**

- 4.1 The Company shall maintain or cause to be maintained the Register of Members in accordance with the Statute.
- 4.2 The Directors may determine that the Company shall maintain one or more branch registers of Members in accordance with the Statute. The Directors may also determine which register of Members shall constitute the principal register and which shall constitute the branch register or registers, and to vary such determination from time to time.

## **5 Closing Register of Members or Fixing Record Date**

- 5.1 For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any Dividend or other distribution, or in order to make a determination of Members for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed forty days.

- 5.2 In lieu of, or apart from, closing the Register of Members, the Directors may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of, or to vote at any meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any Dividend or other distribution, or in order to make a determination of Members for any other purpose.
- 5.3 If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive payment of a Dividend or other distribution, the date on which notice of the meeting is sent or the date on which the resolution of the Directors resolving to pay such Dividend or other distribution is passed, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

## **6 Certificates for Shares**

- 6.1 A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. Share certificates shall be signed by one or more Directors or other person authorised by the Directors. The Directors may authorise certificates to be issued with the authorised signature(s) affixed by mechanical process. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer shall be cancelled and subject to the Articles no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.
- 6.2 The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.
- 6.3 If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.
- 6.4 Every share certificate sent in accordance with the Articles will be sent at the risk of the Member or other person entitled to the certificate. The Company will not be responsible for any share certificate lost or delayed in the course of delivery.

## **7 Transfer of Shares**

- 7.1 The Directors may not decline to register any transfer of shares unless such registration of transfer would be contrary to any provisions in the Memorandum, other provisions of these Articles, the Statute, or any other agreement binding on the Company or the transferor (including but not limited to the Shareholders Agreement). If the Directors refuse to register a transfer, they shall notify the transferee of such refusal within five (5) business days after receipt of a request for such transfer, providing a detailed explanation of the reason therefor.
- 7.2 The instrument of transfer of any Share shall be in writing and shall be executed by or on behalf of the transferor (and if the Directors so require, signed by or on behalf of the transferee). The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members.

## **8 Redemption, Repurchase and Surrender of Shares**

- 8.1 Subject to the provisions of the Statute, the Articles, and the Memorandum, shares may be issued on the terms that they are, or at the option of the Company, to be redeemed on such terms and in such manner as the Company, before the issue of the shares, may by Special Resolution determine.
- 8.2 Subject to the provisions of the Statute, the Articles, and the Memorandum, the Company may redeem, purchase or otherwise acquire its own shares (including fractions of a share), including any redeemable shares, provided that the manner of purchase has first been authorized by the Company in general meeting and may make payment therefor in any manner authorized by the Statute, including out of capital.
- 8.3 The Directors may accept the surrender for no consideration of any fully paid Share.

## **9 Treasury Shares**

- 9.1 The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.
- 9.2 The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

## **10 Variation of Rights of Shares**

- 10.1 If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least two-third (2/3) of the issued Shares of that class or with the sanction of a Special Resolution passed at a general meeting of the holders of the Shares of that class.

To any such meeting all the provisions of the Articles relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one person holding or representing by proxy at least one third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

- 10.2 For the purposes of a separate class meeting, the Directors may treat two or more or all the classes of Shares as forming one class of Shares if the Directors consider that such class of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.
- 10.3 The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

## **11 Commission on Sale of Shares**

The Company may, in so far as the Statute permits, pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any Shares. Such commissions may be satisfied by the payment of cash and/or the issue of fully or partly paid-up Shares. The Company may also on any issue of Shares pay such brokerage as may be lawful.

## **12 Non Recognition of Trusts**

The Company shall not be bound by or compelled to recognise in any way (even when notified) any equitable, contingent, future or partial interest in any Share, or (except only as is otherwise provided by the Articles or the Statute or the Shareholders Agreement) any other rights in respect of any Share other than an absolute right to the entirety thereof in the holder.

## **13 Lien on Shares**

- 13.1 The Company shall have a first and paramount lien on all Shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such Share shall operate as a waiver of the Company's lien thereon. The Company's lien on a Share shall also extend to any amount payable in respect of that Share.
- 13.2 The Company may sell, in such manner as the Directors think fit, any Shares on which the Company has a lien, if a sum in respect of which the lien exists is presently payable, and is not paid within fourteen clear days after notice has been received or deemed to have been received by the holder of the Shares, or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the Shares may be sold.



- 13.3 To give effect to any such sale the Directors may authorise any person to execute an instrument of transfer of the Shares sold to, or in accordance with the directions of, the purchaser. The purchaser or his nominee shall be registered as the holder of the Shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the sale or the exercise of the Company's power of sale under the Articles.
- 13.4 The net proceeds of such sale after payment of costs, shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable and any balance shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the person entitled to the Shares at the date of the sale.
- 14 Call on Shares**
- 14.1 Subject to the terms of the allotment and issue of any Shares, the Directors may make calls upon the Members in respect of any monies unpaid on their Shares (whether in respect of par value or premium), and each Member shall (subject to receiving at least fourteen clear days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on the Shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect of which the call was made.
- 14.2 A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
- 14.3 The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
- 14.4 If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.
- 14.5 An amount payable in respect of a Share on issue or allotment or at any fixed date, whether on account of the par value of the Share or premium or otherwise, shall be deemed to be a call and if it is not paid all the provisions of the Articles shall apply as if that amount had become due and payable by virtue of a call.
- 14.6 The Directors may issue Shares with different terms as to the amount and times of payment of calls, or the interest to be paid.
- 14.7 The Directors may, if they think fit, receive an amount from any Member willing to advance all or any part of the monies uncalled and unpaid upon any Shares held by him, and may (until the amount would otherwise become payable) pay interest at such rate as may be agreed upon between the Directors and the Member paying such amount in advance.



14.8 No such amount paid in advance of calls shall entitle the Member paying such amount to any portion of a Dividend or other distribution payable in respect of any period prior to the date upon which such amount would, but for such payment, become payable.

## 15 Forfeiture of Shares

15.1 If a call or instalment of a call remains unpaid after it has become due and payable the Directors may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state that if the notice is not complied with the Shares in respect of which the call was made will be liable to be forfeited.

15.2 If the notice is not complied with, any Share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all Dividends, other distributions or other monies payable in respect of the forfeited Share and not paid before the forfeiture.

15.3 A forfeited Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the Directors think fit. Where for the purposes of its disposal a forfeited Share is to be transferred to any person the Directors may authorise some person to execute an instrument of transfer of the Share in favour of that person.

15.4 A person any of whose Shares have been forfeited shall cease to be a Member in respect of them and shall surrender to the Company for cancellation the certificate for the Shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of those Shares together with interest at such rate as the Directors may determine, but his liability shall cease if and when the Company shall have received payment in full of all monies due and payable by him in respect of those Shares.

15.5 A certificate in writing under the hand of one Director or officer of the Company that a Share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share. The certificate shall (subject to the execution of an instrument of transfer) constitute a good title to the Share and the person to whom the Share is sold or otherwise disposed of shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

15.6 The provisions of the Articles as to forfeiture shall apply in the case of non payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the par value of the Share or by way of premium as if it had been payable by virtue of a call duly made and notified.

## **16 Transmission of Shares**

16.1 If a Member dies the survivor or survivors (where he was a joint holder) or his legal personal representatives (where he was a sole holder), shall be the only persons recognised by the Company as having any title to his Shares. The estate of a deceased Member is not thereby released from any liability in respect of any Share, for which he was a joint or sole holder.

16.2 Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may be required by the Directors, elect, by a notice in writing sent by him to the Company, either to become the holder of such Share or to have some person nominated by him registered as the holder of such Share. If he elects to have another person registered as the holder of such Share he shall sign an instrument of transfer of that Share to that person. The Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the relevant Member before his death or bankruptcy or liquidation or dissolution, as the case may be.

16.3 A person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same Dividends, other distributions and other advantages to which he would be entitled if he were the holder of such Share. However, he shall not, before becoming a Member in respect of a Share, be entitled in respect of it to exercise any right conferred by membership in relation to general meetings of the Company and the Directors may at any time give notice requiring any such person to elect either to be registered himself or to have some person nominated by him be registered as the holder of the Share (but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the relevant Member before his death or bankruptcy or liquidation or dissolution or any other case than by transfer, as the case may be). If the notice is not complied with within ninety days of being received or deemed to be received (as determined pursuant to the Articles) the Directors may thereafter withhold payment of all Dividends, other distributions, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

## **17 Amendments of Memorandum and Articles of Association and Alteration of Capital**

17.1 Subject to and in so far as permitted by the provisions of the Statute and the Articles, the Company may by Ordinary Resolution:

- (a) increase its share capital by such sum as the Ordinary Resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

- (b) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;
- (c) convert all or any of its paid-up Shares into stock, and reconvert that stock into paid-up Shares of any denomination;
- (d) by subdivision of its existing Shares or any of them divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum or into Shares without par value; and
- (e) cancel any Shares that at the date of the passing of the Ordinary Resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

17.2 All new Shares created in accordance with the provisions of the preceding Article shall be subject to the same provisions of the Articles with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the Shares in the original share capital.

17.3 Subject to and in so far as permitted by the provisions of the Statute and the Articles, the Company may by Special Resolution:

- (a) change its name;
- (b) alter or add to the Articles;
- (c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; and
- (d) reduce its share capital or any capital redemption reserve fund.

## **18 Offices and Places of Business**

Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its Registered Office. The Company may, in addition to its Registered Office, maintain such other offices or places of business as the Directors determine.

## **19 General Meetings**

19.1 All general meetings other than annual general meetings shall be called extraordinary general meetings.

19.2 The Company may, but shall not (unless required by the Statute) be obliged to, in each year hold a general meeting as its annual general meeting, and shall specify the meeting as such in the notices calling it. Any annual general meeting shall be held at such time and place as the Directors shall appoint and if no other time and place is prescribed by them, it shall be held at the Registered Office on the second Wednesday in December of each year at ten o'clock in the morning. At these meetings the report of the Directors (if any) shall be presented.

- 19.3 The Directors may call general meetings, and they shall on a Members' requisition forthwith proceed to convene an extraordinary general meeting of the Company.
- 19.4 A Members' requisition is a requisition of Members holding at the date of deposit of the requisition not less than ten per cent. in par value of the issued Shares which as at that date carry the right to vote at general meetings of the Company.
- 19.5 The Members' requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.
- 19.6 If there are no Directors as at the date of the deposit of the Members' requisition or if the Directors do not within twenty-one days from the date of the deposit of the Members' requisition duly proceed to convene a general meeting to be held within a further twenty-one days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said twenty-one day period.
- 19.7 A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

## **20 Notice of General Meetings**

- 20.1 At least five clear days' notice shall be given of any general meeting. Every notice shall specify the place, the day and the hour of the meeting and the general nature of the business to be conducted at the general meeting and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:
- (a) in the case of an annual general meeting, by all of the Members entitled to attend and vote thereat; and
  - (b) in the case of an extraordinary general meeting, by a majority in number of the Members having a right to attend and vote at the meeting, together holding not less than ninety five per cent. in par value of the Shares giving that right.
- 20.2 The accidental omission to give notice of a general meeting to, or the non receipt of notice of a general meeting by, any person entitled to receive such notice shall not invalidate the proceedings of that general meeting.

## **21 Proceedings at General Meetings**

- 21.1 No business shall be transacted at any general meeting unless a quorum is present. A general meeting shall be deemed duly constituted if, at the commencement of and throughout the meeting, there are present in person or by proxy the holders of more than fifty percent (50%) of the outstanding shares of the Company, provided always that if the Company has one (1) Member of record the quorum shall be that one (1) Member present in person or by proxy.
- 21.2 A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.
- 21.3 A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by or on behalf of all of the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations or other non-natural persons, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.
- 21.4 If a quorum is not present within half an hour from the time appointed for the meeting to commence or if during such a meeting a quorum ceases to be present, the meeting, if convened upon a Members' requisition, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and/or place or to such other day, time and/or place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting to commence, the Members present shall be a quorum.
- 21.5 The Chairman of the board of Directors shall preside as Chairman at every general meeting of the Company, or if there is no such Chairman, or if he shall not be present within fifteen (15) minutes after the time appointed for the holding of the meeting, or is unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting.
- 21.6 If no Director is willing to act as chairman or if no Director is present within fifteen minutes after the time appointed for the meeting to commence, the Members present shall choose one of their number to be chairman of the meeting.
- 21.7 The Chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- 21.8 When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice of an adjourned meeting.

21.9 At any general meeting a resolution put to the vote of the meeting shall be decided by the vote of the requisite majority pursuant to a poll of the Members or on a show of hands. Unless otherwise required by the Statute or the Articles, such requisite majority shall be a simple majority of votes cast.

## 22 **Votes of Members**

22.1 Subject to any rights or restrictions attached to any Shares, every Member who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative or by proxy, shall have one vote and on a poll every Member present in any such manner shall have one vote for every Share of which he is the holder. Notwithstanding anything to the contrary in the Articles, holders of Class A Ordinary Shares and holders of Class B Ordinary Shares shall at all times vote together as one class on all resolutions submitted to a vote by the Members, and each Class B Ordinary Share shall entitle the holder thereof to ten (10) votes on all matters subject to vote at general meetings of the Company, and each Class A Ordinary Share shall entitle the holder thereof to one (1) vote on all matters subject to vote at general meetings of the Company.

22.2 In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or, in the case of a corporation or other non-natural person, by its duly authorised representative or proxy), shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register of Members.

22.3 A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other person on such Member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

22.4 No person shall be entitled to vote at any general meeting unless he is registered as a Member on the record date for such meeting nor unless all calls or other monies then payable by him in respect of Shares have been paid.

22.5 No objection shall be raised as to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at the meeting shall be valid. Any objection made in due time in accordance with this Article shall be referred to the chairman whose decision shall be final and conclusive.

22.6 On a poll or on a show of hands votes may be cast either personally or by proxy (or in the case of a corporation or other non-natural person by its duly authorised representative or proxy). A Member may appoint more than one proxy or the same proxy under one or more instruments to attend and vote at a meeting. Where a Member appoints more than one proxy the instrument of proxy shall state which proxy is entitled to vote on a show of hands and shall specify the number of Shares in respect of which each proxy is entitled to exercise the related votes.

22.7 On a poll, a Member holding more than one Share need not cast the votes in respect of his Shares in the same way on any resolution and therefore may vote a Share or some or all such Shares either for or against a resolution and/or abstain from voting a Share or some or all of the Shares and, subject to the terms of the instrument appointing him, a proxy appointed under one or more instruments may vote a Share or some or all of the Shares in respect of which he is appointed either for or against a resolution and/or abstain from voting a Share or some or all of the Shares in respect of which he is appointed.

## **23 Proxies**

- 23.1 The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non natural person, under the hand of its duly authorised representative. A proxy need not be a Member.
- 23.2 The Directors may, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited. In the absence of any such direction from the Directors in the notice convening any meeting or adjourned meeting or in an instrument of proxy sent out by the Company, the instrument appointing a proxy shall be deposited physically at the Registered Office not less than 48 hours before the time appointed for the meeting or adjourned meeting to commence at which the person named in the instrument proposes to vote.
- 23.3 The Chairman may in any event at his discretion declare that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted, or which has not been declared to have been duly deposited by the Chairman, shall be invalid.
- 23.4 The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.
- 23.5 Votes given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given unless notice in writing of such death, insanity, revocation or transfer was received by the Company at the Registered Office before the commencement of the general meeting, or adjourned meeting at which it is sought to use the proxy.

## **24 Corporate Members**

Any corporation or other non-natural person which is a Member may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member.

## 25 Shares that May Not be Voted

Shares in the Company that are beneficially owned by the Company shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

## 26 Directors

26.1 There shall be a board of Directors consisting of a maximum of nine (9) persons, unless otherwise approved in accordance with the Statute.

Up to nine (9) Directors in the board of the Company shall be elected in the manner set out in Section 2.2 of the Shareholders Agreement and no director elected pursuant to Section 2.2 of the Shareholders Agreement may be removed from office unless the person(s) or entity(ies) originally entitled to designate or approve such Director or occupy such board seat approves in writing or is no longer so entitled to designate or approve such Director or occupy such board seat. Any vacancies created by the resignation, removal or death of a Director shall be filled pursuant to the provisions of Section 2.2 of the Shareholders Agreement.

26.2 The Director of the Company may only be appointed and removed as provided in the Articles and the Shareholders Agreement.

26.3 Subject to the provisions of the Articles and the Shareholders Agreement, a Director shall hold office until such time as he is removed from office by the Company by Ordinary Resolution.

26.4 Subject to the provisions of the Articles and the Shareholders Agreement, the Company may by Ordinary Resolution from time to time fix the maximum and minimum number of Directors to be appointed.

## 27 Powers of Directors

27.1 Subject to the provisions of the Statute, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

27.2 The board of Directors, with a majority of the affirmative votes of the Directors of the Company, shall have the right to decide: (i) the appointment or removal of, and approval of the remuneration package for the chief executive officer (the "CEO") of the Company; (ii) the adoption of the ESOP, and number of Shares to be reserved under such ESOP. The CEO shall have the right to decide, among other things, the implementation of the ESOP, including but not limited to the scope of the optionees, the number of options to be issued to the optionees and the relevant date of the implementation of the ESOP.

19

---

27.3 All cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall determine by resolution.

27.4 The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

27.5 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

## 28 Vacation of Office of Director

The office of a Director shall be vacated if:

- (a) the Director gives notice in writing to the Company that he resigns the office of Director; or
- (b) the Director absents himself (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) from three consecutive meetings of the board of Directors without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office; or
- (c) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (d) the Director is found to be or becomes of unsound mind; or
- (e) the Chairman of the board shall have the right to decide at his/her sole discretion that for the best interest of the Company any individual designated or appointed pursuant to the Articles and the Shareholders Agreement shall not or is inappropriate to serve as a Director. Under such circumstance, the Member appointing or designating such individual shall appoint or designate another individual to the board. For the avoidance of doubt, the Chairman of the board has the right to exercise such right until a suitable Director is appointed to the board by a Shareholder.

## 29 Proceedings of Directors

29.1 Except as otherwise provided by these Articles or the Shareholders Agreement, the Directors shall meet together for the dispatch of business, convening, adjourning and otherwise regulating their meetings as they think fit, but no less frequent than one (1) meeting every fiscal year. Unless



otherwise requested by the Statute or these Articles, questions arising at any meeting shall be decided by a majority of the votes of the Directors and alternate Directors, the vote of an alternate Director not being counted if his appointor be present at such meeting.

- 29.2 The quorum necessary for the transaction of the business of the Directors shall be more than half of Directors than in office, including at least one (1) Investor Director, PROVIDED ALWAYS (i) a Director and his appointed alternate Director being considered only one (1) person for this purpose, and (ii) if there shall at any time be only a sole Director the quorum shall be one (1). For the purposes of this Article an alternate Director or proxy appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present. A notice which includes the business to be determined at the board meeting, the proposed date and revenue of the board meeting shall be sent to the Directors at least ten (10) days prior to the applicable board meeting. Only the business outlined in such notice to the Directors shall be determined at the meeting.
- 29.3 A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.
- 29.4 A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of the Directors or, in the case of a resolution in writing relating to the removal of any Director or the vacation of office by any Director, all of the Directors other than the Director who is the subject of such resolution (an alternate Director being entitled to sign such a resolution on behalf of his appointor and if such alternate Director is also a Director, being entitled to sign such resolution both on behalf of his appointor and in his capacity as a Director) shall be as valid and effectual as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held.
- 29.5 All acts done by any meeting of the Directors or of a committee of the Directors (including any person acting as an alternate Director) shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director or alternate Director, and/or that they or any of them were disqualified, and/or had vacated their office and/or were not entitled to vote, be as valid as if every such person had been duly appointed and/or not disqualified to be a Director or alternate Director and/or had not vacated their office and/or had been entitled to vote, as the case may be.
- 29.6 A Director but not an alternate Director may be represented at any meetings of the board of Directors by a proxy appointed in writing by him. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director.

### **30 Presumption of Assent**

A Director or alternate Director who is present at a meeting of the board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the Chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director or alternate Director who voted in favour of such action.

**31 Minutes**

The Directors shall cause minutes to be made in books kept for the purpose of recording all appointments of officers made by the Directors, all proceedings at meetings of the Company or the holders of any class of Shares and of the Directors, and of committees of the Directors, including the names of the Directors or alternate Directors present at each meeting.

**32 Delegation of Directors' Powers**

- 32.1 The Directors may delegate any of their powers, authorities and discretions, including the power to sub-delegate, to any committee consisting of one or more Directors. They may also delegate to any managing director or any Director holding any other executive office such of their powers, authorities and discretions as they consider desirable to be exercised by him provided that an alternate Director may not act as managing director and the appointment of a managing director shall be revoked forthwith if he ceases to be a Director. Any such delegation may be made subject to any conditions the Directors may impose and either collaterally with or to the exclusion of their own powers and any such delegation may be revoked or altered by the Directors. Subject to any such conditions, the proceedings of a committee of Directors shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.
- 32.2 The Directors may establish any committees, local boards or agencies or appoint any person to be a manager or agent for managing the affairs of the Company and may appoint any person to be a member of such committees, local boards or agencies. Any such appointment may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of their own powers and any such appointment may be revoked or altered by the Directors. Subject to any such conditions, the proceedings of any such committee, local board or agency shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.
- 32.3 The Directors may by power of attorney or otherwise appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under the Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorneys or authorised signatories as the Directors may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him.

### **33 Alternate Directors**

- 33.1 Any Director (but not an alternate Director) may by writing appoint any other Director, or any other person willing to act, to be an alternate Director and by writing may remove from office an alternate Director so appointed by him.
- 33.2 An alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointor is a member, to attend and vote at every such meeting at which the Director appointing him is not personally present, to sign any written resolution of the Directors, and generally to perform all the functions of his appointor as a Director in his absence.
- 33.3 An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.
- 33.4 Any appointment or removal of an alternate Director shall be by notice to the Company signed by the Director making or revoking the appointment or in any other manner approved by the Directors.
- 33.5 Subject to the provisions of the Articles, an alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

### **34 No Minimum Shareholding**

The Company in general meeting may fix a minimum shareholding required to be held by a Director, but unless and until such a shareholding qualification is fixed a Director is not required to hold Shares.

### **35 Remuneration of Directors**

- 36 The Company will promptly pay or reimburse each non-employee board member for all reasonable out-of-pocket expenses (with respect to transportation and accommodation, to the extent such expenses incurred for transportation and accommodation in the PRC) incurred in connection with its attending board or committee (as applicable) meetings.

### **37 Seal**

- 37.1 The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors. Every instrument to which the Seal has been affixed shall be signed by at least one person who shall be either a Director or some officer of the Company or other person appointed by the Directors for the purpose.
- 37.2 The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.

37.3 A Director or officer, representative or attorney of the Company may without further authority of the Directors affix the Seal over his signature alone to any document of the Company required to be authenticated by him under seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

### **38 Dividends, Distributions and Reserve**

- 38.1 Subject to the Statute and this Article and except as otherwise provided by the rights attached to any Shares, the Directors may resolve to pay Dividends and other distributions on Shares in issue and authorise payment of the Dividends or other distributions out of the funds of the Company lawfully available therefor.
- 38.2 Except as otherwise provided by the rights attached to any Shares, all Dividends and other distributions shall be paid according to the par value of the Shares that a Member holds.
- 38.3 The Directors may deduct from any Dividend or other distribution payable to any Member all sums of money (if any) then payable by him to the Company on account of calls or otherwise.
- 38.4 The Directors may resolve that any Dividend or other distribution be paid wholly or partly by the distribution of specific assets and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional Shares and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees in such manner as may seem expedient to the Directors.
- 38.5 Except as otherwise provided by the rights attached to any Shares, Dividends and other distributions may be paid in any currency. The Directors may determine the basis of conversion for any currency conversions that may be required and how any costs involved are to be met.
- 38.6 The Directors may, before resolving to pay any Dividend or other distribution, set aside such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the discretion of the Directors, be employed in the business of the Company.
- 38.7 Any Dividend, other distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any Dividends, other distributions, bonuses, or other monies payable in respect of the Share held by them as joint holders.

38.8 No Dividend or other distribution shall bear interest against the Company.

### **39 Capitalisation**

Subject to the Articles, the Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts or funds (including the share premium account and capital redemption reserve fund) or any sum standing to the credit of the profit and loss account or otherwise available for distribution; appropriate such sum to Members in the proportions in which such sum would have been divisible amongst such Members had the same been a distribution of profits by way of Dividend or other distribution; and apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power given to the Directors to make such provisions as they think fit in the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental or relating thereto and any agreement made under such authority shall be effective and binding on all concerned.

### **40 Books of Account**

40.1 The Directors shall cause proper books of account (including, where applicable, material underlying documentation including contracts and invoices) to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

40.2 The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in general meeting.

40.3 The Directors may cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

### **41 Audit**

41.1 The Directors may appoint an Auditor of the Company who shall hold office on such terms as the Directors determine.

- 41.2 Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditor.
- 41.3 Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next extraordinary general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any other time during their term of office, upon request of the Directors or any general meeting of the Members.
- 42 Notices**
- 42.1 Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by courier, post, cable, telex, fax or e-mail to him or to his address as shown in the Register of Members (or where the notice is given by e-mail by sending it to the e-mail address provided by such Member). Any notice, if posted from one country to another, is to be sent by airmail.
- 42.2 Where a notice is sent by courier, service of the notice shall be deemed to be effected by delivery of the notice to a courier company, and shall be deemed to have been received on the third day (not including Saturdays or Sundays or public holidays) following the day on which the notice was delivered to the courier. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays in the Cayman Islands) following the day on which the notice was posted. Where a notice is sent by cable, telex or fax, service of the notice shall be deemed to be effected by properly addressing and sending such notice and shall be deemed to have been received on the same day that it was transmitted. Where a notice is given by e-mail service shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient.
- 42.3 A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices which are required to be given under the Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
- 42.4 Notice of every general meeting shall be given in any manner authorised by the Articles to every holder of Shares carrying an entitlement to receive such notice on the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the Register of Members and every person upon whom the ownership of a Share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member where the Member but for his death or bankruptcy would be entitled to receive notice of the meeting, and no other person shall be entitled to receive notices of general meetings.

#### 43 Winding Up

- 43.1 If the Company shall be wound up the liquidator shall apply the assets of the Company in satisfaction of creditors' claims in such manner and order as such liquidator thinks fit. Subject to the rights attaching to any Shares, in a winding up:
- (a) if the assets available for distribution amongst the Members shall be insufficient to repay the whole of the Company's issued share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the Shares held by them; or
  - (b) if the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the Company's issued share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise.
- 43.2 If the Company shall be wound up the liquidator may, subject to the rights attaching to any Shares and with the approval of a Special Resolution of the Company and any other approval required by the Statute, divide amongst the Members in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like approval, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

#### 44 Indemnity and Insurance

- 44.1 Every Director and officer of the Company (which for the avoidance of doubt, shall not include auditors of the Company), together with every former Director and former officer of the Company (each an "**Indemnified Person**") shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or wilful default. No Indemnified Person shall be liable to the Company for any loss or damage incurred by the Company as a result (whether direct or indirect) of the carrying out of their functions unless that liability arises through the actual fraud or wilful default of such Indemnified Person. No person shall be found to have committed actual fraud or wilful default under this Article unless or until a court of competent jurisdiction shall have made a finding to that effect.



44.2 The Company shall advance to each Indemnified Person reasonable attorneys' fees and other costs and expenses incurred in connection with the defence of any action, suit, proceeding or investigation involving such Indemnified Person for which indemnity will or could be sought. In connection with any advance of any expenses hereunder, the Indemnified Person shall execute an undertaking to repay the advanced amount to the Company if it shall be determined by final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification pursuant to this Article. If it shall be determined by a final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification with respect to such judgment, costs or expenses, then such party shall not be indemnified with respect to such judgment, costs or expenses and any advancement shall be returned to the Company (without interest) by the Indemnified Person.

44.3 The Directors, on behalf of the Company, may purchase and maintain insurance for the benefit of any Director or other officer of the Company against any liability which, by virtue of any rule of law, would otherwise attach to such person in respect of any negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the Company.

**45 Financial Year**

Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31st December in each year and, following the year of incorporation, shall begin on 1st January in each year.

**46 Transfer by Way of Continuation**

If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute, the Articles, and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

**SHAREHOLDERS AGREEMENT**

THIS SHAREHOLDERS AGREEMENT (this “**Agreement**”) is made and entered into as of March 3, 2021 (the “**Effective Date**”) by and among:

- (1) Atour Lifestyle Holdings Limited (formerly known as Atour Hotel Holdings Limited), an exempted company organized and existing under the Laws of the Cayman Islands (the “**Company**”);
- (2) the parties listed on Part I of SCHEDULE I attached hereto (the “**Founder Holdcos**” and each, a “**Founder Holdco**”);
- (3) the parties listed on Part II of SCHEDULE I attached hereto (the “**Investors**” and each, an “**Investor**”); and
- (4) other shareholder(s) listed on Part III of SCHEDULE I attached hereto.

**RECITALS****WHEREAS:**

The parties hereto desire to enter into this Agreement and the ancillary agreements (if any) for the governance, management, and operations of the Company and for the rights and obligations between and among the Company and its shareholders.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**1. DEFINITIONS.**

1.1. Certain Defined Terms. As used in this Agreement, the following terms shall have the following respective meanings:

“**Accounting Standards**” means generally accepted accounting principles in a jurisdiction as determined by the Board, applied on a consistent basis.

“**Affiliate**” means with respect to any Person (the “**Subject Person**”), means (i) in the case of a Subject Person other than a natural person, any other Person that directly or indirectly Controls, is Controlled by or is under common Control with the Subject Person and (ii) in the case of a Subject Person that is a natural person, any other Person that directly or indirectly is Controlled by the Subject Person or is a Close Relative of the Subject Person. “**Affiliates**” and “**Affiliated**” shall have correlative meanings. “**Close Relative**” of a natural person means the spouse of such person and any parent, child, sibling of such person or his or her spouse.

“**Board**” or “**Board of Directors**” means the board of Directors of the Company.

“**Business Day**” means any day, other than a Saturday, Sunday or any public holidays, on which banks are ordinarily open for business in the Cayman Islands, Hong Kong and the PRC.

“**Charter Documents**” means, with respect to a particular legal entity, the articles of incorporation, or certificate of incorporation, formation or registration (including, if applicable, certificates of change of name), memorandum of association, articles of association, bylaws, articles of organization, limited liability company agreement, trust deed, trust instrument, operating agreement joint venture agreement, business license, or similar or other constitutive, governing, or charter documents, or equivalent documents, of such entity.

“**Class A Ordinary Share(s)**” means class A ordinary shares in the capital of the Company with a par value of US\$0.0001 per share each having such rights and subject to such restrictions as set out in Agreement and the Restated Articles (including, if applicable, the Class A Ordinary Shares that each Warrant Holders shall be entitled to purchase thereunder and assuming the exercise of the Warrants).

“**Class A Shareholder(s)**” means holder(s) of Class A Ordinary Share(s).

“**Class B Ordinary Share(s)**” means class B ordinary shares in the capital of the Company with a par value of US\$0.0001 per share each having such rights and subject to such restrictions as set out in Agreement and the Restated Articles, notwithstanding anything to the contrary in this Agreement or Restated Articles, each Class B Ordinary Share shall entitle the holder thereof to ten (10) votes on all matters subject to vote at general meetings of the Company.

“**Class B Shareholder(s)**” means holder(s) of the Class B Ordinary Shares.

“**Company Restricted Person**” means, at any relevant time of determination, (i) any Person and its Affiliates taken as a whole whose business is similar to or in direct competition with the business engaged by any Group Company (i.e. the business of investment, operation and management of hotels, lodging, serviced apartment, including without limitation to operation, management and franchise of hotels or service in connection to the brand of “Atour”, “Atour Light” and other apartments), or (ii) any Affiliate of any of the Persons in (i) above. For the avoidance of doubt, the Person in direct competition with the business engaged by any Group Company shall be referred to those Person whose target market and target client are similar to those of the Group Companies.

“**Control**” of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms “Controlled” and “Controlling” have meanings correlative to the foregoing.

“**Director**” means a director serving on the Board.

“**Equity Securities**” means, with respect to any Person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing.

“**ESOP**” means Company’s employee share option plans.

“**First Filing**” means the first submission of the draft registration statement of the Company (whether confidentially or not) to the Securities and Exchange Commission or any other Governmental Authority as approved by the Board.

**“Governmental Authority”** means any government of any nation or any federation, province or state or any other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any governmental authority, agency, department, board, commission or instrumentality of the PRC, the Cayman Islands, Hong Kong or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self- regulatory organization.

**“Group Companies”** means collectively the Company, the Major Subsidiaries and any other entity whose financial statements are consolidated with those of the Company in accordance with the IFRS or US GAAP and are recorded on the books of the Company for financial reporting purposes (each a **“Group Company”**).

**“Governmental Order”** means any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

**“Hong Kong”** means the Hong Kong Special Administrative Region of the PRC.

**“IFRS”** means the International Financial Reporting Standards.

**“Intellectual Property”** means any and all (i) patents, patent rights and applications therefor and reissues, reexaminations, continuations, continuations-in-part, divisions, and patent term extensions thereof, (ii) registered and unregistered copyrights, copyright registrations and applications, (iii) technical information, know-how, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and other intellectual property to the extent constitutes trade secret, and (iv) trade names, trade dress, trademarks, domain names, service logos, business names, and registrations and applications therefor.

**“Law”** or **“Laws”** means any and all provisions of any applicable constitution, treaty, statute, law, regulation, ordinance, code, rule, or rule of common law, any governmental approval, concession, grant, franchise, license, agreement, directive, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

**“Lien”** means any claim, charge, easement, encumbrance, lease, covenant, security interest, lien, option, pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by contract, understanding, law, equity or otherwise.

**“Majority Shareholders”** means the holder(s) of at least 50% of the voting power of the then outstanding Ordinary Shares (including the Class A Ordinary Shares that each Warrant Holders shall be entitled to purchase thereunder and assuming the exercise of the Warrants) (voting together as a single class and on an as converted basis).

**“Onshore Shareholder Agreement”** means the shareholder agreement dated September 30, 2017 by and among Shanghai Atour Business Management Group Co., Ltd. (**“Shanghai Atour”**) and certain other parties thereto.

**“Ordinary Shares”** means the ordinary shares of US\$0.0001 par value per share in the capital of the Company.

“**Person**” any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

“**PRC**” means the People’s Republic of China, but solely for the purposes of this Agreement, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.

“**PRC GAAP**” means the generally accepted accounting principles of the PRC.

“**Qualified IPO**” means a firm commitment underwritten public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares thereof) in the United States on the New York Stock Exchange or the Nasdaq Global Market pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, or on Hong Kong Stock Exchange, or another internationally recognized stock exchange.

“**Restated Articles**” means the Seventh Amended and Restated Memorandum of Association of the Company and Articles of Association of the Company, as each may be amended and/or restated from time to time.

“**Restructuring Documents**” means the restructuring documents entered or to be entered into by any Group Company in connection with a Qualified IPO, including without limitation to the restructuring framework agreement dated February 9, 2021 by and among Shanghai Atour, the Investors (or their designated parties) and certain other parties thereto (the “**Framework Agreement**”).

“**Securities Act**” means the United States Securities Act of 1933, as amended and interpreted from time to time.

“**Shareholder**” means a Person holding any Share(s).

“**Shares**” means (i) Ordinary Shares (whether now outstanding or hereafter issued in any context), and (ii) Ordinary Shares issued upon exercise or conversion, as applicable, of share options, warrants or other convertible securities of the Company.

“**US GAAP**” means the generally accepted accounting principles of the United States.

“**Warrants**” means any warrant issued or to be issued by the Company from time to time, pursuant to which the Company shall issue certain amount of Class A Ordinary Shares to the holder of such warrant upon the exercise of such warrant, subject to terms and conditions therein.

“**Warrant Holder(s)**” means holder(s) of Warrant.

1.2. Other Defined Terms. The following terms shall have the meanings defined for such terms in the sections set forth below:

“Arbitration Notice”	Section 6.8(a)
“CEO”	Section 2.1(a)
“Company”	Preamble
“Confidential Information”	Section 4.1
“Ctrip”	SCHEDULE I
“Dehui Director”	Section 2.2(a)
“Dispute”	Section 6.8(a)
“Founder Directors”	Section 2.2(a)
“Founder Holder” or “Founder Holders”	Section 3.2
“Founder Holdco” or “Founder Holdcos”	Preamble
“HKIAC”	Section 6.8(b)
“HKIAC Rules”	Section 6.8(b)
“Ikaria”	SCHEDULE I
“Investor” or “Investors”	Preamble
“Investor Director” or “Investor Directors”	Section 2.2(a)
“Joinder For Share Transfer”	Section 6.2
“Legend”	SCHEDULE I
“Legend Director”	Section 2.2(a)
“Major Subsidiary” or “Major Subsidiaries”	Preamble
“Management Holdco” or “Management Holdcos”	Preamble
“Permitted Transferee” or “Permitted Transferees”	Section 3.2
“Transfer”	Section 3.1(a)
“Xiecheng Director”	Section 2.2(a)

1.3. Interpretation. For all purposes of this Agreement, except as otherwise expressly herein provided, (i) the terms defined in this Section 1 shall have the meanings assigned to them in this Section 1 and include the plural as well as the singular, (ii) all accounting terms not otherwise defined herein have the meanings assigned under the Accounting Standards, (iii) all references in this Agreement to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of the body of this Agreement, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision, (vi) all references in this Agreement to designated Schedules, Exhibits and Appendices are to the Schedules, Exhibits and Appendices attached to this Agreement, (vii) references to this Agreement, and any other document shall be construed as references to such document as the same may be amended, supplemented or novated from time to time, (viii) the term “or” is not exclusive, (ix) the term “including” will be deemed to be followed by “, but not limited to,” (x) the terms “shall,” “will,” and “agrees” are mandatory, and the term “may” is permissive, (xi) the phrase “directly or indirectly” means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements, and “direct or indirect” has the correlative meaning, (xii) the term “voting power” refers to the number of votes attributable to the Shares (on an as-converted basis and including any Class A Ordinary Shares that each Warrant Holders shall be entitled to purchase thereunder and assuming the exercise of the Warrants, if applicable) in accordance with the terms of the Restated Articles and this Agreement, among other things, each Class A Ordinary Share shall entitle the holder thereof to one (1) vote on all matters subject to vote at general meetings of the Company, and Class B Ordinary Share shall entitle the holder thereof to ten (10) votes on all matters subject to vote at general meetings of the Company, (xiii) the headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement, (xiv) references to laws include any such law modifying, re-enacting, extending or made pursuant to the same or which is modified, re-enacted, or extended by the same or pursuant to which the same is made, and (xv) all references to dollars or to “US\$” are to currency of the United States of America and all references to RMB are to currency of the PRC (and each shall be deemed to include reference to the equivalent amount in other currencies).

1.4. Solely for the purposes of this Agreement, if applicable, each holder of Warrant Holder shall be deemed to be a Class A Shareholder owning that number of Class A Ordinary Shares, as set forth in the applicable Warrant, to be issued to such Class A Warrant Holder assuming the exercise by such Warrant Holder of the applicable Warrant, and such Class A Ordinary Shares shall be deemed to be issued and outstanding solely for such purposes, as applicable.

2. **INFORMATION RIGHTS; BOARD REPRESENTATION.**

2.1. **Information and Inspection Rights.**

(a) **Delivery of Financial Statements and Other Information.** The Group Companies shall deliver to each of Diviner Limited (“Dehui”), Ctrip, Legend and Ikaria (so long as it holds any Shares of the Company), the following documents or reports:

(i) within ninety (90) days after the end of each fiscal year of the Company, a consolidated income statement and statement of cash flows (if applicable) for the Company for such fiscal year and a consolidated balance sheet for the Company as of the end of the fiscal year, audited and certified by an internationally reputable firm of independent certified public accountants acceptable to the Majority Shareholders, and a management report including a comparison of the financial results of such fiscal year with the corresponding annual budget, all prepared in accordance with the Accounting Standards consistently applied throughout the period;

(ii) within thirty(30) days of the end of each of the first three fiscal quarters, a consolidated unaudited income statement and statement of cash flow (if applicable) for such quarter and a consolidated balance sheet for the Company as of the end of such quarter, and a management report including a comparison of the financial results of such quarter with the corresponding quarterly budget, all prepared in accordance with the Accounting Standard consistently applied throughout the period (except for customary year-end adjustments and except for the absence of notes), and certified by the chief financial officer of the Company;

(iii) within twenty (20) days after the end of each month, a consolidated unaudited income statement and statement of cash flows (if applicable) for such month and a consolidated balance sheet for the Company as of the end of such month, an operation report, bank statements, and a comparison of the financial results of such month with the corresponding monthly budget, all prepared in accordance with the Accounting Standards consistently applied throughout the period (except for customary year-end adjustments and except for the absence of notes), and certified by the chief financial officer of the Company;

(iv) an annual budget and operating plan, which shall be approved by the Board, no later than the fifteenth (15th) day prior to the first day of each fiscal year, setting forth: the projected detailed budgets, balance sheets, income statements and statements of cash flows (if applicable) during such fiscal year of each Group Company; any dividend or distribution projected to be declared or paid; the projected incurrence, assumption or refinancing of indebtedness; and all other material and major matters relating to the operation, development and business of the Group Companies;

(v) within five (5) days after the end of each quarter, an up-to-date capitalization table of the Group Companies setting forth the holders of the Equity Securities of the Group Companies, certified by the chief executive officer (the “CEO”) of the Company; and

(vi) as soon as practicable, any other information reasonably requested by Dehui, Ctrip, Legend or Ikaria (so long as it holds any Shares of the Company), including but not limited to, information on the financial, legal, business operation, business strategy, and corporate governance aspects of the Group; provided that the Company shall not be obligated to provide information that, in the reasonable opinion of the CEO of the Company, constitutes trade secrets or similar confidential information of the Group Company, or would or may cause any material adverse impact on the business, operation or prospects of the Group Company.

(b) Inspection Rights. The each holder of the Class A Ordinary Shares and Class B Ordinary Shares covenant and agree that each holder of at least five percent (5%) of the Ordinary Shares in the aggregate (calculated on an as converted basis) shall have the right, at its own expenses, to reasonably inspect facilities, properties, records and books of each Group Company at any time during regular working hours on reasonable prior notice to such Group Company and the right to discuss the business, operation and conditions of a Group Company with any Group Company’s directors, officers, employees and accountants, provided that, such inspection, discussion or visits shall not cause any adverse impact on the business or operation of any of Group Companies.

(c) Legend (so long as it holds any Shares of the Company) shall have the right to, at its own expense, appoint an independent auditor to audit or review the periodic business operation of the Company, provided that such audit or review shall not cause any adverse impact on Qualified IPO or the business or operation of any of Group Companies.

## 2.2. Board of Directors.

(a) Members of the Board. The Restated Articles shall provide that the Board of the Company shall consist of up to seven (7) members, which number of members shall not be changed except pursuant to an amendment to the Restated Articles, among which,

(i) Dehui (upon its exercise of applicable Warrant it held, and so long as it holds no less than 15% of the Shares Company, calculated on an as converted and as diluted basis) shall be entitled to nominate and procure the removal of one (1) director (“**Dehui Director**”);

(ii) Ctrip (upon its exercise of applicable Warrant it held, and so long as it holds any Shares of the Company) shall be entitled to nominate and procure the removal of one (1) director (“**Xiecheng Director**”);



(iii) Legend (upon its exercise of applicable Warrant it held, and so long as it holds any Shares of the Company) shall be entitled to nominate and procure the removal of one (1) Director (“**Legend Director**”, together with Dehui Director and Xiecheng Director, the “**Investor Directors**”, each an “**Investor Director**”); and

(iv) the Founder Holdcos shall be entitled to nominate and procure the removal of four (4) Directors (the “**Founder Directors**”) including the chairman of the Board.

(b) Election and Removal of Board Members. Each shareholder of the Company that is a party to this Agreement also agrees to vote all of his, her or its shares from time to time and at all times in whatever manner as shall be necessary to ensure that (i) each director appointed pursuant to Section 2.2 may be elected to the Board; (ii) no director elected pursuant to Section 2.2 may be removed from office unless the person(s) or entity(ies) originally entitled to designate or approve such director or occupy such Board seat pursuant to Section 2.2 approves in writing or is no longer so entitled to designate or approve such director or occupy such Board seat; and (iii) any vacancies created by the resignation, removal or death of a director elected pursuant to Section 2.2 shall be filled pursuant to the provisions of Section 2.2. Each shareholder of the Company that is a party to this Agreement agrees to execute any written consents required to effectuate the obligations of this Section 2.2, and the Company agrees at the request of any shareholder entitled to designate Directors pursuant to Section 2.2 to call a meeting or a class meeting of shareholders for the purpose of electing Directors.

(c) Notwithstanding the foregoing, the chairman of the Board shall have the right to decide at his/her sole discretion that for the best interest of the Company any individual designated or appointed pursuant to this Section 2.2 shall not or is inappropriate to serve as a director on the Board. Under such circumstance, the Shareholder appointing or designating such individual shall appoint or designate another individual to the Board. For the avoidance of doubt, the chairman of the Board has the right to exercise such right until a suitable director is appointed to the Board by a Shareholder.

(d) The Board, subject to Section 5 hereof, with a majority of the affirmative votes of the Board of Directors of the Company, shall have the right to decide: (i) the appointment or removal of, and approval of the remuneration package for CEO of the Company; (ii) the adoption of the ESOP, and number of Shares to be reserved under such ESOP. The CEO shall have the right to decide, among other things, the implementation of the ESOP, including but not limited to the scope of the optionees, the number of options to be issued to the optionees and the relevant date of the implementation of the ESOP.

(e) Board Meeting. The Company shall hold no less than one (1) Board meeting during each year unless the Board otherwise approves. A meeting of the Board shall only proceed where there are present (whether in person or by proxy or by means of a conference telephone or any other equipment which allows all participants in the meeting to speak to and hear each other simultaneously) more than half of Directors then in office, which shall include at least one (1) Investor Director (in person or by proxy), and the Parties shall cause the foregoing to be the quorum requirements for the Board. A notice which includes the business to be determined at the board meeting, the proposed date and revenue of the board meeting shall be sent to the Directors at least ten (10) days prior to the applicable board meeting. Only the business outlined in such notice to the Directors shall be determined at the meeting.

(f) Expense. The Company will promptly pay or reimburse each non-employee Board member for all reasonable out-of-pocket expenses (with respect to transportation and accommodation, to the extent such expenses incurred for transportation and accommodation in the PRC) incurred in connection with its attending board or committee (as applicable) meetings.

(g) Director Liability Insurance. As soon as reasonably practicable following the QIPO, the Company shall, at the request of any Investor Director, purchase, and thereafter shall maintain, directors' liability insurance on commercially reasonable and customary terms approved by the Board of the Company, in relation to any person who is a Director of the Company, against any liability asserted against the person and incurred by the person in that capacity, except to the extent otherwise agreed by such Investor Director.

2.3. Term. Unless otherwise provided in this Agreement, the provisions under this Section 2 (except for Section 2.2(g)) shall terminate immediately prior to the consummation of a Qualified IPO.

### 3. RESTRICTION ON TRANSFERS.

#### 3.1. Restriction on Transfers.

(a) Restricted Transfer. Subject to Section 3.1(b) and Section 3.1(c) below, none of the Shareholders shall directly or indirectly sell, assign, transfer, pledge, hypothecate, or otherwise grant any interest or right with respect to ("**Transfer**") all or any part of any interest in any Equity Securities of the Company now or hereafter owned or held by such Shareholder.

(b) Permitted Transfer. Notwithstanding anything to the contrary, Engine Holdings Limited and Li Real Limited may freely Transfer up to 24,000,000 Shares in aggregate owned or held by it to Ctrip or Legend or any Person designated by it without any limitation. The Company shall update its register of members upon the consummation of any such permitted Transfer.

(c) Transfer to Company Restricted Persons. Without the prior written approval of Founder Holdcos, none of the Shareholders may Transfer all or any Equity Securities of the Company now or hereafter owned or held by such Shareholder to a Company Restricted Person.

#### (d) Legend.

Each existing or replacement certificate and the register of members representing the Equity Securities of the Company issued or hereafter issued shall bear the following legend:

"THE SALE, PLEDGE, HYPOTHECATION, ASSIGNMENT OR TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN SHAREHOLDERS AGREEMENT (AS AMENDED FROM TIME TO TIME) BY AND BETWEEN THE SHAREHOLDER, THE COMPANY AND CERTAIN OTHER PARTIES THERETO."

The Company may annotate its register of members with an appropriate, corresponding legend. At such time as the related Equity Securities are no longer subject to this Agreement, the Company shall, at the request of the holder of such Equity Securities, issue replacement certificates for such Equity Securities without such legend.

In order to ensure compliance with the terms of this Agreement, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and, if the Company acts as transfer agent for its own securities, it may make appropriate notations to the same effect in its own records.

---

3.2. Limitations to Restrictions on Transfer. Subject to the requirements of applicable Law, the restrictions under Section 3.1 shall not apply to (a) any sale or insurance of Equity Securities of the Company under or pursuant to a Qualified IPO, (b) Transfer of any Equity Securities of the Company now or hereafter held by any Founder Holdco or the beneficial owner thereof (collectively, "**Founder Holders**" and each a "**Founder Holder**") to such Founder Holder's parents, children, spouse, or to a trustee, executor, or other fiduciary for the benefit of such Founder Holder or such Founder Holder's parents, children, spouse for bona fide estate or tax planning purposes (as applicable), and (c) Transfer of any Equity Securities of the Company now or hereafter held by an Founder Holder pursuant to any equity incentive, purchase or participation plan that is duly approved pursuant to this Agreement or Restated Articles (each such transferee pursuant to clauses (b) and (c) above, a "**Permitted Transferee**", and collectively, the "**Permitted Transferees**"); provided, that (i) such Transfer is effected in compliance with all applicable Laws, (ii) such Transfer will not result in a change of Control of the Company, and (iii) respecting any transfer pursuant to clauses (b) and (c) above, each such Permitted Transferee shall assume the obligations of such Founder Holder under this Agreement with respect to the transferred Equity Securities.

3.3. Term. Unless otherwise provided in this Agreement, the provisions under this Section 3 shall terminate immediately prior to the consummation of a Qualified IPO.

### 4. CONFIDENTIALITY AND NON-DISCLOSURE.

4.1. The terms and conditions of this Agreement (collectively, the "**Confidential Information**"), including their existence, shall be considered confidential information and shall not be disclosed by any of the Parties to any other Person except that (i) each Party, as appropriate, may disclose any of the Confidential Information to its current or bona fide prospective investors, prospective permitted transferees, employees, investment bankers, lenders, accountants and attorneys, or may disclose any of the Confidential Information to any Person in connection with Qualified IPO, in each case only where such Persons are under appropriate nondisclosure obligations; (ii) each Investor may disclose any of the Confidential Information to its Affiliates, fund manager and the employees thereof so long as such Persons are under the same nondisclosure obligations of the Investor as provided herein; and (iii) if any Party is requested or becomes legally compelled (including without limitation, pursuant to securities Laws) to disclose the existence or content of any of the Confidential Information in contravention of the provisions of this Section 4, such Party shall promptly provide the other Parties with written notice of that fact so that such other Parties may seek a protective order, confidential treatment or other appropriate remedy and in any event shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

4.2. The provisions of this Section 4 shall terminate and supersede the provisions of any separate nondisclosure agreement executed by any of the Parties hereto with respect to the transactions contemplated hereby, including without limitation, any term sheet, letter of intent, memorandum of understanding or other similar agreement entered into by the Company and the Investors in respect of the transactions contemplated hereby.

5. **PROTECTIVE PROVISIONS AND OTHER ARRANGEMENTS.**

5.1. Regardless of anything else contained herein or in the Restated Articles, subject to Section 5.2, the Company shall not take, permit to occur, approve, authorize, or agree or commit to do any of the following, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation, or otherwise, unless approved in writing by the holders of two thirds of the Shares then held by Dehui, Ctrip, Legend and Ikaria in advance. For the avoidance of doubt, this Section 5.1 shall not apply to the corporate restructuring of the Group Companies contemplated under the Restructuring Documents:

- (a) amendment of the memorandum and articles of the Company (for the avoidance of doubt, other than such amendment to the rights, privileges or powers of Dehui, Ctrip, Legend or Ikaria in any of the Restated Articles or other Charter Documents that shall automatically terminate immediately prior to the consummation of a Qualified IPO pursuant to this Agreement; and other than such amendment to the memorandum and articles of the Company that shall take effect immediately prior to the consummation of a Qualified IPO);
- (b) the appointment or removal of the auditor of the Company;
- (c) any sale, transfer, pledge or other disposal of the Equity Securities of the Company held by the Founder Holdcos to any third party, except for such sale, transfer, pledge or other disposal pursuant to this Agreement or the Restated Articles;
- (d) any sale, transfer or disposal of more than 50% of the assets of the Group Companies to any third party or any transfer or license to third party(ies) of major technology or intellectual property of the Group Companies, outside the ordinary course of business of any Group Company;
- (e) any repurchase or redemption of any Equity Security of the Company other than (i) the repurchase or redemption of Ordinary Shares by the Company at no more than the original purchase price from terminated employees, officers or consultants in accordance with the ESOP, or pursuant to the exercise of a contractual right of first refusal held by the Company, if any, or pursuant to written contractual arrangements with the Company approved by the Board, and (ii) the repurchase or redemption of the Shares pursuant to this Agreement or the Restated Articles;
- (f) any declaration of dividend by the Company;
- (g) adoption of new ESOP of the Company, other than for such ESOP approved by the Investors or their Affiliates in advance or pursuant to the agreements entered into by the Investors or their Affiliates in connection with restructuring of any Group Company or Qualified IPO;
- (h) approval of the remuneration package for any member of the senior management of any Group Company at or above the level of vice president (except for the CEO of the Company);
- (i) the incurrence of any Lien on the Equity Securities of any Group Company, to the extent such Lien is major and material to the business and operation of the Group Companies, and outside of the annual budget;
- (j) any investment by any Group Company in any other Person in excess of (A) RMB1,000,000 in any field not in the principal business of the Group Companies, or (B) RMB20,000,000 in any field in the principal business of the Group Companies; and
- (k) any major related transaction of the Company in excess of RMB1,000,000.

5.2. Term. The provisions under this Section 5 shall terminate immediately prior to the consummation of (i) a Qualified IPO; or (ii) the First Filing, whichever shall first occur.

## 6. GENERAL PROVISIONS.

6.1. Termination. This Agreement shall terminate upon mutual consent of the Parties hereto, and any right of a Party set forth hereunder shall cease if such Party no longer holds, directly or indirectly, any Equity Securities of the Company. If this Agreement terminates, the Parties shall be released from their obligations under this Agreement, except in respect of any obligation stated, explicitly or otherwise, to continue to exist after the termination of this Agreement.

6.2. Transfer of Rights. The rights of the parties hereto are not assignable to any transferee or assignee, of any shares of the Company held by such party unless otherwise provided in this Agreement, provided that, the rights of Legend hereunder are fully assignable to its Affiliate, conditioned upon signing the joinder substantially in form attached hereto as Exhibit A (the “**Joinder For Share Transfer**”). Each of the Shareholders of the Company agrees that in the event that it transfers any shares in accordance with the terms of this Agreement, it shall procure that the transferees of its shares to execute the Joinder For Share Transfer.

6.3. Additional Parties. Notwithstanding anything to the contrary contained herein, if the Company issues additional Shares after the date hereof to Person, as a condition to the issuance of such Shares, the Company shall require that any such recipient of Shares becomes a party to this Agreement by executing and delivering a joinder substantially in form attached hereto as Exhibit B agreeing to be bound by and subject to this Agreement as Shareholder hereunder, and such Person shall thereafter be deemed a Shareholder for all purposes under this Agreement (in the event that Dehui becomes a party to this Agreement, it shall also be deemed as an Investor hereunder), without any action or consent by the Shareholders.

6.4. Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the parties. In such event, the parties shall use best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly effects the parties’ intent in entering into this Agreement.

6.5. No Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right, power or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right, power or remedy at any other time or times.

6.6. Further Assurances. Upon the terms and subject to the conditions herein, each of the Parties hereto agrees to use its reasonable best efforts to take or cause to be taken all action, to do or cause to be done, to execute such further instruments, and to assist and cooperate with the other Parties hereto in doing, all things necessary, proper or advisable under applicable Laws or otherwise to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

6.7. Governing Law. This Agreement shall be governed by and construed under the Laws of Cayman Islands, without regard to principles of conflict of laws thereunder.

6.8. Dispute Resolution.

(a) Any dispute, controversy or claim (each, a “**Dispute**”) arising out of or relating to this Agreement, or the interpretation, breach, termination, validity or invalidity thereof, shall be referred to arbitration upon the demand of either party to the dispute with notice (the “**Arbitration Notice**”) to the other.

(b) The Dispute shall be settled by arbitration in Hong Kong by the Hong Kong International Arbitration Centre (the “**HKIAC**”) in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules (the “**HKIAC Rules**”) in force when the Arbitration Notice is submitted in accordance with the HKIAC Rules. There shall be three (3) arbitrators. The claimants in the Dispute shall nominate one (1) arbitrator and the respondents in the Dispute shall nominate one (1) arbitrator. The HKIAC Council shall appoint the third arbitrator, who shall serve as the presiding arbitrator.

(c) The arbitral proceedings shall be conducted in English. To the extent that the HKIAC Rules are in conflict with the provisions of this Section, including the provisions concerning the appointment of the arbitrators, the provisions of this Section shall prevail.

(d) The arbitral tribunal shall decide any Dispute submitted by the parties to the arbitration strictly in accordance with the substantive Law of Hong Kong (without regard to principles of conflict of Laws thereunder) and shall not apply any other substantive Law.

(e) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

(f) During the course of the arbitral tribunal’s adjudication of the Dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

6.9. Notices. Any notice required or permitted pursuant to this Agreement shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address of the relevant Party as shown on Schedule II hereto (or at such other address as such Party may designate by fifteen (15) days’ advance written notice to the other Parties to this Agreement given in accordance with this Section). Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a written confirmation of delivery, and to have been effected at the earlier of (i) delivery (or when delivery is refused) and (ii) expiration of two (2) Business Days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid, if such day is a Business Day and if sent during normal business hours of the recipient, otherwise the next Business Day. Notwithstanding the foregoing, to the extent a “with a copy to” address is designated, notice must also be given to such address in the manner above for such notice, request, consent or other communication hereunder to be effective.

6.10. Further Covenants. In the event no Qualified IPO occurs by December 31, 2021 (or any other date pursuant to Framework Agreement), to the extent permitted by Laws, each of the Parties shall use its best efforts to amend this Agreement and the Restated Articles to reflect the rights and privileges of each Investor (so long as it holds any Shares of the Company) as provided in the Onshore Shareholder Agreement This Section 6.10 shall terminate immediately prior to the consummation of a Qualified IPO.

6.11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile and emailed copies of signatures shall be deemed to be originals for purposes of the effectiveness of this Agreement.

6.12. Entire Agreement. This Agreement, the Restated Articles and Investment Agreements contain the entire understanding among the Parties, supersedes any prior or contemporaneous written or oral agreements, understandings and representations between the Parties respecting the subject matter contained in this Agreement, and merges all prior negotiations concerning such subject matter into this Agreement.

6.13. Adjustments for Share Splits, Etc. Wherever in this Agreement there is a reference to a specific number of Shares of the Company, then, upon the occurrence of any subdivision, combination or share dividend of the relevant class or series of the Shares, the specific number of shares so referenced in this Agreement shall automatically be proportionally adjusted, as appropriate, to reflect the effect on the outstanding shares of such class or series of Shares by such subdivision, combination or share dividend.

*[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]*

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

Company:

**Atour Lifestyle Holdings Limited**

By: /s/ Wang Haijun

Name: Wang Haijun (王海军)

Title: Director

Signature Page to Shareholders Agreement  
Atour Lifestyle Holdings Limited

---



IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

**Founder Holdco:**

**Sea Pearl Worldwide Holding Limited**

By: /s/ Wang Haijun

Name: Wang Haijun (王海军)

Title: Director

Signature Page to Shareholders Agreement  
Atour Lifestyle Holdings Limited

---

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

**Founder Holdco:**

**Li Real Limited**

By: /s/ Chen Jun

Name: Chen Jun (陈军)

Title: Director

Signature Page to Shareholders Agreement  
Atour Lifestyle Holdings Limited

---

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

**Founder Holdco:**

**Engine Holdings Limited**

By: /s/ Rui Xining  
Name: Rui Xining (芮习宁)  
Title: Director

Signature Page to Shareholders Agreement  
Atour Lifestyle Holdings Limited

---

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

**Shareholder:**

**GLV Holding Limited**

By: /s/ Jin Li  
Name: Jin Li  
Title: Director

---

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

**Investors:**

**Ikaria Hotel Investment Holding Limited**

By: /s/ Andrew Hong Teoh

Name: Mr. Andrew Hong Teoh

Title: Director

Signature Page to Shareholders Agreement  
Atour Lifestyle Holdings Limited

---

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

*Investors:*

**TRIP.COM TRAVEL SINGAPORE PTE. LTD**

By: /s/ Ooi Chee Teong

Name: Ooi Chee Teong

Title: Director

Signature Page to Shareholders Agreement  
Atour Lifestyle Holdings Limited

---

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

**Investors:**

上海印奈企业管理合伙企业（有限合伙）

By: /s/ Zhou Hongbin

Name: Zhou Hongbin

Title: Director

---

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

**Investors:**

上海颐楠企业管理合伙企业（有限合伙）

By: /s/ Zhou Hongbin

Name: Zhou Hongbin

Title: Director

---

**STRICTLY CONFIDENTIAL**

**ATOUR LIFESTYLE HOLDINGS LIMITED**  
(incorporated in the Cayman Islands with limited liability)

**PUBLIC COMPANY SHARE INCENTIVE PLAN**

Adopted by **ATOUR LIFESTYLE HOLDINGS LIMITED** on March 31, 2021

Section 1. *Purpose.*

The purpose of this Atour Lifestyle Holdings Limited Share Incentive Plan (as amended and restated from time to time, the “Plan”) is to enhance the ability of Atour Lifestyle Holdings Limited (the “**Company**”) to attract and retain qualified individuals by allowing them to acquire a proprietary interest in the growth and performance of the Company as the Company becomes a listed company in the United States. The Plan permits the grant of Options, Restricted Stock, Restricted Stock Unit, or Other Stock-Based Award (collectively, “**Awards**”) to any Participant (as defined below) in accordance with the terms and conditions of the Plan.

Section 2. *Definitions.*

As used in this Plan, the following terms shall have the meanings set forth below:

(a) “**Administrator**” shall have the meaning ascribed hereto under Section 4.a.

(b) “**Applicable Laws**” shall mean the legal and regulatory requirements relating to the administration of equity-based awards, including without limitation under U.S. federal and state securities laws, the Code, the laws and regulations of the Cayman Islands and the People’s Republic of China, any stock exchange or quotation system on which the equity securities of the Company is listed or quoted, and the applicable laws of any other non-U.S. jurisdiction where Awards are, or will be, granted under the Plan.

(c) “**Award**” shall mean, individually or collectively, any Option, Restricted Stock, Restricted Stock Unit, or Other Stock-Based Award granted under the Plan.

(d) “**Award Agreement**” shall mean any written agreement, contract or other instrument or document between the Company and Participant setting forth the terms and provisions applicable to an Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

---



(e) “**Board**” shall mean the board of directors of the Company.

(f) “**Cause**” shall mean, with respect to a Participant, the meaning defined in any employment agreement or other agreement between the Participant and the Company, or a Group Company, as applicable, then in effect or, if no such agreement is then in effect, “**Cause**” shall mean (i) the Participant’s continued failure substantially to perform his or her duties to the Company or the Group Company (other than as a result of total or partial incapacity due to physical or mental illness), (ii) dishonesty in the performance of the Participant’s duties to the Company or the Group Company, (iii) the Participant’s indictment for a crime under the laws of the jurisdiction in which the Participant is employed (or, if there is no such concept as “indictment” in the applicable jurisdiction, such analogous procedural event following the Participant’s arrest and prior to any conviction) or (iv) any other act or omission on the part of the Participant which is materially injurious to the financial condition or business reputation of the Company or any of the Group Companies.

(g) “**Chairman**” shall mean the chairman of the Board of the Company.

(h) “**Change of Control**” shall mean the first to occur of:

(i) an individual, corporation, partnership, group, associate or other entity or “person”, as such term is defined in Section 14(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), other than the Company or any employee benefit plan(s) sponsored by the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the combined voting power of the Company’s outstanding securities ordinarily having the right to vote at elections of directors;

(ii) individuals who constitute the Board of Directors of the Company on the effective date of the Company’s registration statement filed with the U.S. Securities and Exchange Commission (the “**Incumbent Board**”) cease for any reason to constitute at least a majority thereof; *provided* that any Approved Director, as hereinafter defined, shall be, for purposes of this subsection (ii), considered as though such person were a member of the Incumbent Board. An “**Approved Director**,” for purposes of this subsection (ii), shall mean any person becoming a director subsequent to the effective date of the Plan whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee of the Company for director), but shall not include any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or “person” other than the Board;

(iii) the consummation of a plan or agreement providing (A) for a merger or consolidation of the Company other than with a wholly-owned subsidiary and other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (B) for a sale, exchange or other disposition of all or substantially all of the assets of the Company and the Group Companies, taken as a whole;

(iv) in addition to the events described in subsections (i), (ii) and (iii), it shall be a "Change of Control" for purposes hereof for any Participant principally employed in the business of a Designated Business Unit, as hereinafter defined, if an event described in subsections (i), (ii) or (iii) shall occur, except that for purposes of this subsection (iv), references in such subsections to the "Company" shall be deemed to refer to the Designated Business Unit in the business of which the Participant is principally employed. A Change of Control described in this subsection (iv) shall apply only to a Participant employed principally by the affected Designated Business Unit. For purposes of this subsection (iv), "**Designated Business Unit**" shall mean specified subsidiaries and any other business unit identified as a Designated Business Unit by the Administrator from time to time; or

(v) Any other change in the effective control of the Company. For purposes of this subsection (v), if any person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company or the Group Companies.

(i) "**Code**" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

(j) "**Compensation Committee**" shall the compensation committee of the Board, as it may be designated by the Board to administer the Plan, which committee will be constituted to satisfy Applicable Laws.

- (k) “**Consultant**” shall mean any individual, including an advisor, who is engaged by the Company or a Group Company to render services and is compensated for such services.
- (l) “**Disaffiliation**” means a Group Company’s ceasing to be a Group Company for any reason (including as a result of a public offering, or a spin-off or sale by the Company, of the stock of the Group Company) or a sale of a division or business unit of the Company or a Group Company.
- (m) “**Director**” means a director of the Company, whether or not compensated for such services.
- (n) “**Eligible Individual**” means any Key Employee, Director or Consultant, and any prospective Key Employee, Director or Consultant who has accepted an offer of employment, directorship or consultancy from the Company or any Group Company, or any other individual as designated and approved by the Administrator.
- (o) “**Group Companies**” means any Subsidiary of the Company (with each of such Group Companies being referred to as a “**Group Company**”)
- (p) “**Hotel**” means a hotel outlet which is a branch or subsidiary of any of the Group Companies.
- (q) “**Key Employee**” means, with respect to the Company or the Group Companies, the chairperson, the chief executive officer, the chief operating officer, the chief financial officer, the chief technology officer, the president, general manager, any manager with a title of “vice president” or above, the head of any business division, or the any department manager or above of each such entity as well as the general manager of each Hotel, or any other individual as designated and approved by the Administrator.
- (r) “**Fair Market Value**” shall mean, with respect to any property (including, without limitation, any Shares or other securities) the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Administrator.
- (s) “**Option**” shall mean an option granted under Section 6 hereof.
- (t) “**Other Stock-Based Award**” shall mean any right granted under Section 9 hereof.
- (u) “**Period of Restriction**” means the period of time during which Shares of Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture and/or other restrictions, or, as applicable, the period of time within which performance is measured for purposes of determining whether such an Award has been earned, and, in the case of Restricted Stock, the transfer of Shares of Restricted Stock is limited in some way, in each case in accordance with Section 7.

- (v) “**Participant**” shall mean an Eligible Individual granted an Award under the Plan.
- (w) “**Qualified Exchange**” shall mean the New York Stock Exchange, the NASDAQ Global Market, or any other stock exchange as designated and approved by the Administrator.
- (x) “**Restricted Stock**” shall mean any Share granted under Section 7 hereof.
- (y) “**Restricted Stock Unit**” shall mean a contractual right granted under Section 7 hereof that is denominated in Shares, each of which represents a right to receive the value of a Share upon the terms and conditions set forth in the Plan and the applicable Award Agreement.
- (z) “**Shares**” shall mean ordinary shares of the Company, \$0.0001 par value per share.
- (aa) “**Substitute Awards**” shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by, or held by the employees of, a company or other entity or business acquired (directly or indirectly) by the Company or with which the Company combines.
- (bb) “**Subsidiary**” means, with respect to any specified person, any person of which the specified person, directly or indirectly, owns more than 50% of the issued and outstanding authorized capital, share capital, voting interests or registered capital.
- (cc) “**Termination of Service**” means the termination of the applicable Participant’s employment with, or performance of services for, the Company or any Group Company under any circumstances. Unless otherwise determined by the Administrator (and subject to the limitations applicable to ISOs under the Code), a Termination of Service shall not be considered to have occurred in the case of (i) any leave of absence approved by the Administrator, provided that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to an applicable Company or Group Company policy adopted from time to time; or (ii) transfers between locations of the Company or between or among the Company and/or a Group Company or Group Companies. Changes in status between services as an Eligible Individual and an employee will not constitute a Termination of Service if the individual continues to perform managerial services for the Company or a Group Company (subject to the limitations applicable to ISOs under the Code). A Participant employed by or provides services to a Group Company or a division of the Company or of a Group Company shall be deemed to incur a Termination of Service if, as a result of a Disaffiliation, such Group Company or division ceases to be a Group Company or such a division, as the case may be, and the Participant does not immediately thereafter become an employee of or provides services to the Company or another Group Company. The Administrator shall have the discretion to determine whether and to what extent the vesting of any Awards shall be tolled during any paid or unpaid leave of absence.

Section 3. *Eligibility.*

(a) Eligible Individuals are eligible to participate in the Plan. An Eligible Individual who has been granted an Award may, if he or she is otherwise eligible, be granted additional Awards as determined by the Administrator.

(b) An individual who has agreed to accept employment by, or to provide services to the Company or a Group Company as an Eligible Individual shall be deemed to be eligible for Awards hereunder as of the date of such agreement.

Section 4. *Administration.*

(a) The Plan shall be solely administered by the Board or its Compensation Committee (the “**Administrator**”) in accordance with the terms and conditions of the Plan. The Administrator may issue rules and regulations for administration of the Plan in accordance with the terms and conditions of the Plan.

(b) Subject to the terms of the Plan and Applicable Laws, the Administrator shall have full power and authority to: (i) determine eligibility and designate Participants and Eligible Individuals; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Administrator; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation; and (x) make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Plan. For the avoidance of doubt, any amendment, modification or change of the terms of the Plan shall be subject to the review and approval by the Board, subject to Applicable Laws.

(c) All decisions of the Administrator shall be final, conclusive and binding upon all persons, including the Company, the members of the Company and the Participants.

Section 5. *Shares Available for Awards.*

(a) The maximum aggregate number of Shares available for issuance under the Plan will be 51,029,546 Shares.

(b) If an Award expires or becomes unexercisable without having been exercised in full, is surrendered or forfeited to, or repurchased by, the Company due to failure to vest, then the unpurchased Shares, which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Shares that actually have been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; *provided, however*, that if Shares issued pursuant to Awards of Restricted Stock or Restricted Stock Units are repurchased by the Company or are forfeited to the Company due to failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, the cash payment will not result in reducing the number of Shares available for issuance under the Plan.

(c) In the event that any Option or other Award granted hereunder (other than a Substitute Award) is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Option or Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld.

(d) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares. The Company, at all times during the term of this Plan, will reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

(e) In the event that the Administrator shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Administrator shall, in such manner as he may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, including the aggregate and individual limits specified in Section 5(a) hereof, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; *provided, however*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(f) Shares underlying Substitute Awards shall not reduce the number of Shares remaining available for issuance under the Plan.

Section 6. *Options.*

The Administrator is hereby authorized to grant Options to any Participant with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the 2015 Plan, as the Administrator shall determine:

(a) The purchase price per Share under an Option shall be fixed by the Administrator and shall be set forth in the Award Agreement; *provided, however,* that, no Option shall be granted to an individual subject to taxation in the United States at less than the Fair Market Value on the date of grant.

(b) The vesting schedule and the term of each Option shall be fixed by the Administrator and shall be set forth in the Award Agreement.

(c) The Administrator shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(d) The Administrator may establish and set forth in the applicable Award Agreement the terms and conditions on which an Option shall remain exercisable, if at all, upon a Participant's Termination of Service. The Administrator may waive or modify these provisions at any time. Notwithstanding the foregoing provisions of this Section 6(d) to the contrary, the Administrator may determine in its discretion that an Option may be exercised following any such Termination of Service, whether or not exercisable at the time of such Termination of Service, or shall be otherwise forfeited. Subject to the last sentence of this Section 6(d), a Participant's Option shall be forfeited upon his or her Termination of Service, except as set forth below:

(i) Death, Disability or Retirement. Upon a Participant's Termination of Service by reason of death, disability or retirement, any Option held by such Participant may be exercised for one year after the date of such event or until the expiration date of such Option specified in the applicable Award Agreement, whichever period is shorter, to the extent this Option was exercisable at the time of such termination.

(ii) Cause. Upon a Participant's Termination of Service for Cause, any Option held by such Participant shall be forfeited, effective as of such termination.

(iii) Other Termination. Unless otherwise determined by the Administrator, upon a Participant's Termination of Service for any reason, other than death, disability or retirement, and such termination is for a reason other than for Cause, any Option held by such Participant shall be exercisable for 90 days after such termination or until the expiration date of such Option specified in the applicable Award Agreement, whichever period is shorter, but only to the extent to which such Option was exercisable at the time of such termination.

Section 7. *Restricted Stock and Restricted Stock Units.*

(a) The Administrator is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to any Participant.

(b) Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify any Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed. Except as provided in the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of any applicable Period of Restriction. Except as provided in the Award Agreement, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of any applicable Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(c) The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or services), Applicable Laws, or any other basis determined by the Administrator in its sole discretion.



(d) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Administrator may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock, Period of Restriction, or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Administrator may deem appropriate.

(e) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Administrator may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

(f) During the Period of Restriction, any Restricted Stock Units and/or Shares of Restricted Stock held by a Participant shall be forfeited and revert to the Company (or, if Shares of Restricted Stock were sold to the Participant, the Participant shall be required to resell such Shares to the Company at cost) upon the Participant's Termination of Service or the failure to meet or satisfy any applicable performance goals or other terms, conditions and restrictions to the extent set forth in the applicable Award Agreement. Each applicable Award Agreement shall set forth the extent to which, if any, the Participant shall have the right to retain Restricted Stock Units and/or Shares of Restricted Stock, then subject to the Period of Restriction, following such Participant's Termination of Service. Such provisions shall be determined in the sole discretion of the Administrator, shall be included in the applicable Award Agreement, need not be uniform among all such Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for, or circumstances of, such Termination of Service.

#### Section 8. *Other Stock-Based Awards.*

The Administrator is hereby authorized to grant to any Participant such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Administrator to be consistent with the purposes of the Plan. Subject to the terms of the Plan and Applicable Laws, the Administrator shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 8 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Administrator shall determine.

10

---

#### Section 9. *General Provisions Applicable to Awards.*

(a) All Awards shall be evidenced by an Award Agreement between the Company and the Participant.

(b) The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator or the Chairman.

(c) Awards may, in the discretion of the Administrator or the Chairman, be granted for no cash consideration or for such minimal cash consideration as may be required by Applicable Laws.

(d) Awards may, in the discretion of the Administrator or the Chairman, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(e) Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or payment of an Award may be made in such form or forms as the Administrator or the Chairman shall determine including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Administrator or the Chairman. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.

(f) Unless the Administrator or the Chairman shall otherwise determine, no Award and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; *provided, however*, that, if so determined by the Administrator or the Chairman, a Participant may, in the manner established by the Administrator or the Chairman, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant. Each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under Applicable Laws, by the Participant's guardian or legal representative. No Award and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company. The provisions of this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

11

---

(g) All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Administrator or the Chairman may deem advisable under the Plan or the rules, regulations, and other requirements of the United States Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any Applicable Laws, and the Administrator or the Chairman may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(h) The Administrator or the Chairman shall have the full and sole discretion to impose certain transfer or conversion restrictions and lock-ups with respect to any Shares underlying any Awards pursuant to arrangements to be entered into by the Company with any depositary bank and/or underwriters in connection with the Company's initial public offering.

(i) The Administrator or the Chairman may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement, or reacquisition upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award.

(j) The inability of the Company to obtain authority from any regulatory body having jurisdiction or to complete or comply with the requirements of any registration or other qualification of the Shares under any Applicable Laws or any other governmental or regulatory body, which authority, registration, qualification, or rule compliance is deemed by the Company's counsel to be necessary or advisable for the issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority, registration, qualification or rule compliance will not have been obtained. As a condition to the exercise of an Award, the Company may require the Participant exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

(k) Unless specifically provided to the contrary in any Award Agreement or determined otherwise by the Administrator or the Chairman, upon a Change of Control, all Awards shall become fully vested and exercisable, and any restrictions applicable to any Award shall automatically lapse.

#### Section 10. *Amendment and Termination.*

(a) Except to the extent prohibited by Applicable Laws and unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time.

(b) The Administrator may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award.

(c) The Administrator shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 5(e) hereof affecting the Company, or the financial statements of the Company, or of changes in Applicable Laws or accounting principles); whenever the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

(d) Notwithstanding any provision of the Plan or any Award Agreement to the contrary notwithstanding, the Administrator may, in its sole discretion, cause any Award granted hereunder to be canceled in consideration of a cash payment or alternative Award made to the holder of such canceled Award equal in value to the Fair Market Value of such canceled Award.

(e) The Administrator may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent he shall deem desirable to carry the Plan into effect.

#### Section 11. *Miscellaneous.*

(a) No employee, independent contractor, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, independent contractors, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each Participant.

(b) No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Administrator for the satisfaction of any tax withholding obligations under all Applicable Laws. The Company is authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action (including, without limitation, providing for elective payment of such amounts in cash, Shares, other securities, other Awards or other property by the Participant) as may be necessary in the opinion of the Administrator to satisfy all obligations for the payment of such taxes. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, check, or other cash equivalents; (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion; (iii) delivering to the Company already owned Shares having a Fair Market Value equal to the statutory amount required to be withheld or such greater amount as the Administrator may determine, in each case, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion; (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld; or (v) any combination of the foregoing methods of payment. The withholding amount will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

(c) Except as otherwise expressly authorized by the Administrator, a Participant shall not be entitled to any privilege of share ownership as to any Shares not actually delivered to and held of record by the Participant.

(d) Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements.

(e) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employment or service of the Company or any Group Company. Further, the Company or the applicable Group Company may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(f) If any provision of the Plan, the Award Agreement or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any Applicable Laws, such provision shall be construed or deemed amended to conform to Applicable Laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan, the Award Agreement or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan, the Award Agreement and any such Award shall remain in full force and effect.

(g) Awards payable under the Plan shall be payable in Shares or from the general assets of the Company, and no special or separate reserve, fund or deposit shall be made to assure payment of such awards. No Participant, beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including Shares, except as expressly otherwise provided) of the Company or one of its Subsidiaries by reason of any award hereunder.

(h) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(i) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Administrator shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(j) In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Administrator may, in its sole discretion, provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

(k) The Plan and all Award Agreements shall be governed by and construed in accordance with the laws of the Cayman Islands.

Section 12. *Effective Date of the Plan.*

The Plan shall be effective as of the date of its approval by the Board.

Section 13. *Term of the Plan.*

Unless otherwise determined by the Administrator, the term of the Plan shall be indefinite.

**List of Significant Subsidiaries of the Registrant**

<b>Significant Subsidiaries</b>	<b>Place of Incorporation</b>
Atour Hotel (HK) Holdings Limited	Hong Kong
Shanghai Atour Business Management Group Co., Ltd.	PRC
Shanghai Leiduo Information Technology Co., Ltd.	PRC

---