

# Chairman's Letter 2021

SHANGHAI, Dec. 20, 2021 /[PRNewswire](#)/ -- **Dear Shareholders:**

Thank you for your continuing support and confidence in GreenTree Hospitality Group's people and leadership.

## **2021: A significant rebound**

The outbreak of the Covid-19 pandemic adversely affected the hospitality industry world-wide in the first quarter of 2020. In China, the damage was much less than elsewhere, as a result of a quick policy response. The pandemic was better contained, and life returned to normalcy more quickly than in the rest of the world. Domestic travel resumed gradually.

Given our national footprint, our experience mirrored that of the country as a whole. Our occupancy rates declined in January and February 2021, due to the implementation of travel restrictions and the government's encouragement to the public to "stay local" during *Chunyun*, the Spring Festival travel season, when annually some three billion people set out to see friends and family. According to official figures from China's Ministry of Transport, the number of trips fell by 40.8% during the Spring Festival season in 2021, compared to 2020. Travel restrictions were lifted as the vaccination roll-out eventually covered most of the population, and our occupancy rates rebounded quickly with the unleashing of pent-up demand for domestic travel.

In March, April and May 2021, we saw substantial month-over-month increases in Revenue per Available Room ("RevPAR"), especially during the Tomb Sweeping holiday and Golden Week. Unfortunately, at the end of July there was a resurgence of Covid-19 in Nanjing, the capital of Jiangsu Province that led to renewed travel restrictions, with an inevitable impact on travel in the region and beyond. Starting in the first week of August, RevPAR decreased, and although it recovered quickly in the second week of September, there were new outbreaks in several cities that again depressed RevPAR in the first week of November, to about 81% of its level before the pandemic. As a result of sporadic outbreaks and clusters of Covid-19, although they were swiftly contained, recovery and business momentum slowed during the second half of the year.

Although we outperformed our industry peers, Covid-19 did have an impact on our financial performance. At the same time, you can see the resilience of our company in our first half 2021 financial metrics. Compared to first half 2020, we saw steep increases across all major measures. Total revenue increased 57.5% to RMB588.3 million; income from operations increased 50.9% to RMB150.7 million; net income increased 83.8% to RMB146.3 million; non-GAAP adjusted EBITDA increased 53.4% to RMB175.2 million, and earnings per share increased by 63.3% to RMB1.47.

We achieved this comeback by leveraging our strategic advantages and doing everything in our power to support our franchisees and front-line employees. This included direct help from our operations, IT and engineering departments; fee waivers; loans for hotel renovations and refurbishing; as well as professional training.

We learned many lessons in 2020 and 2021 from dealing with the unpredictable effects of the Covid-19 pandemic. We took advantage of market opportunities to accelerate our expansion into mid-range and high-end markets in key areas of national development, including the Chengdu, Chongqing and Wuhan metropolitan areas as well as Guangxi Zhuang Autonomous Region and Fujian Province. In the first half, we brought 23 new Leased and Operated ("L&O") hotels into our fold, bringing the total number of L&O hotels to 62 by the end of June, out of a total of 4,542 hotels. All the new L&O hotels in the GreenTree network are situated in popular transportation hubs, central business districts, or government centers. We believe that they will serve as anchor hotels and attract new franchisees to the network.

After our initial public offering and listing on the New York Stock Exchange in March 2018, we made acquisitions to fuel growth and use our capital more efficiently. Some of these brands have not performed as well as we had expected. But I can share with you some good news from developments in the current year. Some of our

regional acquisitions made in 2021 are becoming leaders in their local markets, including GreenTree Carrey Hotel Management Group in Hubei and GreenTree Manlv Group in Jiangxi. Also, by the end of the first half of 2021, we had launched 11 GreenTree e-sports hotels, empowering our franchisees to capitalize on growing customer demand, with the added benefit of higher RevPAR.

### **Strategic focus for 2022 and beyond**

Looking to the future, the Covid-19 pandemic has helped us demonstrate our value to our franchisees. We will continue to invest in renovating existing properties and identify new and creative ways to improve direct sales and membership support. In the next phase, we look to expand scale based on our existing brands and increase brand value through more efficient design and engineering. We are focusing our efforts on high-growth regions such as the Yangtze River Delta and Pearl River Delta, as well as the major metropolitan areas of Chengdu, Chongqing and Fuzhou.

At the corporate level, we plan to increase investment in marketing and diversify our sales channels. We also intend to strengthen our supply chain so that we can make resources available to ensure that the up-front, one-time investments made by our franchisees are up to the highest market standard at the lowest cost.

Information technology is another key area of focus at the corporate level. We were among the first of our hotel group peers to migrate all our systems to the cloud. Artificial Intelligence ("AI") technology is part of the wave of the future for hotel operations. By providing self-check-in and check-out as well as room service robots, we will save labor, improve efficiency, and increase customer satisfaction. This will be especially important given the decline in China's working age population.

We will also explore markets for "wellness" and "rural revitalization." These have become new areas of policy emphasis with China's rapidly aging population. As with some of our neighboring countries in Asia, growing numbers of elderly will require substantial investments in senior care and community care. We want to grow our hotel portfolio through hotel design and hotel management services to be prepared to facilitate the growing senior travel market. This will raise the standard of living in rural regions, and have a positive impact on and contribute to communities by creating employment opportunities.

There are many uncertainties ahead that may affect the economy and the travel market. But we are confident that we can both weather whatever may come, and build value for you, our shareholders, as well as our employees and the travelers whom we serve to the best of our abilities.

Sincerely,

Alex S. Xu  
Chairman and Chief Executive Officer  
GreenTree Hospitality Group Ltd.

About GreenTree Hospitality Group Ltd.

GreenTree Hospitality Group Ltd. ("GreenTree" or the "Company") (NYSE: GHG) is a leading hospitality management group in China. As of June 30, 2021, GreenTree had a total number of 4,542 hotels. In 2020, HOTELS magazine ranked GreenTree Top 12 Ranking among 225 largest global hotel groups in terms of number of hotels in its annual HOTELS' 225. GreenTree was also the fourth largest hospitality company in China in 2020 based on the statistics issued by the China Hospitality Association.

GreenTree has built a strong suite of brands including its flagship "GreenTree Inns" brand as a result of its long-standing dedication to the hospitality industry in China and consistent quality of its services, signature hotel designs, broad geographic coverage and convenient locations. GreenTree has further expanded its brand portfolio into mid-to-up-scale and luxury segments through a series of strategic investments. By offering diverse brands, through its strong membership base, expansive booking network, superior system management with

moderate charges, and fully supported by its operating departments including Decoration, Engineering, Purchasing, Operation, IT and Finance, GreenTree aims to keep closer relationships with all of its clients and partners by providing a brand portfolio that features comfort, style and value.

For more information on GreenTree, please visit <http://ir.998.com>.

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