
CITS V Service (Denmark) A/S

Lyngbyvej 28, st. tv., DK-2100 Copenhagen

Annual Report for 2021

CVR No. 32 94 87 23

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 24/6 2022

Zhang Kexiong
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of CITS V Service (Denmark) A/S for the financial year 1 January - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Copenhagen, 24 June 2022

Executive Board

Lan Gu
CEO

Board of Directors

Zhang Kexiong
Chairman

Yeping Xu

Lan Gu

Independent Auditor's report

To the shareholder of CITS V Service (Denmark) A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of CITS V Service (Denmark) A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hillerød, 24 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Michael Krath

State Authorised Public Accountant

mne34155

Company information

The Company	CITS V Service (Denmark) A/S Lyngbyvej 28, st. tv. DK-2100 Copenhagen CVR No: 32 94 87 23 Financial period: 1 January - 31 December Incorporated: 8 June 2010 Financial year: 12th financial year Municipality of reg. office: Copenhagen
Board of Directors	Zhang Kexiong, Chairman Yeping Xu Lan Gu
Executive board	Lan Gu
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 3400 Hillerød

Management's review

Key activities

The object of the company is to grant visa to entering China on behalf of the Chinese State.

Development in the year

The income statement of the Company for 2021 shows a loss of DKK 2,866,273, and at 31 December 2021 the balance sheet of the Company shows negative equity of DKK 2,752,622.

Capital resources

The implications of COVID-19 which is continued into year 2022 with many governments across the world deciding to "close down their countries" has caused great impact on the global economy. To date, the Company has been negatively impacted by the effects of COVID-19 as Danish citizens are exercising great restraint in travelling to China. This has caused a significant decline in revenue, which comprises the sale of visas to China. Due to the above, the Company's liquidity is expected to come under considerable pressure. The Company's ability to continue as a going concern depends on a number of uncertain factors, such as the extent of COVID-19 spread, the duration of restrictions to fight the spread, economic stimulus programmes for the corporate sector as well as the speed of subsequent economic recovery, including Danish citizens' readiness to resume travelling once the situation has normalised.

The Company has received a letter of financial support up until 31 December 2022 from its Parent Company, CITS International Travel Service Limited in Beijing, who will support the Company financially in the form of a loan to the extent necessary to finance its operating activities and to settle its financial obligations. The Management is therefore presenting the Annual Report under the going concern assumption.

The Parent Company, CITS International Travel Service Limited, will make a group contribution of DKK 4.6 million in 2022 to reestablish the Company's capital.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Gross profit	2	634,937	769,759
Staff expenses	3	-3,133,238	-3,389,940
Depreciation and impairment losses of property, plant and equipment		-86,960	-157,717
Profit/loss before financial income and expenses		-2,585,261	-2,777,898
Financial expenses	4	-239,731	-19,298
Profit/loss before tax		-2,824,992	-2,797,196
Tax on profit/loss for the year	5	-41,281	22,456
Net profit/loss for the year		-2,866,273	-2,774,740

Distribution of profit

	2021 DKK	2020 DKK
Proposed distribution of profit		
Retained earnings	-2,866,273	-2,774,740
	-2,866,273	-2,774,740

Balance sheet 31 December

Assets

	Note	2021	2020
		DKK	DKK
Other fixtures and fittings, tools and equipment		9,647	96,608
Property, plant and equipment		9,647	96,608
Deposits		230,435	309,961
Fixed asset investments		230,435	309,961
Fixed assets		240,082	406,569
Trade receivables		33,659	77,072
Other receivables		553,050	7,127
Deferred tax asset		0	41,281
Receivables		586,709	125,480
Cash at bank and in hand		1,400,385	2,527,882
Current assets		1,987,094	2,653,362
Assets		2,227,176	3,059,931

Balance sheet 31 December

Liabilities and equity

	Note	2021	2020
		DKK	DKK
Share capital		500,000	500,000
Retained earnings		-3,252,622	-386,349
Equity		-2,752,622	113,651
Trade payables		797,255	477,225
Payables to group enterprises		2,865,080	928,581
Other payables		1,317,463	1,540,474
Short-term debt		4,979,798	2,946,280
Debt		4,979,798	2,946,280
Liabilities and equity		2,227,176	3,059,931
Going concern	1		
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Statement of changes in equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500,000	-386,349	113,651
Net profit/loss for the year	0	-2,866,273	-2,866,273
Equity at 31 December	500,000	-3,252,622	-2,752,622

The share capital consists of 500 shares of a nominal value of DKK 1.000. No shares carry any special rights.

Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	DKK	DKK
5. Income tax expense		
Deferred tax for the year	41,281	-13,852
Adjustment of tax concerning previous years	<u>0</u>	<u>-8,604</u>
	<u>41,281</u>	<u>-22,456</u>

The Company has a not-recognized tax asset on DKK 1,182k regarding to tax deficits.

	<u>2021</u>	<u>2020</u>
	DKK	DKK
6. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Rent in the non-cancellable period amounts to	229,967	203,126

Notes to the Financial Statements

7. Accounting policies

The Annual Report of CITS V Service (Denmark) A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

Certain amounts have been reclassified in the comparative figures for 2020 to ensure the same presentation.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

Income statement

Net sales

Revenue from the sale of visas is recognised when the risks and rewards have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for premises, sales and as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment 3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.