

# CITS V SERVICE (DENMARK)

## A/S

Lyngbyvej 28  
DK-2100 København Ø

CVR no. 32 94 87 23

### Annual report 2022

The annual report was presented and approved at  
the Company's annual general meeting on

20 June 2023

Chairman of the annual general meeting \_\_\_\_\_

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## **Statement by the Board of Directors and the Executive Board**

The Board of Directors and the Executive Board have today discussed and approved the annual report for CITS V SERVICE (DENMARK) A/S for the financial year 1 January - 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 20 June 2023  
Executive Board:

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Lan Gu  
CEO

Board of Directors:

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Zhang, Kexiong  
Chairman

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Lan Gu

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Yeping Xu



## Independent auditor's report

### To the Shareholder of CITS V SERVICE (DENMARK) A/S

#### Opinion

We have audited the financial statements of CITS V SERVICE (DENMARK) A/S for the financial year 1 January - 31 December 2022, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

#### 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.

#### Management's responsibility 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 that 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.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.



## Independent auditor's report

- 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.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 20 June 2023

**KPMG**  
Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Kåre Kansonen Valtersdorf  
State Authorised Public Accountant  
mne34490

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## Management's review

### Company details

CITS V SERVICE (DENMARK) A/S  
Lyngbyvej 28  
DK-2100 København Ø

CVR no.:	32 94 87 23
Established:	8 June 2010
Registered office:	København
Financial year:	1 January - 31 December

### Board of Directors

Zhang, Kexiong, Chairman  
Lan Gu  
Yeping Xu

### Executive Board

Lan Gu, CEO

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø  
CVR no. 25 57 81 98

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## **Management's review**

### **Operating review**

#### **Principal activities**

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

#### **Uncertainty regarding recognition and measurement**

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

#### **Events after the balance sheet date**

No events have occurred after the balance sheet date of material importance to the annual report for 2022.

#### **Development in activities and financial position**

The Company's income statement for 2022 shows a loss of DKK 3,054,746 as against a loss of DKK 2,974,535 in 2021. Equity in the Company's balance sheet at 31 December 2022 stood at DKK -5,915,631 as against DKK -2,860,884 at 31 December 2021.

#### *Capital resources*

The implication of COVID-19 which is continued into beginning of year 2023 due to certain restraint in traveling to China. This has continued to have an impact in revenue in 2022 which comprises the sales 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 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 declaration of financial support from its parent company, China International Travel Service Limited, who commits to provide financial support in the form of additional loans to settle any liabilities as they fall due if the Company does not have sufficient resources of its own. Intercompany payables as reflected on the balance sheet will be repaid to parent company as funds become available, and do not have to be repaid sooner than the company has liquidity to do so. All internal debt of the Company and other group entities is subordinated to other liabilities, and no internal debt will be called or required to be repaid between the Company of any group entities unless and until the individual entity has sufficient liquidity to do so. This declaration is effective for at least 12 months from approval of the Company's annual report.

The Management is therefore presenting the Annual Report under the going concern assumption.

#### **Misstatement in financial statement previous years**

In connection with the audit of the 2022 financial statement a misstatement which relate to the financial year 2021 has been identified. The misstatement relates to the COVID-19 help packages for periods in 2021 which should have been recognized as Other operating income in the 2022 financial statement. The error has resulted in overstatement of gross profit in 2021. The total effect of the error is DKK 108 thousand before and after tax. As a result of the nature and size of the error, the error is recognized as a correction of the opening equity as at 1 January 2022 and an adjustment of gross loss in the income statement in 2022.

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## Financial statements 1 January – 31 December

### Income statement

DKK	Note	2022	2021
<b>Gross profit/loss</b>		-527,042	526,675
Staff costs	3	-2,218,723	-3,133,238
Depreciation on property, plant and equipment		-9,647	-86,960
<b>Loss before financial income and expenses</b>		-2,755,412	-2,693,523
Other financial expenses	4	-299,334	-239,731
<b>Loss before tax</b>		-3,054,746	-2,933,254
Tax on loss for the year	5	0	-41,281
<b>Loss for the year</b>		<u>-3,054,746</u>	<u>-2,974,535</u>
<b>Proposed distribution of loss</b>			
Retained earnings		-3,054,746	-2,974,535
		<u>-3,054,746</u>	<u>-2,974,535</u>

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## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	31/12 2022	31/12 2021
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>			
Fixtures, fittings, tools and equipment		0	9,647
<b>Investments</b>			
Deposits		206,623	230,435
<b>Total fixed assets</b>		<u>206,623</u>	<u>240,082</u>
<b>Current assets</b>			
<b>Receivables</b>			
Trade receivables		124,013	33,659
Other receivables		0	444,787
		<u>124,013</u>	<u>478,446</u>
<b>Cash at bank and in hand</b>		<u>1,337,785</u>	<u>1,400,385</u>
<b>Total current assets</b>		<u>1,461,798</u>	<u>1,878,831</u>
<b>TOTAL ASSETS</b>		<u><u>1,668,421</u></u>	<u><u>2,118,913</u></u>

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## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	31/12 2022	31/12 2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital		500,000	500,000
Retained earnings		-6,415,631	-3,360,884
<b>Total equity</b>		<u>-5,915,631</u>	<u>-2,860,884</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		76,578	797,255
Payables to group entities		7,157,145	2,865,080
Other payables, including taxes payable		350,329	1,317,462
		<u>7,584,052</u>	<u>4,979,797</u>
<b>Total liabilities</b>		<u>7,584,052</u>	<u>4,979,797</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,668,421</u>	<u>2,118,913</u>

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## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2022	500,000	-3,252,622	-2,752,622
Net effect from adjustment of material error	0	-108,263	-108,263
Transferred over the distribution of loss	0	-3,054,746	-3,054,746
<b>Equity at 31 December 2022</b>	<b>500,000</b>	<b>-6,415,631</b>	<b>-5,915,631</b>

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## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of CITS V SERVICE (DENMARK) A/S for 2022 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The Financial Statements for 2022 are presented in DKK.

#### Material errors

In connection with the audit of the 2022 financial statement a misstatement which relate to the financial year 2021 has been identified. The misstatement relates to the COVID-19 help packages for periods in 2021 which should have been recognized as Other operating income in the 2022 financial statement. The error has resulted in overstatement of gross profit in 2021. The total effect of the error is DKK 108 thousand before and after tax. As a result of the nature and size of the error, the error is recognized as a correction of the opening equity as at 1 January 2022 and an adjustment of gross loss in the income statement in 2022.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

#### Government grants

Government grants are recognised when it is fairly certain that the grant conditions will be complied with, and the grant will be received.

Grants compensating for costs incurred are recognised directly as operating income in the income statement as costs eligible for grants are incurred. If the conditions for receiving the grant are not complied until after related costs have been recognised, the grant is to be recognised in the income statement when the conditions have been complied with and it is fairly certain that the grant will be awarded.

Grants to acquire assets are recognised in the balance sheet as deferred income/prepayments and transferred to other operating income in the income statement line with depreciation/amortisation of the assets covered by the grant.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

##### Income statement

###### Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ®2020.

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

###### Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment as well as payroll refunds.

###### Other external costs

Other external costs comprise costs for distribution and sales costs, costs for advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

###### Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs.

###### Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

###### Tax on loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

##### Balance sheet

###### Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures, fittings, tools and equipment	3-5 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

#### Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are accounted for as operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

#### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

#### Receivables

Receivables are measured at amortised cost.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

##### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

The liability in relation to frozen holiday funds is measured at net realisable value, including indexation. Indexation adjustments are recognised as interest expense in the income statement.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at amortised cost.

#### 2 Material uncertainty regarding going concern

The Financial Statement is prepared under going concern assumption due to the Company has received a declaration of financial support from its parent company, China International Travel Service Limited, who commits to provide financial support for at least 12 months from the date of the approval of the Company's financial statements for year ending 31 December 2022 and expects to renew the financial support commitment each year.

Financial support includes re-payment of external debt as well as internal debt as it falls due. All internal debt will be sub-ordinated to external liabilities. Parent company agrees that the loan extended and additional future loans that will be extended and will not be called unless the liquidity position of Company is adequate to justify such repayment.

On this basis it is managements assessment, that the Annual Report shall be prepared on a going concern basis.

## Financial statements 1 January – 31 December

### Notes

#### 3 Staff costs

DKK	2022	2021
Wages and salaries	2,174,746	3,087,862
Other social security expenses	43,977	45,376
	<u>2,218,723</u>	<u>3,133,238</u>
Average number of full-time employees	<u>5</u>	<u>5</u>

#### 4 Other financial expenses

DKK	2022	2021
Interest paid to group entities	113,873	58,967
Other interest expenses	11,157	8,805
Exchange losses	174,304	171,959
	<u>299,334</u>	<u>239,731</u>

#### 5 Tax on profit for the year

DKK	2022	2021
Current tax for the year	0	41,281
	<u>0</u>	<u>41,281</u>

#### 6 Contractual obligations, contingencies, etc.

##### Operating lease obligations

DKK	31/12 2022	31/12 2021
Rent and lease obligations	<u>247,900</u>	<u>229,967</u>

A guarantee of DKK 350,000 is given to Embassy of the Peoples Republic of China.