SUNNY EXPRESS ENTERPRISES CORP.

(incorporated in the British Virgin Islands with limited liability)

(the "Issuer")

U.S.$700,000,000 2.95 PER CENT. GUARANTEED NOTES DUE 2027

(the "Notes", Stock Code: 4505)

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

中国旅游集团
CHINA TOURISM GROUP

CHINA TOURISM GROUP CORPORATION LIMITED
（中国旅游集团有限公司）

(formerly known as China National Travel Service Group Corporation Limited (中国旅游集团有限公司))

(incorporated in the People's Republic of China with limited liability)

(the "Guarantor")

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

CLSA	**Bank of China (Hong Kong)**	**DBS Bank Ltd.**	**China International Capital Corporation**

Joint Lead Managers and Joint Bookrunners

ICBC (Asia)	**China Construction Bank (Asia)**	**CMB Wing Lung Bank Limited**	**ABC International**	**Deutsche Bank**
UBS	**J.P. Morgan**	**Mizuho Securities**	**Industrial Bank Co., Ltd. Hong Kong Branch**	

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Notes on The Stock Exchange of Hong Kong Limited dated 1 March 2022 published by the Issuer.

The offering circular dated 22 February 2022 in relation to the Notes is appended to this announcement.

Hong Kong, 2 March 2022

As at the date of this announcement, the board of directors of the Issuer comprises Mr. Zhang Zheng and Mr. Li Wei; and the board of directors of the Guarantor comprises Mr. CHEN Yin, as Chairman of the board of directors, Mr. LV Youqing, Mr. YUAN Jiuqiang, Mr. REN Shuhui, Mr. OUYANG Qian, Mr. ZENG Weixiong, Mr. LIU Jinzhang and Mr. CHE Shanglun.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. This applies to the attached offering circular following this disclaimer (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES AND THE GUARANTEE OF THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY US ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes, investors must not be in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that you are not located in the United States, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer and the Guarantor (each as defined in the Offering Circular) in such jurisdiction.

Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of CLSA Limited, Bank of China (Hong Kong) Limited, DBS Bank Ltd., China International Capital Corporation Hong Kong Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, China Construction Bank (Asia) Corporation Limited, CMB Wing Lung Bank Limited, ABCI Capital Limited, Deutsche Bank AG, Hong Kong Branch, UBS AG Hong Kong Branch, J.P. Morgan Securities PLC, Mizuho Securities Asia Limited and Industrial Bank Co., Ltd. Hong Kong Branch (collectively, the "**Joint Lead Managers**") or any person who controls any of the Joint Lead Managers, or any director, officer, employee or agent of any of the Joint Lead Managers, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in an electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

SUNNY EXPRESS ENTERPRISES CORP.

(incorporated with limited liability under the laws of the British Virgin Islands)

U.S.$700,000,000 2.95 PER CENT. GUARANTEED NOTES DUE 2027
UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

中国旅游集团
CHINA TOURISM GROUP

CHINA TOURISM GROUP CORPORATION LIMITED
(中国旅游集团有限公司)

(formerly known as China National Travel Service Group Corporation Limited (中国旅游集团有限公司))

(incorporated in the People's Republic of China with limited liability)

Issue Price for the Notes: 99.774 per cent.

The U.S.$700,000,000 2.95 per cent. Guaranteed Notes due 2027 (the "**Notes**") will be issued by Sunny Express Enterprises Corp. (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by China Tourism Group Corporation Limited (中国旅游集团有限公司) (formerly known as China National Travel Service Group Corporation Limited (中国旅游集团有限公司)) (the "**Guarantor**" or the "**Company**"). The Issuer is a direct wholly-owned subsidiary of the Guarantor. The PRC government is not an obligor and Noteholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Notes or the Guarantee of the Notes in lieu of the Issuer or the Guarantor. See "*Risk Factors – Risks relating to the Notes and the Guarantee of the Notes – The PRC government has no obligations under the Notes or the Guarantee of the Notes*".

The Notes will bear interest from 1 March 2022 (the "**Issue Date**") at the rate of 2.95 per cent. per annum.

The Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) (Negative Pledge) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

This Guarantee of the Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) (Negative Pledge) of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Interest on the Notes is payable semi-annually in arrear in equal instalments on 1 March and 1 September in each year, commencing on 1 September 2022. Payments on the Notes and the Guarantee of the Notes will be made without deduction for or on account of taxes of the British Virgin Islands, Hong Kong or the PRC to the extent described under "*Terms and Conditions of the Notes – Taxation*".

The Notes mature on 1 March 2027 (the "**Maturity Date**") at their principal amount. The Notes are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Tax Reasons*". The Notes may also be redeemed at the option of the holders, all but not some only, of such holder's Notes at 101 per cent. of their principal amount, together with accrued interest, upon the occurrence of a Change of Control or at 100 per cent. of their principal amount, together with accrued interest, upon a Non-Registration Event (each, as defined herein). See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Relevant Event*" of the Notes. The Notes may also be redeemed at the option of the Issuer in whole but not in part at any time at a price equal to their Make Whole Redemption Price (as defined in the Terms and Conditions of the Notes) giving not less than 30 nor more than 60 days' notice to the Noteholders. See "*Terms and Conditions of the Notes and Purchase – Make whole redemption*".

The Guarantor will be required to register or cause to be registered with State Administration of Foreign Exchange of the PRC or its local counterparts ("**SAFE**"), the deed of guarantee in respect of the Notes (the "**Deed of Guarantee**") within 15 PRC Business Days after the Issue Date in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014, which came into effect on 1 June 2014 and any implementation rules and guidelines as issued by SAFE from time to time (the "**Cross-Border Security Registration**"). The Guarantor intends to use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the SAFE Registration Deadline (being 150 calendar days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee of the Notes.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect immediately (the "**NDRC Circular**"), the Guarantor has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated 14 January 2022 evidencing such registration, which as at the date of this Offering Circular, remains valid and in full force and effect and intends to provide the requisite information about the issuance of the Notes to the NDRC within the 10 PRC Business Days after the Issue Date in accordance with the NDRC Circular.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the SEHK) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes is intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes is not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer, the Guarantor, the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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Prohibition of sales to UK retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Singapore SFA Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore ("**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

It is expected that dealing in, and listing of, the Notes on the SEHK will commence on or about 2 March 2022.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 28 for a description of certain factors to be considered in connection with an investment in the Notes.

The Notes is expected to be rated "A3" by Moody's Investors Service, Inc. ("**Moody's**"). Moody's and S&P Global Ratings, a division of S&P Global Inc. ("**S&P**") have assigned a corporate rating of "A3" and "A-", respectively, with a stable outlook to the Guarantor. A rating is not a recommendation to buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered, sold or delivered within the United States. The Notes is only being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Notes will be represented by beneficial interests in a global certificate (the "**Global Note Certificate**") in registered form which will be registered in the name of, and be deposited on or about 1 March 2022 (the "**Closing Date**"), with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Note Certificate will be shown on, and transfer thereof will only be effected through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

CLSA **Bank of China (Hong Kong)** **DBS Bank Ltd.** **China International Capital Corporation**

Joint Lead Managers and Joint Bookrunners

ICBC (Asia) **China Construction Bank (Asia)** **CMB Wing Lung Bank Limited** **ABCI International** **Deutsche Bank**

UBS **J.P. Morgan** **Mizuho Securities** **Industrial Bank Co., Ltd. Hong Kong Branch**

Offering Circular dated 22 February 2022.

IMPORTANT NOTICE

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The Issuer and the Guarantor, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries (collectively, the "**Group**") and to the Notes and the Guarantee of the Notes, in each case, which is material in the context of the issue and offering of the Notes (including all information which is required by applicable laws or which, according to the particular nature of the Issuer, the Guarantor, the Notes and the Guarantee of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor, the Group and of rights attaching to the Notes and the Guarantee of the Notes); (ii) this Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor and the Group, are in every material particular true and accurate and not misleading; (iv) the opinions and intentions with regard to the Issuer, the Guarantor and the Group expressed in this Offering Circular are honestly held and reasonable, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (v) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes or the Guarantee of the Notes the omission of which would, in the context of the issue, offering, sale, marketing or distribution of the Notes or the giving of the Guarantee of the Notes, make any statement in this Offering Circular misleading in any material respect; (vi) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements; and (vii) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular are based on or derived or extracted from sources which the Issuer and/or the Guarantor believes to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering (the "**Offering**") described in this Offering Circular. The distribution of this Offering Circular and the Offering in certain jurisdictions may be restricted by law. Persons whose possession this Offering Circular comes into are required by each of the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the possession or distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith, including the United States, the European Economic Area, the United Kingdom, Hong Kong, the People's Republic of China, Singapore, Japan and the British Virgin Islands. For a description of certain restrictions on offers, sales and resales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor and the Group or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers or the Agents (as defined in the Terms and Conditions of the Notes) or any of their respective affiliates, directors, employees, agents or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Guarantor, the Joint Lead Managers or the Agents to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor, the Group and the Notes. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Agents or any of their respective affiliates, directors, employees, agents or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Agents or any of their respective affiliates, directors, employees, agents or advisers. None of the Joint Lead Managers, the Agents or any of their respective affiliates, directors, employees, agents or advisers has independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Agents or any of their respective affiliates, directors, employees, agents or advisers accept any responsibility for the contents of this Offering Circular. Each of the Joint Lead Managers, the Agents and their respective affiliates, directors, employees, agents or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement herein. None of the Joint Lead Managers, the Agents or any of their respective affiliates, directors, employees, agents or advisers undertakes to review the financial condition or affairs of the Issuer, the Guarantor, or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers, the Agents or their respective affiliates, directors, employees, agents or advisers.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her advisers.

Listing of the Notes on the SEHK is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, the Notes or the Guarantee of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the Offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors.

The Joint Lead Managers and its respective affiliates may purchase any Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Each of the Joint Lead Managers and its affiliates has engaged in, and may in the future engage in, investment banking, equity and other financings and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies from time to time. Furthermore, investors in the Notes may include entities affiliated with the Group. This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This Offering Circular, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Agents, the Joint Lead Managers or any of their respective affiliates, directors, employees, agents or advisers, or any of them that any recipient of this Offering Circular should subscribe for or purchase any Notes. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS ACTING AS STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of the PRC have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer, the Guarantor, the Agents or the Joint Lead Managers or by their respective affiliates, directors and advisers, and neither the Issuer, the Guarantor, the Joint Lead Managers nor their respective directors and advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The Group's audited consolidated financial information as at 1 January 2020 and 31 December 2020, and for the years ended 31 December 2019 and 2020 have been extracted from the consolidated financial statements of the Group as at and for the year ended 31 December 2020 (the "**Audited Financial Statements**") audited by Baker Tilly China Certified Public Accountants ("**Baker Tilly**"), the reporting independent auditor of the Guarantor, and have been prepared by the Guarantor in accordance with Accounting Standards for Business Enterprises in China ("**PRC GAAP**") and have been audited by Baker Tilly in accordance with the Auditing Standards for Certified Public Accountants of China issued by the Chinese Institute of Certified Public Accountants.

The unaudited and unreviewed consolidated interim financial information of the Group as at and for the six months ended 30 June 2020 and 2021 included in this Offering Circular has been extracted from the Group's management accounts as at and for the six months ended 30 June 2020 and 2021 which has neither been audited nor reviewed by independent auditors of the Group (the "**Interim Financial Information**"). The Interim Financial Information has been prepared in accordance with PRC GAAP. The Interim Financial Information has only been prepared in Chinese and is available on the website of China Foreign Exchange Trades System at http://www.chinamoney.com.cn.

The Interim Financial Information have not been audited or reviewed by the Group's auditors and consequently, the Interim Financial Information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

Each of the Joint Lead Managers does not make any representation or warranty, express or implied, regarding the sufficiency of the unaudited and unreviewed consolidated interim financial information of the Group as at and for the six months ended 30 June 2020 and 2021 for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. The unaudited and unreviewed consolidated interim financial information of the Group as at and for the six months ended 30 June 2020 and 2021 should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ended 31 December 2021.

The Group has adopted two new accounting standards starting from 1 January 2020, including "Interpretation of Accounting Standards for Business Enterprises No. 13" (CaiKuai [2019] No. 21) and "Provisions on Accounting Treatment of the Rent Concession Related to COVID-19 Epidemic-related Disease" (CaiKuai [2020] No. 10). The Group's subsidiary, CTG Duty-Free, has also adopted a new accounting standard, "Accounting Standard for Business Enterprises No. 14 – Revenue" (CaiKuai [2017] No. 22), starting from 1 January 2020. With the implementation of the new accounting standards, relevant items in the balance sheet as at the beginning of the year, 1 January 2020, were restated from the audited consolidated balance sheet of the Group as at 31 December 2019. The audited consolidated balance sheet of the Group as at 31 December 2019 is not included as part of this Offering Circular, but the adjusted and restated items are included as footnotes in the summary of the consolidated balance sheet as at 1 January 2020 and 31 December 2020 below (see "*Summary Financial Information*").

The Audited Financial Statements have only been prepared in Chinese. The Audited Financial Statements are available on www.shclearing.com. The English translation of such Audited Financial Statements (the "**Financial Statements Translation**") have been included in this Offering Circular, together with the English translation of the auditor's audit report in respect of such financial statements. Should there be any inconsistency between the Financial Statements Translation and the Audited Financial Statements, the Audited Financial Statements will prevail. None of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential purchasers must exercise caution when using such financial information to evaluate the financial condition, results of operations and prospects of the Guarantor.

The Group publishes its interim financial information from time to time. Such financial information published by the Group in the PRC is normally derived from its management accounts and is not audited or reviewed by independent auditors. As such, financial information published in the PRC by the Group should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information. In particular, the published financial information as at and for the nine months ended 30 September 2021, published by the Group in the PRC, has not been audited or reviewed by independent auditors. Other than as stated in "*Description of the Group – Recent Developments*", such financial information is not included in this Offering Circular and should not be relied upon by any investors to make their investment decisions in the Notes.

PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("**IFRS**"). For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Significant Differences between PRC GAAP and IFRS*".

FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Group*" and elsewhere in this Offering Circular may constitute "*forward-looking statements*". Words such as "believe", "expect", "plan", "anticipate", "schedule", "estimate" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements and such risks, uncertainties and other factors include, among other things:

- the Group's ability to successfully implement its business plans and strategies;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- the Group's business prospects and capital expenditure plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;

- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- those other risks identified in the "*Risk Factors*" section of this Offering Circular.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's, the Guarantor's, or the Group's expectations. All subsequent written and forward-looking statements attributable to the Issuer, the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

CERTAIN TERMS AND CONVENTIONS

All non-company specific statistics and data relating to the Guarantor's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer and the Guarantor believe that the sources of this information are appropriate for such information and the Issuer has taken reasonable care in extracting and reproducing such information. Each of the Issuer and the Guarantor has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been independently verified by any of the Issuer, the Guarantor, the Joint Lead Managers or the Agents or by any of their respective affiliates, officers, directors, employees, agents and representatives or advisers and none of the Issuer, the Guarantor, the Joint Lead Managers or the Agents or their respective affiliates, officers, directors, employees, agents and representatives or advisers makes any representation as to the correctness, accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

This Offering Circular contains a translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information, in relation to the Guarantor, has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.5250 to U.S.$1.00 (the noon buying rate in New York City on 31 December 2020, as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding the exchange rate is set forth in "*Exchange Rate Information*" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

CERTAIN DEFINED TERMS AND CONVENTIONS

The Company has prepared this Offering Circular using a number of conventions which you should consider when reading the information contained herein. In this Offering Circular, references to:

- "**BVI**" is to the British Virgin Islands;
- "**CDFG**" is to China Duty Free Group Co., Ltd. (中國免税品(集團)有限責任公司);
- "**China**", "**Chinese**" or "**PRC**" are to the People's Republic of China, excluding Hong Kong, Macau and Taiwan;
- "**CITS**" is to China International Travel Service Corporation Limited (中國國旅股份有限公司), the predecessor of CTG Duty-Free;
- "**CITS Group**" is to China International Travel Service Group Corporation (中國國旅集團有限公司), the predecessor of CTG Asset;
- "**CSRC**" is to the China Securities Regulatory Commission;
- "**CTG Asset**" is to China Tourism Group Investment and Asset Management Co., Ltd. (中國旅遊集團投資和資產管理有限公司), previously known as CITS Group;
- "**CTG Duty-Free**" is to China Tourism Group Duty Free Corporation Limited (中國旅遊集團中免股份有限公司), previously known as CITS;
- "**CTG Finance**" is to CTG Finance Company Limited (中旅集團財務有限公司), previously known as China National Travel Service (HK) Finance Co., Ltd. (港中旅財務有限公司);
- "**CTG Financial Leasing**" is to CTG Financial Leasing Co., Ltd. (中旅融資租賃有限公司), previously known as CTS International Financial Leasing Co., Ltd. (港中旅國際融資租賃有限公司);
- "**CTG Financial Services**" is to CTG Financial Services Corporation Limited (中國旅遊集團金融投資有限公司), previously known as China Travel Financial Investment Holdings Co., Limited (香港中旅金融投資控股有限公司);
- "**CTG Hotel**" is to CTG Hotel Holdings Corporation Limited (中國旅遊集團酒店控股有限公司), previously known as China CTS Group Co. (中國中旅酒店(集團)有限公司);
- "**CTG Insurance Brokers**" is to CTG Insurance Brokers Co., Ltd. (港中旅保險經紀有限公司);

- "**CTG Investment**" is to CTG Investment Management Corporation Limited (中國旅遊集團投資運營有限公司);

- "**CTG Travel Service**" is to China Tourism Group Travel Service Co., Ltd. (中國旅遊集團旅行服務有限公司);

- "**CTII**" is to China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司);

- "**CTS**" is to China Travel Service (Holdings) Hong Kong Limited (香港中旅(集團)有限公司);

- "**CTSHK**" is to China Travel Service (Hong Kong) Limited (香港中國旅行社有限公司);

- "**CTS Investment (Shanghai)**" is to CTS Investment (Shanghai) Co., Ltd. (港中旅投資(上海)有限公司);

- "**GFA**" is to gross floor area;

- "**Group**" is to the Guarantor and its consolidated subsidiaries;

- "**Guarantor**", "**Company**", "**we**", "**us**", and "**our**" are to China Tourism Group Corporation Limited (中国旅游集团有限公司) (formerly known as China National Travel Service Group Corporation Limited (中国旅游集团有限公司));

- "**Hainan Duty Free**" is to Hainan Duty Free Co., Ltd. (海南省免税品有限公司);

- "**HK$**" is to Hong Kong dollars, the official currency of Hong Kong;

- "**HKCTS Insurance Brokers**" is to China Travel Insurance Advisers Hong Kong Limited (香港中旅保險顧問有限公司);

- "**Hong Kong**" is to the Hong Kong Special Administrative Region of the PRC;

- "**Macau**" is to the Macau Special Administrative Region of the PRC;

- "**Mango.com**" is to Mangocity.com Limited;

- "**MOFCOM**" is to the Ministry of Commerce of the PRC;

- "**NDRC**" is to the National Development and Reform Commission of the PRC;

- "**PBOC**" is to the People's Bank of China;

- "**PrimeCredit**" is to PrimeCredit Limited (安信信貸有限公司);

- "**RMB**" and "**Renminbi**" are to the Renminbi Yuan, the official currency of the PRC;

- "**SASAC**" is to the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);

- "**SEHK**" is to The Stock Exchange of Hong Kong Limited;
- "**SSE**" is to the Shanghai Stock Exchange;
- "**Sunrise Duty Free (Shanghai)**" is to Sunrise Duty Free (Shanghai) Co. Ltd. (日上免税行(上海)有限公司);
- "**Tier 1**", "**Tier 2**" and "**Tier 3**" are to the classification system for urban real estate in China, with cities in successive tiers being distinguished by relative levels of total retail sales and annual per capita income;
- "**U.S.**" is to the United States of America; and
- "**U.S.$**" and "**U.S. dollars**" are to United States dollars, the official currency of the United States of America.

CONTENTS

SUMMARY

This summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to prospective investors in deciding to invest in the Notes. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

OVERVIEW

Founded in April 1928, the Group is the most time-honoured tourism enterprise in China, and provides comprehensive travel and tourism services both domestically and internationally. It is one of the key state-owned enterprises under the direct supervision of the PRC central government through SASAC and one of only three central government-owned enterprises headquartered in Hong Kong.

The Group began as a travel agency and has been at the forefront of the tourism industry since its inception. In the course of its growth, the Group has gradually developed an all-round business network covering travel agency services, duty-free sales, tourist attraction operations, hotel operations and travel document services, with a presence in the PRC, Hong Kong, Macau and many foreign countries. Through over nine decades of development, the Group has established itself as an industry-leading tourism conglomerate underpinned by its large business scale, integrated service chain, rich tourism resources and global reach, thereby creating a highly valued brand. As at 30 June 2021, the Group was the largest central government-owned tourism enterprise in China in terms of total assets and revenue.

The Guarantor operates its business through various subsidiaries. As at the date of this Offering Circular, the Guarantor has 13 wholly-owned direct subsidiaries and two majority-owned direct subsidiaries in the PRC, Hong Kong and overseas. Among the subsidiaries of the Group, CTII (stock code: 308) and CTG Duty-Free (stock code: 601888) are two public companies that are listed on the SEHK and SSE, respectively.

As at 1 January 2020, 31 December 2020 and 30 June 2021, the total assets of the Group were RMB122.7 billion, RMB151.7 billion and RMB171.0 billion, respectively. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the total operating revenue of the Group was RMB81.0 billion, RMB69.9 billion, RMB24.5 billion and RMB39.8 billion, respectively. For the respective periods, the total operating profit (loss) of the Group was RMB7.5 billion, RMB8.7 billion, RMB-0.3 billion and RMB6.8 billion.

The Group's business operations can be divided into six core business divisions: (i) travel and tourism services; (ii) tourism investment and operation; (iii) tourism retailing; (iv) hotel operations; (v) tourism finance; and (vi) strategic innovation and incubation:

- *Travel and tourism services*. Travel and tourism services have been the Group's core business segment since its inception. This segment primarily consists of travel agency services and travel document services. The integrated service network has placed the Group in a good position to provide tourists with one-stop and tailor-made services. The Group conducts its travel and tourism services business primarily through CTG Travel Service, CTII, CTS and CTG Duty-Free as well as their respective subsidiaries in the PRC and Hong Kong. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from the travel and tourism services business was RMB20.1 billion, RMB4.5 billion, RMB1.9 billion and RMB1.7 billion, respectively, representing approximately 24.8 per cent., 6.5 per cent., 7.8 per cent. and 4.3 per cent. of its total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the travel and tourism services business was RMB0.4 billion, RMB-0.9 billion, RMB-0.6 billion and RMB-0.3 billion, respectively, representing 5.7 per cent. of the Group's total profit, -10.3 per cent. of the Group's total profit, 200.1 per cent. of the Group's total loss and -4.6 per cent of the Group's total profit, respectively.

- *Tourism investment and operation*. During the intra-group reorganisation in 2018, the Group consolidated its various business sub-segments, primarily tourist attraction operations, tourism real estate and passenger transport operation, to form this new business segment in the belief that the synergies amongst these businesses could better serve the Group's strategy in building a top-rated asset investment and operating platform. The Group has comprehensive cultural and tourism projects including iconic theme parks, natural scenery parks, holiday resorts and cultural villages. The Group has also mapped out its real estate network mainly in the Bohai Economic Zone and the Beijing-Tianjin-Hebei Metropolitan Region in the PRC. As at 30 June 2021, the Group had 28 major real estate projects under construction. The Group also owned one transportation company focusing on passenger transportation in the Guangdong-Hong Kong-Macao area (the "**Greater Bay Area**"). For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from its tourism investment and operation segment was RMB7.1 billion, RMB9.3 billion, RMB1.6 billion and RMB1.2 billion, respectively, representing approximately 8.7 per cent., 13.4 per cent., 6.5 per cent. and 3.0 per cent. of its total operating revenue, respectively. For the same period, the Group's total profit (loss) generated from the tourism investment and operation business was RMB1.0 billion, RMB1.0 billion, RMB-0.2 billion and RMB-1.0 billion, representing 12.8 per cent. of the Group's total profit, 12.0 per cent. of the Group's total profit, 62.5 per cent. of the Group's total loss and -13.9 per cent. of the Group's total profit, respectively.

- *Tourism retailing*. Tourism retailing has become the most important business segment of the Group. This business is primarily operated through CDFG, a wholly owned subsidiary of CTG Duty-Free that was merged into the Group in 2016. Established in 1984, CDFG is one of only ten groups of entities with duty-free operation permits in the PRC, one of the six groups of entities with permits to operate duty-free port stores nationwide, and the only group with operation permit for all types of duty-free stores in China. Its complete product portfolio ranges from tobacco, wines and spirits, perfumes and cosmetics to fashion and accessories, watches, jewellery, stationery, food and souvenirs, and travel accessories. After nearly 40 years of development, CDFG has set up 124 subsidiaries in the PRC, of which 37 are its wholly-owned subsidiaries and 87 are its majority-owned subsidiaries. Its sales network has expanded to cover airports, border crossings, planes, cruises, downtown areas, bus terminals and railway stations, with more than 240 outlets in total. In 2020, the Group's duty-free sales ranked first globally and first domestically in terms of sales volume, occupying over 90 per cent. of the market share in the PRC. As at 30 June 2021, the Group had the largest number of duty-free outlets within a single country in the world. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from the duty-free business was RMB48.1 billion, RMB52.6 billion, RMB19.3 billion and RMB35.5 billion, respectively, representing 59.4 per cent., 75.2 per cent., 79.0 per cent. and 89.4 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit generated from the duty-free business was RMB6.5 billion, RMB9.7 billion, RMB1.2 billion and RMB8.5 billion, respectively, representing 86.9 per cent. of the Group's total profit, 110.9 per cent. of the Group's total profit, -412.9 per cent. of the Group's total loss and 124.4 per cent. of the Group's total profit, respectively.

- *Hotel operations*. The hotel operations business is primarily conducted through the Company's wholly-owned subsidiary, CTG Hotel. Building on its brand reputation and extensive resources in capital and talent, the Group enjoys a competitive advantage in hotel operations and has, over the past 36 years, accumulated rich experience in operating and managing hotels in both eastern and western styles across the PRC and overseas, providing a comfortable experience to travellers. To cater to the diverse needs of clients, the Group operates both luxury and affordable hotels under four brands, namely, Grand Metropark (維景國際), Metropark (維景), Kew Green (睿景) and Traveller Inn (旅居). For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the operating revenue generated from the Group's hotel operations business was RMB2.8 billion, RMB1.2 billion, RMB0.5 billion and RMB0.7 billion, respectively, representing 3.5 per cent., 1.7 per cent., 1.9 per cent. and 1.7 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the group's hotel operations business was RMB0.2 billion, RMB-0.6 billion, RMB-0.5 billion and RMB-0.1 billion, respectively, representing 3.2 per cent. of the Group's total profit, -6.9 per cent. of the Group's total profit, 167.5 per cent. of the Group's total loss and -1.5 per cent. of the Group's total profit, respectively.

- *Tourism finance*. The Group develops its tourism finance business to provide comprehensive financial solutions as a value-added service to its integrated travel and tourism business, with the aim of consolidating and allocating its industrial and financial capital resources efficiently. This business is mainly carried out through a subsidiary of the Company, CTG Financial Services, which manages some subsidiaries of the Company which conduct financial businesses, including CTG Finance, PrimeCredit, CTG Financial Leasing, CTS Investment (Shanghai) and HKCTS Insurance Brokers. The Group's tourism finance business develops tailored financial services to support and contribute to the main travel and tourism business of the Group. The Group's tourism finance business mainly focuses on the development of consumer finance and industry fund businesses, as well as the promotion of the financial lease and tourism insurance businesses. The Group's tourism finance business mainly caters to the diverse investment, financing and wealth management requirements of tourism enterprises and individual tourists. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from its tourism finance business was RMB2.6 billion, RMB2.1 billion, RMB1.1 billion and RMB0.9 billion, respectively, representing approximately 3.2 per cent., 2.9 per cent., 4.5 per cent. and 2.3 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit generated from the tourism finance business was RMB0.4 billion, RMB0.5 billion, RMB0.2 billion and RMB0.3 billion, respectively, representing 5.1 per cent. of the Group's total profit, 6.2 per cent. of the Group's total profit, -71.0 per cent. of the Group's total loss and 4.2 per cent. of the Group's total profit, respectively.

- *Strategic innovation and incubation*. The Group's strategic innovation and incubation business primarily comprises the Group's non-core businesses and new business, including, for instance, cruises, recreational vehicles, as well as non-tourism oriented services operated by subsidiaries of CTG Asset. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the operating revenue generated from the Group's strategic innovation and incubation business was RMB0.7 billion, RMB0.5 billion, RMB0.5 billion and RMB0.2 billion, respectively, representing 0.8 per cent., 0.7 per cent., 2.0 per cent. and 0.6 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the strategic innovation and incubation business was RMB-54.2 million, RMB103.3 million, RMB-36.7 million and RMB34.7 million, respectively, representing -0.7 per cent. of the Group's total profit, 1.2 per cent. of the Group's total profit, 13.0 per cent. of the Group's total loss and 0.5 per cent. of the Group's total profit, respectively.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths outlined below distinguish itself from its competitors and are important to its success and future development:

- Largest travel enterprise under the direct supervision of the PRC central government carrying out the national tourism development strategy

- A leading tourism enterprise group in the PRC and Hong Kong with a diversified business portfolio and integrated chain of businesses

- Advantageous and expanding competitiveness in the Group's leading tourism retailing business

- Continuous growth potential of the Group's core travel and tourism business

- A strong liquidity position and prudent fiscal policies

- Sound corporate governance implemented by a team of experienced leaders and senior management

BUSINESS STRATEGIES

As a leader in China's tourism industry, the Group has been striving to continue to utilise its excellent product innovation and resource facilitation capabilities in the tourism industry to grow and diversify its businesses so as to widen its influence from being primarily a domestic industry leader to become a world leading tourism enterprise that is highly competitive on a global scale. The Group intends to focus on the following strategies to achieve these goals:

- Centre on its core travel and tourism services and create an excellent customer experience so as to further build upon its core competencies

- Further strengthen the competitiveness of its tourism retailing business to become a world-leading tourism retailer

- To establish a sound management system for its tourism investment and operation businesses

- To further support the development and improve profitability of the core tourism and travel services based on the synergies between tourism and finance

- Continue to be innovative in exploring new business opportunities

- Continue to invest in human resources and attract and cultivate high-quality employees

RECENT DEVELOPMENTS

The financial information of the Guarantor as at and for the nine months ended 30 September 2021

The Guarantor has published its third quarter financial information as at and for the nine months ended 30 September 2021, which was prepared in accordance with PRC GAAP (the "**Guarantor's 2021 Third Quarter Financial Information**"). The Guarantor's 2021 Third Quarter Financial Information is not included in and does not form a part of this Offering Circular. The Guarantor's 2021 Third Quarter Financial Information has not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited or reviewed. Consequently, none of the Joint Lead Managers, or any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment thereof, and potential investors must exercise caution when using such data to evaluate the Guarantor's financial conditions and results of operations. The Guarantor's 2021 Third Quarter Financial Information should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor or the Group for the full financial year ended 31 December 2021.

For the nine months ended 30 September 2021, the Group's total revenue increased as compared to the same period in 2020 primarily due to increased revenue generated from its tourism retailing business. Increases in operating profit and net profit in respect of the Group's tourism retailing business also led to overall increases in its total operating profit and total net profit for the nine months ended 30 September 2021 as compared to the same period in 2020. Correspondingly, and given the continued expansion of the Group's business scale, total operating cost also recorded an increase, particularly in taxes and surcharges, management expenses and finance expenses.

As at 30 September 2021, the Group's current liabilities, non-current liabilities, current assets and non-current assets all increased, whereas its cash and cash equivalents decreased as compared to 31 December 2020, all of which are in line with the enlarged scale of the Group's business operations. In particular, as at 30 September 2021, the Group's short-term borrowings, non-current liabilities due within one year and long-term increased as compared to 31 December 2020, with a decrease in bonds payables. For the nine months ended 30 September 2021, operation cashflow and financing cashflow decreased and investing cashflow increased as compared to the same period in 2020.

See also "*Risk Factors – Risks Relating to the Group – The Group has published, and may continue to publish, periodical financial information in the PRC pursuant to applicable PRC regulations and the rules of relevant stock exchanges. Investors should be cautious and should not place any reliance on the financial information other than that disclosed in this Offering Circular.*"

Disposal of 51.0 per cent. equity interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. under the travel and tourism business sub-segment

In January 2021, CTII, a subsidiary of the Guarantor, made an open solicitation in relation to the disposal of 51.0 per cent. equity interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. (港中旅(登封)嵩山少林文化旅遊有限公司) (the "**Songshan Company**"), the operator of Songshan Scenic Spot, which performance has suffered. After completing the transaction process on China Beijing Equity Exchange, CTII entered into an equity transfer agreement with Deng Feng Songshan Shaolin Culture Tourism Group Company Limited ("**Deng Feng**") on 25 January 2021, pursuant to which the CTII agreed to dispose of its 51.0 per cent. equity interest in Songshan Scenic Spot to Deng Feng at a consideration of approximately RMB255.1 million. The disposal of Songshan Scenic Spot will help to enhance the portfolio of CTII's natural and cultural scenic spots, raise the asset turnover rate, increase working capital, and further improve the sustainability of CTII's development. As at the date of this Offering Circular, the disposal has been completed.

Provision of services by the Group to the 2022 Beijing Winter Olympic Games

In February 2022, the 2022 Beijing Winter Olympic Games were held in Beijing and Zhangjiakou, Hebei Province. Designated by the Beijing Organising Committee for 2022 Olympic and Paralympic Winter Games (北京2022年冬奧會和冬殘奧會組織委員會), the Group was the sole service provider of accommodation and catering services for the Zhangjiakou Olympic Village during the 2022 Beijing Winter Olympic Games. The Group was responsible for the management of 1,669 apartments in 27 apartment buildings in the Zhangjiakou Olympic Village, providing accommodations to athletes and visitors. The Group also provided catering services to more than 6,000 athletes and members of staff in the Zhangjiakou Olympic Village. With 17 catering plans developed, the Group provided various dining options for athletes from different countries and regions around the world. To better meet the specific dietary needs of athletes during the competitions, the calories, nutrients and allergens of the foods provided were clearly labelled and strictly controlled. In addition to the provision of accommodation and catering services, the Group has set up special visa processing sessions and expedited channels for foreign athletes applying for visas to enter the PRC and designated specialised personnel to provide visa application services to athletes participating in the Paralympic Winter Olympic Games. The Group provided visa application services to 1,943 athletes and members of staff from 25 countries and regions around the world for the 2022 Beijing Winter Olympic Games. The Group also dispatched more than 2,600 vehicles in total to provide transportation services for athletes to travel between the Zhangjiakou Olympic Village and stadiums and sports centres located in Beijing. Transportation services have been provided to more than 60,000 athletes and members of staff. On 4 February 2022, the Group dispatched 106 vehicles, providing transportation services to 7,420 spectators and members of staff for attending the opening ceremony of the 2022 Beijing Winter Olympic Games. The Group provided high quality services for the 2022 Beijing Winter Olympic Games, which were highly regarded by the athletes and visitors, and undertook its social responsibilities as a leading travel service provider in the PRC. Apart from provision of services during the 2022 Beijing Winter Olympic Games, the Group also provided various online and offline promotions in its duty-free outlets to celebrate the Olympic events and further promote its tourism retailing business.

Recent Outbreak of COVID-19 variants

Since December 2019, the COVID-19 outbreak has caused substantial disruption in the PRC economy and markets. In July 2021, multiple cities in China reported new locally transmitted cases of the Delta strain of COVID-19. In November 2021, the World Health Organization declared that a new COVID-19 variant, Omicron, may be more infectious, lead to more severe symptoms or become more resistant to immunisation (including existing vaccines). China has reported locally transmitted infections of the Omicron variant in several provinces and municipalities. As a result, the PRC government imposed lockdowns, travel restrictions and airline travel cancellations policies, which have affected the demand for the Group's hotels and sales of the Group's tourism retailing businesses. For instance, the Group's hotel business is experiencing cancellations, as well as a decline in forward bookings and transient business. These cancellations and reduced bookings are part of an industry-wide trend and are likely to continue in the near future. As the situation is evolving, the Group's ability to assess the financial impact of COVID-19 and its variants on its business continues to be limited due to changing circumstances and uncertainties of the consumers' demand for travel. The Group will continue to closely monitor the global development and assess the impact of COVID-19 and actively respond to its impact on the financial conditions and results of operations. See also "*Risk Factors – Risks Relating to the Group – The Group's operations are exposed to natural disasters, outbreaks of contagious diseases and other force majeure events the Group cannot currently predict*" and "*Risk Factors – Risks Relating to the Group – The global economy is facing significant uncertainties and disruptions caused by COVID-19" for more information*".

THE ISSUE

The following contains some summary information about the Notes. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this summary. For a more complete description of the terms of the Notes, see "Terms and Conditions of the Notes".

The offering of the Notes contemplated hereby will be made pursuant to the Subscription Agreement. The Notes offerings are not contingent upon each other. Accordingly, although this Offering Circular includes a discussion of both offerings, it is possible that one of the offerings will proceed to completion while the other offering will not do so.

Investors should be aware that the offerings are not contingent upon each other and that the information in this section assumes that the Notes offerings are completed substantially concurrently but there can be no assurance that the concurrent offerings will occur in the manner and timing contemplated herein or at all.

Issuer	Sunny Express Enterprises Corp.
Legal Entity Identifier	254900RHBSC69QS5NZ68.
Guarantor	China Tourism Group Corporation Limited (中国旅游集团有限公司).
The Notes	U.S.$700,000,000 in aggregate principal amount of 2.95 per cent. Guaranteed Notes due 2027.
Guarantee of the Notes	The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes.
Issue Price	99.774 per cent. of the principal amount of the Notes.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof.
Issue Date	1 March 2022.
Maturity Date	1 March 2027.
Offering	The Notes are only being offered outside the United States in reliance on Regulation S under the Securities Act. The Notes and the Guarantee of the Notes have not been registered, and will not be registered, under the Securities Act and, subject to certain exemptions, may not be offered or sold in the United States.

Interest	The Notes will bear interest from, and including, the Issue Date at the rate of 2.95 per cent. per annum, payable semi-annually in arrear on 1 March and 1 September in equal instalments in each year, commencing on 1 September 2022 subject as provided in Condition 6 (*Payments*) in the Terms and Conditions of the Notes.
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee of the Notes	The Guarantee of the Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Notes.
Cross-acceleration	The Notes will contain a cross-acceleration provision as further described in Condition 8(c) (*Cross-acceleration*) of the Terms and Conditions of the Notes.
Events of Default	Upon the occurrence of certain events as described in Condition 8 (*Events of Default*) of the Terms and Conditions of the Notes, then any such Note may, by written notice addressed by the Holder thereof to the Issuer, the Guarantor and the Specified Office of the Fiscal Agent and delivered to the Issuer, the Guarantor and to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.
Cross-Border Security Registration	The Guarantor undertakes to register or cause to be registered with the State Administration of Foreign Exchange of the PRC or its local counterparts ("**SAFE**"), the Deed of Guarantee within 15 PRC Business Days after the Issue Date in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014, which came into effect on 1 June 2014 and any implementation rules and guidelines as issued by SAFE from time to time (the "**Cross-Border Security Registration**").

	The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the SAFE Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee of the Notes. The Guarantor shall before the SAFE Registration Deadline and within ten PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) (i) provide the Fiscal Agent with a certificate signed by any Authorised Signatory of the Guarantor confirming the completion of the Cross-Border Security Registration together with a copy of the relevant SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration and (ii) give notice to the Noteholders in accordance with Condition 14 (*Notices*) of the Terms and Conditions of the Notes a notice confirming the completion of the Cross-Border Security Registration.
NDRC Post-issue Filing	The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules and guidelines as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**"). The Guarantor shall submit the NDRC Post-issue Filing within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Guarantor shall within 10 PRC Business Days after submission of such NDRC Post-issue Filing (i) provide the Fiscal Agent with a certificate signed by any Authorised Signatory of the Guarantor confirming the submission of the NDRC Post-issue Filing (together with the document(s), if any, evidencing due filing with the NDRC) and (ii) give notice to the Noteholders in accordance with Condition 14 (*Notices*) of the Terms and Conditions of the Notes.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the relevant Maturity Date subject as provided in Condition 6 (*Payments*) of the Terms and Conditions of the Notes.

Taxation	All payments of principal, premium (if any) and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC up to the rate applicable on 22 February 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. In the event that the Issuer or the Guarantor is required to make (i) a deduction or withholding by or within the PRC in excess of the Applicable Rate, or (ii) any deduction or withholding by or within the British Virgin Islands or Hong Kong, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (the "**Additional Tax Amounts**") as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Note in the circumstances set out in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes.
Redemption for Tax Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) and the Fiscal Agent, at their principal amount, together with interest accrued but unpaid to the date fixed for redemption, if: (i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 February 2022; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 February 2022; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Redemption for Relevant Event

At any time following the occurrence of a Relevant Event, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all, but not some only, of that Holder's Notes on the Put Settlement Date at 101 per cent. (in the case of a Change of Control) or 100 per cent. (in the case of a Non-Registration Event) of their principal amount, in each case together with interest accrued but unpaid to such Put Settlement Date (as defined in Condition 5(c) (*Redemption for Relevant Event*) of the Terms and Conditions of the Notes).

a "**Change of Control**" occurs when:

(i) the Controlling Persons together cease to Control the Guarantor;

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, except where such Person is Controlled by the Controlling Persons; or

(iii) the Guarantor ceases to, directly or indirectly, own or control 100 per cent. of the voting rights of the issued share capital of the Issuer;

"**Control**", in relation to a Person, means (i) the ownership or control, directly or indirectly, of 50.1 per cent. or more of the voting rights of the issued share capital of a Person or (ii) the right to appoint and/or remove a majority of a Person's board of directors or other governing body whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and the term "**Controlled**" shall have a meaning correlative to the foregoing;

"**Controlling Persons**" means the SASAC, any other agency of the central government of the PRC and any other Person wholly-owned by the State Council of the PRC;

a "**Non-Registration Event**" occurs when the Registration Condition has not been satisfied on or prior to the SAFE Registration Deadline;

"**Registration Condition**" means the receipt by the Fiscal Agent of: (i) a certificate referred to in Condition 3(b) (*Registration with SAFE*) of the Terms and Conditions of the Notes signed by any Authorised Signatory of the Guarantor confirming the completion of the Cross-Border Security Registration and (ii) a copy of the relevant SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration in (i) above of this definition;

a "**Relevant Event**" will be deemed to occur if (i) there is a Change of Control or (ii) there is a Non-Registration Event; and

"**SAFE Registration Deadline**" means the day following 150 calendar days after the Issue Date.

Redemption at the option of the Issuer

The Issuer may redeem the Notes, in whole but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders in accordance with Condition 14 (*Notices*) of the Terms and Conditions of the Notes at a redemption price equal to their relevant Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date specified in the relevant Option Redemption Notice. See "*Terms and Conditions of the Notes – Redemption and Purchase – Make whole redemption*".

Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the first payment of interest and the timing for completing the Cross-Border Security Registration and submitting the NDRC Post-issue Filing and the making of consequent notices thereof) so as to form a single series with the Notes.

Fiscal Agent, Paying Agent and Transfer Agent	Bank of China (Hong Kong) Limited.
Registrar	Bank of China (Hong Kong) Limited.
Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate, which will be registered in the name of a nominee for, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will only be effected through records maintained by, Euroclear and Clearstream. Except as described herein, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Note Certificate.
Governing Law	English law.
Ratings	The Notes are expected to be assigned ratings of "A3" by Moody's. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Listing	Application will be made to the SEHK for the listing of the Notes by way of debt issues to Professional Investors only, and dealing, if permission is granted to deal in and for the listing of the Notes on the SEHK, is expected to commence on 2 March 2022.
Use of Proceeds	See the section headed "Use of Proceeds".
ISIN	XS2434699968.
Common Code	243469996.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Guarantor as at the end of the reporting period and for the years/periods indicated.

The summary consolidated financial information of the Group as at 1 January 2020 and 31 December 2020, and for the two years ended 31 December 2019 and 2020 set forth below is derived from the Audited Financial Statements, which have been audited by Baker Tilly and were prepared in accordance with PRC GAAP. The Audited Financial Statements have only been prepared in Chinese. The Audited Financial Statements are available on www.shclearing.com. The Financial Statements Translation (being the English translation of the Audited Financial Statements) have been included in this Offering Circular together with the English translation of the auditor's audit report in respect of such financial statements. Should there be any inconsistency between the Financial Statements Translation and the Audited Financial Statements, the Audited Financial Statements will prevail. None of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential purchasers must exercise caution when using such financial information to evaluate the financial condition, results of operations and prospects of the Guarantor.

The summary unaudited and unreviewed consolidated interim financial information as at and for the six months ended 30 June 2020 and 2021 has been extracted from the Interim Financial Information and has been prepared in accordance with PRC GAAP.

The Interim Financial Information have not been audited or reviewed and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

Each of the Joint Lead Managers does not make any representation or warranty, express or implied, regarding the sufficiency of the unaudited and unreviewed consolidated interim financial information of the Group as at and for the six months ended 30 June 2020 and 2021 for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. The unaudited and unreviewed consolidated interim financial information of the Group as at and for the six months ended 30 June 2020 and 2021 should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ending 31 December 2021.

The Group has adopted two new accounting standards starting from 1 January 2020, including "Interpretation of Accounting Standards for Business Enterprises No. 13" (CaiKuai [2019] No. 21) and "Provisions on Accounting Treatment of the Rent Concession Related to COVID-19 Epidemic-related Disease" (CaiKuai [2020] No. 10). The Group's subsidiary, CTG Duty-Free, has also adopted a new accounting standard, "Accounting Standard for Business Enterprises No. 14 – Revenue" (CaiKuai [2017] No. 22), starting from 1 January 2020. As a result of such new accounting standards, certain adjustments were made to the financial statements. Please refer to Note V(1) of the Financial Statements Translation in relation to the Audited Financial Statements on pages F-85 to F-87 for further information. With the implementation of the new accounting standards, relevant items in the balance sheet as at the beginning of the year, 1 January 2020, were adjusted and restated from the audited consolidated balance sheet of the Group as at 31 December 2019. The audited consolidated balance sheet of the Group as at 31 December 2019 is not included as part of this Offering Circular, but the adjusted and restated items are included as footnotes in the summary of the consolidated balance sheet as at 1 January 2020 and 31 December 2020 below.

Prospective investors should read the selected financial information below in conjunction with the Audited Financial Statements and the related notes. Historical results are not necessarily indicative of results that may be achieved in any future period.

The summary financial information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial information of the Guarantor, including the notes thereto.

PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Significant Differences between PRC GAAP and IFRS."

SUMMARY FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2020

Summary of Consolidated Balance Sheet

	As at 1 January 2020	As at 31 December 2020
	(restated)	(audited)
	(RMB'000)	
Current assets:		
Cash and cash equivalents	20,590,452	28,406,550
Settlement reserve	–	–
Due from banks and other financial institutions	–	–
Transactional financial assets	50,973	435,933
Financial assets at fair value through profit and loss	–	–
Derivative assets	–	–
Notes receivable	25,632	3,702
Accounts receivable	1,724,344	1,009,747
Receivables for financing	–	–
Prepayments	1,255,995	799,309
Premiums receivable	–	–
Reinsurance receivables	–	–
Provision of cession receivable	–	–
Other receivables	2,383,710	2,200,216
Including: dividends receivables	3,039	4,540
Buying back the sale of financial assets	–	–
Inventories	39,507,198	56,942,914
Including: raw materials	30,653	155,425
Merchandise inventories (finished goods)	11,210,972	18,249,572
Contract assets	–	–
Held-for-sale assets	–	41
Current portion of non-current assets	286,245	191,657
Other current assets	3,396,355	3,436,363
Total current assets	**69,220,904**	**93,426,432**
Non-current assets:		
Loans and advances issued	8,584,314	6,811,490
Debt investments	–	–
Available-for-sale financial assets	661,946	783,665
Other debt investments	–	–
Held-to-maturity investments	50,433	50,367
Long-term receivables	240,796	225,897
Long-term equity investments	5,946,410	11,122,108
Other equity instruments	43,698	23,057
Other non-current financial assets	–	–
Investment property	9,496,323	9,324,637
Fixed assets	13,445,392	14,298,476
Including: original book value	25,439,975	27,048,939
Accumulated depreciation	10,874,470	11,438,327
Impairment provisions of fixed assets	1,120,113	1,312,136
Construction in progress	1,763,380	2,276,486
Productive biological assets	–	–
Oil and gas assets	–	–
Right-of-use asset	334,760	327,538
Intangible assets	6,655,901	5,162,706
Development disbursements	1,693	1,980
Goodwill	2,968,732	2,956,047
Long-term deferred expenses	792,606	867,966
Deferred tax assets	1,860,747	2,993,392
Other non-current assets	604,335	1,080,139
Including: authorised reserve material	–	–
Total non-current assets	**53,451,466**	**58,305,951**
Total assets	**122,672,370**	**151,732,383**

	As at 1 January 2020	As at 31 December 2020
	(restated)	(audited)
	(RMB'000)	
Current liabilities:		
Short-term borrowings	7,990,309	3,231,173
Borrowings from central bank	–	–
Placement from banks and other financial institutions	–	–
Transactional financial liabilities	–	–
Financial liabilities at fair value through profit and loss	–	–
Derivative liabilities	11,808	47,841
Notes payable	171,040	100,000
Accounts payable	7,527,128	7,923,390
Advances from customers	12,117,330[1]	16,024,797
Contract liabilities	841,584[1]	2,130,831
Securities sold under agreement to repurchase	–	–
Deposits and placements from other financial institutions	31,275	38,527
Securities brokering	–	–
Securities underwriting	–	–
Employee benefits payable	1,797,832	1,305,830
Including: salary payable	1,446,738	944,864
Welfare benefits payable	37,427	49,948
Employee bonus and welfare fund	418	–
Taxes and surcharges payable	3,072,986	5,653,839
Including: taxes payable excluding surcharges	2,052,362	4,576,526
Other payables	6,461,457	10,196,817
Including: dividend payable	105,217	54,791
Fees and commissions payable	–	–
Reinsurance amounts payable	–	–
Held-for-sale liabilities	–	208
Current portion of non-current liabilities	800,515	6,239,757
Other current liabilities	5,462,930	4,470,968
Total current liabilities	**46,286,194[3]**	**57,363,978**
Non-current liabilities:		
Reserves of insurance contract	–	–
Long-term borrowings	3,487,786	12,048,322
Bonds payable	17,980,874	24,608,332
Including: Preferred stock	–	–
Perpetual debt	–	–
Lease liabilities	270,489	278,332
Long-term payable	160,100	235,748
Long-term employee benefits payable	44,305[2]	42,952
Provisions	141,127	72,667
Deferred income	1,564,191[1]	1,578,778
Deferred tax liabilities	1,742,235	2,139,956
Other non-current liabilities	–[2]	–
Including: authorized reserve fund	–	–
Total non-current liabilities	**25,391,107[4]**	**41,005,087**
Total liabilities	**71,677,301**	**98,369,065**

	As at 1 January 2020	As at 31 December 2020
	(restated)	(audited)
	(RMB'000)	
Equity:		
Paid-in capital	15,896,578	15,896,578
State-owned capital	15,896,578	15,896,578
State-owned legal person's capital	–	–
Collectively owned capital	–	–
Private capital	–	–
Foreign capital	–	–
Less: payback capital	–	–
Paid-in capital-net value	15,896,578	15,896,578
Other equity instruments	–	–
Preferred stock	–	–
Perpetual debt	–	–
Capital reserve	46,673	801,959
Less: treasury shares	–	–
Other comprehensive income	(521,397)	(265,105)
Including: Currency translation reserve	(1,131,413)	(1,289,674)
Specialized reserve	2,268	3,296
Surplus reserve	–	–
Including: statutory surplus reserve	–	–
Other surplus reserve	–	–
Reserve fund	–	–
Corporate development fund	–	–
Return of investment	–	–
General risk reserve	–	–
Retained earnings	8,385,736	9,657,091
Equity attributable to parent company	23,809,858	26,093,819
Minority interests	27,185,211	27,269,499
Total owner's equity	**50,995,069**	**53,363,318**
Total liabilities and owner's equity	**122,672,370**	**151,732,383**

Notes:

1 From 1 January 2020, the Group has implemented "Accounting Standard for Business Enterprises No. 14 – Revenue" (CaiKuai [2017] No. 22). With the implementation of such standard, "Advances from customers" was adjusted and restated from the audited number as at 31 December 2019 of RMB12,253,631 thousand, "Contract liabilities" was adjusted and restated from the audited number as at 31 December 2019 of RMB390,113 thousand and "Deferred income" was adjusted and restated from the audited number as at 31 December 2019 of RMB1,879,361 thousand. For more details, see Note V(I) to the Audited Financial Statements.

2 "Long-term employee benefits payable" was adjusted and restated from the audited number as at 31 December 2019 of RMB39,367 thousand due to reclassification of accounts. "Other non-current liabilities" was adjusted from the audited number as at 31 December 2019 of RMB4,938 thousand due to reclassification of accounts.

3 As "Advances from customers" and "Contract liabilities" were adjusted and restated from the audited numbers as at 31 December 2019, "Total current liabilities" was adjusted from the audited number as at 31 December 2019, which was RMB45,971,024 thousand.

4 As "Long-term employee benefits payable", "Deferred income" and "Other non-current liabilities" were adjusted and restated from the audited numbers as at 31 December 2019, "Total non-current liabilities" was adjusted from the audited number as at 31 December 2019, which was RMB25,706,277 thousand.

Summary of Consolidated Income Statement

	For the year ended 31 December	
	2019	2020
	(audited)	(audited)
	(RMB'000)	
1. Total operating revenues	**81,046,898**	**69,928,475**
Including: Operating revenues	78,801,668	67,800,208
Interest incomes	2,135,117	2,016,042
Earned premiums	–	–
Fee and commission income	110,113	112,225
2. Total operating costs	**72,866,979**	**60,290,535**
Including: Operating costs	47,130,679	41,990,356
Interest expenses	287,709	216,265
Fee and commission expenses	83,366	92,489
Surrenders	–	–
Net expenses of claim settlement	–	–
Net provisions for insurance contract reserves	–	–
Policy dividend expenses	–	–
Reinsurance expenses	–	–
Taxes and surcharges	1,491,293	1,814,143
Selling expenses	17,680,545	10,548,208
Administrative expenses	5,025,506	4,683,009
Research and development expenses	–	–
Finance expenses	1,167,881	946,065
Including: interest expenses	1,147,525	1,649,595
Interest income	256,646	287,396
Net exchange loss	41,794	(662,241)
Other costs and expenses	–	–
Other income	137,306	492,393
Investment income	236,777	464,085
Including: investment income from associates and joint ventures	53,478	(46,401)
Income from derecognition of financial assets at amortized cost	–	–
Gain on foreign exchange	–	–
Net exposure to hedging gains	–	–
Gain from fair-value changes	296,209	90,407
Credit losses	(4,347)	13,693
Impairment on assets	(1,591,621)	(2,099,171)
Proceeds from asset disposal	28,058	(2,024)
3. Operating profits	**7,282,301**	**8,597,323**
Add: non-operating income	280,297	239,401
Including: government grants	24,457	28,262
Less: non-operating expenses	74,310	114,705
4. Profit before tax	**7,488,288**	**8,722,019**
Less: Income tax expense	2,360,055	3,069,812
5. Net profit	**5,128,233**	**5,652,207**
By ownership	–	–
Net profit attributable to parent company	1,980,510	1,652,273
Profit/loss attributable to minority shareholders	3,147,723	3,999,934
By going concern basis	–	–
Continuous operating profit and loss	5,128,233	5,652,207
Termination of the business profit and loss	–	–

	For the year ended 31 December	
	2019	2020
	(audited)	(audited)
	(RMB'000)	
6. Other comprehensive income after tax	**87,131**	**(118,564)**
Other comprehensive income after tax attributable to parent company	2,523	256,292
Comprehensive income not to be reclassified as profit or loss	9,010	(14,383)
Changes in remeasured defined benefit obligations	37	2,251
Share of other comprehensive income of an associate	–	–
Net gain on equity instruments at fair value through other comprehensive income	8,973	(16,634)
Fair value changes in enterprise's own credit risk	–	–
Others	–	–
Other comprehensive income to be reclassified as profit or loss	(6,487)	270,675
Share of other comprehensive income of an associate	(94,126)	(16,951)
Net gain on debt instruments at fair value through other comprehensive income	38,357	–
Gain or loss from fair value changes of available-for-sale financial assets	4,245	(53,569)
The amount of financial assets reclassified into other comprehensive income	–	–
Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets	–	–
Other debt investment credit impairment provision	–	–
Reserve for cash flow hedging (Effective part for cash flow hedging profit and loss)	(1,496)	(16,885)
Currency translation reserve	45,637	(158,261)
Other profit or loss to be reclassified	896	516,341
Other comprehensive income after tax attributable to minority shareholders	84,608	(374,856)
7. Total comprehensive income	**5,215,364**	**5,533,643**
Total comprehensive income attributable to parent company	1,983,033	1,908,565
Total comprehensive income attributable to minority shareholders	3,232,331	3,625,078
8. Earnings per share:		
Basic earnings per share	–	–
Diluted earnings per share	–	–

Summary of Consolidated Statement of Cash Flow

	For the year ended 31 December	
	2019	2020
	(audited)	(audited)
	(RMB'000)	
1. Cash flow arising from operating activities:		
Cash received from sales and services	88,465,203	78,693,668
Net increase in deposits and placements from financial institutions	106,160	7,251
Net increase in due to central banks	–	–
Net increase in placement from financial institutions	–	–
Cash received from premiums of original insurance contracts	–	–
Net amount of reinsurance business	–	–
Net increase in insured's deposits and investment	–	–
Net increase in disposal of financial assets at fair value through profit and loss	–	–
Cash received from interests, fees and commissions	2,273,380	2,140,420
Net increase of placement from banks and other financial institutions	–	–
Net increase in repurchasing	–	–
Net cash received from agent sales of securities	–	–
Taxes and surcharges refunds	28,903	167,501
Other cash receipts related to operating activities:	5,290,322	6,580,219
Total cash inflows from operating activities	**96,163,968**	**87,589,059**
Cash paid for goods and services	62,854,880	54,262,695
Net increase in loans and advances	1,072,110	(1,156,167)
Net increase in deposits with central banks and other financial institutions	(1,121,314)	130,110
Cash paid for claim settlements on original insurance contracts	–	–
Net increase of due from banks and other financial institutions	–	–
Cash paid for interest, fees and commissions	366,017	308,808
Cash paid for policy dividends	–	–
Cash paid to and for employees	6,826,548	6,620,767
Taxes and surcharges cash payments	4,822,661	6,058,065
Other cash payments relating to operating activities	22,035,695	14,482,967
Total cash outflows from operating activities	**96,856,597**	**80,707,245**
Net cash flows from operating activities	**(692,629)**	**6,881,814**
2. Cash flows from investing activities:		
Cash receipts from withdraw of investments	16,873,706	39,869,896
Cash receipts from investment income	451,096	295,834
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	26,027	7,521
Net cash received from disposal of subsidiaries and other business units	–	–
Other cash receipts relating to investing activities	13,407,749	1,069,452
Total cash inflows from investing activities	**30,758,578**	**41,242,703**

	For the year ended 31 December	
	2019	2020
	(audited)	(audited)
	(RMB'000)	
Cash paid for fixed assets, intangible assets and other long-term assets	2,533,226	2,411,298
Cash payments for investments	16,075,792	45,664,594
Net increase in pledge loans	–	–
Net cash paid for acquiring subsidiaries and other business units	–	218,918
Other cash payments relating to investing activities	9,730,606	16,914
Total cash outflows from investing activities	**28,339,624**	**48,311,724**
Net cash flows from investing activities	**2,418,954**	**(7,069,021)**
3. Cash flows from financing activities:		
Cash received from investments by others	2,458,650	137,596
Including: Cash received by subsidiaries from minority shareholder's investments	193,828	122,596
Cash received from borrowings	21,134,443	31,974,801
Other cash receipts related to other financing activities	141,895	240,602
Total cash inflows from financing activities	**23,734,988**	**32,352,999**
Cash repayment for debts	15,631,848	16,760,988
Cash payments for distribution of dividends, profits and interest expenses	2,915,679	2,850,220
Including: Dividends or profits paid by subsidiaries to minority shareholders	1,631,062	1,111,697
Other cash payment related to financing activities	1,600,290	3,161,534
Total cash outflows from financing activities	**20,147,817**	**22,772,742**
Net cash flows from financing activities	**3,587,171**	**9,580,257**
4. Effects of foreign exchange rate changes on cash and cash equivalents	**153,654**	**(394,463)**
5. Net increase in cash and cash equivalents	**5,467,150**	**8,998,587**
Add: beginning balance of cash and cash equivalents	12,996,863	18,464,013
6. Ending balance of cash and cash equivalents	**18,464,013**	**27,462,600**

SUMMARY FINANCIAL INFORMATION AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2021

Summary of Consolidated Balance Sheet

	1 January 2021	30 June 2021
	(unaudited, unreviewed and restated)	(unaudited and unreviewed)
	(RMB'000)	
Current assets:		
Cash and cash equivalents	28,406,550	25,070,346
Settlement reserve	–	–
Due from banks and other financial institutions	–	–
Transactional financial assets	859,906	737,804
Financial assets at fair value through profit and loss	–	–
Derivative assets	–	–
Notes receivable	3,702	47,802
Accounts receivable	1,009,747	1,784,678
Receivables for financing	–	–
Prepayments	799,179	1,105,997
Premiums receivable	–	–
Reinsurance receivables	–	–
Provision of cession receivable	–	–
Other receivables	2,198,626	8,225,768
Buying back the sale of financial assets	–	–
Inventories	56,942,914	66,791,357
Contract assets	–	–
Held-for-sale assets	41	–
Current portion of non-current assets	191,657	157,982
Other current assets	3,436,363	4,532,692
Total current assets	**93,848,685**	**108,454,426**
Non-current assets:		
Loans and advances issued	6,811,490	6,744,488
Debt investments	51,957	51,123
Available-for-sale financial assets	–	–
Other debt investments	–	–
Held-to-maturity investments	–	–
Long-term receivables	225,897	155,606
Long-term equity investments	11,122,108	11,363,839
Other equity instruments	422,969	732,191
Other non-current financial assets	–	–
Investment property	9,324,637	9,313,707
Fixed assets	14,297,071	13,811,376
Construction in progress	2,276,486	2,479,966
Productive biological assets	–	–
Oil and gas assets	–	–
Right-of-use assets	5,481,040	5,059,594
Intangible assets	5,162,706	4,814,364
Development disbursements	1,980	4,410
Goodwill	2,956,047	2,939,312
Long-term deferred expenses	864,322	835,935
Deferred tax assets	2,993,392	3,168,112
Other non-current assets	1,080,139	1,086,140
Total non-current assets	**63,072,241**	**62,560,163**
Total assets	**156,920,926**	**171,014,589**

	1 January 2021	30 June 2021
	(unaudited, unreviewed and restated)	(unaudited and unreviewed)
	(RMB'000)	
Current liabilities:		
Short-term borrowings	3,231,173	6,932,565
Borrowings from central bank	–	–
Placement from banks and other financial institutions	–	–
Transactional financial liabilities	–	–
Financial liabilities at fair value through profit and loss	–	–
Derivative liabilities	47,841	34,394
Notes payable	100,000	100,000
Accounts payable	7,923,390	7,026,803
Advances from customers	1,109,814	884,802
Contract liabilities	17,045,813	26,943,180
Securities sold under agreement to repurchase	–	–
Deposits and placements from other financial institutions	38,540	26,085
Securities brokering	–	–
Securities underwriting	–	–
Employee benefits payable	1,305,830	1,184,248
Taxes and surcharges payable	5,653,839	4,703,953
Other payables	10,196,805	11,199,947
Fees and commissions payable	–	–
Reinsurance amounts payable	–	–
Held-for-sale liabilities	208	–
Current portion of non-current liabilities	7,395,337	11,069,658
Other current liabilities	4,470,968	4,238,593
Total current liabilities	**58,519,558**	**74,344,228**
Non-current liabilities:		
Reserves of insurance contract	–	–
Long-term borrowings	12,048,322	16,323,145
Bonds payable	24,608,332	17,324,227
Lease Liabilities	4,282,916	4,189,852
Long-term payable	331,571	359,907
Long-term employee benefits payable	42,952	15,831
Provisions	72,667	71,306
Deferred income	1,471,114	1,451,207
Deferred tax liabilities	2,139,956	2,104,591
Other non-current liabilities	–	16
Total non-current liabilities	**44,997,830**	**41,840,082**
Total liabilities	**103,517,388**	**116,184,310**
Equity:		
Paid-in capital	15,896,578	15,896,578
Less: payback capital	–	–
Paid-in capital-net value	15,896,578	15,896,578
Other equity instruments	–	–
Capital reserve	801,959	1,279,256
Less: treasury shares	–	–
Other comprehensive income	(263,164)	(656,152)
Including: Currency translation reserve	(1,291,701)	(1,693,364)
Specialized reserve	3,296	3,230
Surplus reserve	–	–
General risk reserve	–	–
Retained earnings	9,695,370	10,853,378
Equity attributable to parent company	26,134,039	27,376,290
Minority interests	27,269,499	27,453,989
Total owner's equity	**53,403,538**	**54,830,279**
Total liabilities and owner's equity	**156,920,926**	**171,014,589**

Summary of Consolidated Income Statement

	For the six months ended 30 June	
	2020	2021
	(unaudited and unreviewed)	(unaudited and unreviewed)
	(RMB'000)	
1. Total operating revenues	**24,456,774**	**39,758,854**
Including: operating revenues	23,293,134	38,794,615
Interest incomes	1,104,617	904,964
Earned premiums	–	–
Fee and commission income	59,023	59,275
2. Total operating costs	**24,237,550**	**32,728,756**
Including: operating costs	14,024,405	24,356,016
Interest expenses	139,487	76,053
Fee and commission expenses	43,968	54,525
Surrenders	–	–
Net expenses of claim settlement	–	–
Net provisions for insurance contract reserves	–	–
Policy dividend expenses	–	–
Reinsurance expenses	–	–
Taxes and surcharges	533,306	1,121,868
Selling expenses	6,759,028	4,095,610
Administrative expenses	2,024,223	2,212,862
Research and development expenses	–	–
Finance expenses	713,133	811,822
Including: interest expenses	741,990	921,610
Interest income	148,603	156,304
Net exchange loss	13,204	(112,541)
Other costs and expenses	–	–
Other income	176,160	253,392
Investment income (loss)	(36,818)	(112,013)
Including: investment income from associates and joint ventures	(79,277)	(159,440)
Income from derecognition of financial assets at amortised cost	–	–
Gain on foreign exchange	–	–
Net exposure to hedging gains	–	–
Gain from fair-value changes	–	–
Credit losses	20,376	(10,820)
Impairment on assets	(648,763)	(378,928)
Proceeds from asset disposal	(101)	917
3. Operating profits	**(269,922)**	**6,782,646**
Add: non-operating income	57,993	77,769
Government grants	26,452	6,750
Less: non-operating expenses	69,285	12,484
4. Total profit	**(281,214)**	**6,847,931**
Less: Income tax expense	607,667	2,115,652
5. Net profit	**(888,881)**	**4,732,279**
By ownership		
Net profit attributable to parent company	(906,930)	1,225,722
Profit/loss attributable to minority shareholders	18,049	3,506,557
By going concern basis		
Continuous operating profit and loss	(888,881)	4,732,279
Termination of the business profit and loss	–	–

Summary of Consolidated Statement of Cash Flow

	For the six months ended 30 June	
	2020	2021
	(unaudited and unreviewed)	(unaudited and unreviewed)
	(RMB'000)	
1. Cash flows arising from operating activities:		
Cash received from sales and services	29,459,750	50,572,985
Net increase in deposits and placements from financial institutions	183	(59,811)
Net increase in due to central banks	–	–
Net increase in placement from financial institutions	–	–
Cash received from premiums of original insurance contracts	–	–
Net amount of reinsurance business	–	–
Net increase in insured's deposits and investments	–	–
Net increase in disposal of financial assets at fair value through profit and loss	–	–
Cash receipts from interests, fees and commissions	1,140,974	944,437
Net increase of placement from banks and other financial institutions	–	–
Net increase in repurchasing	–	–
Net cash received from agent sales of securities	–	–
Taxes and surcharges refunds	51,494	163,268
Other cash receipts related to operating activities	3,882,482	3,614,868
Total cash inflows from operating activities	**34,534,883**	**55,235,747**
Cash paid for goods and services	18,323,535	41,203,597
Net increase in loans and advances	(401,279)	153,832
Net increase in deposits with central banks and other financial institutions	(102,652)	(49,796)
Cash paid for claim settlements on original insurance contracts	–	–
Net increase of due from banks and other financial institutions	–	–
Cash paid for interests, fees and commissions	183,918	136,577
Cash paid for policy dividends	–	–
Cash paid to and for employees	2,960,466	3,239,233
Taxes and surcharges cash payments	2,797,176	5,700,842
Other cash payments related to operating activities	8,781,435	7,648,918
Total cash outflows from operating activities	**32,542,599**	**58,033,203**
Net cash flows from operating activities	**1,992,284**	**(2,797,456)**
2. Cash flows from investing activities:		
Cash received from withdrawing of investments	197,350	101,061
Cash received from investment income	43,487	82,020
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	197	2,011
Net cash received from the disposal of subsidiaries and other business units	–	101,726
Other cash receipts relating to investing activities	16,346,435	8,540,090

	For the six months ended 30 June	
	2020	**2021**
	(unaudited and unreviewed)	**(unaudited and unreviewed)**
	(RMB'000)	
Total cash inflows from investing activities	**16,587,469**	**8,826,908**
Cash paid for fixed assets, intangible assets and other long-term assets	870,906	769,601
Cash payments for investment	102,550	62,500
Net increase in pledged loans	–	–
Net cash paid for acquiring subsidiaries and other business units	–	–
Other cash payments relating to investing activities	19,438,191	10,070,118
Total cash outflows from investing activities	**20,411,647**	**10,902,219**
Net cash flows from investing activities	**(3,824,178)**	**(2,075,311)**
3. Cash flows from financing activities:		
Cash received from investments by others	4,500	2,750
Including: cash received by subsidiaries from minority shareholders' investments	4,500	2,750
Cash received from borrowings	28,921,147	12,436,574
Cash receipts from Issuing Bonds	–	–
Other cash receipts related to other financing activities	102,382	542,032
Total cash inflows from financing activities	**29,028,029**	**12,981,356**
Cash repayments for debts	5,687,033	7,743,789
Cash payments for distribution of dividends, profit and interest expenses	838,171	2,440,052
Including: dividends or profit paid by subsidiaries to minority shareholders	181,168	1,278,328
Other cash payments related to financing activities	3,307,540	1,612,073
Total cash outflows from financing activities	**9,832,744**	**11,795,914**
Net cash flows from financing activities	**19,195,285**	**1,185,442**
4. Effect of foreign exchange rate changes on cash and cash equivalents	**151,505**	**(94,367)**
5. Net increase in cash and cash equivalents	**17,514,896**	**(3,781,692)**
Add: beginning balance of cash and cash equivalents	18,464,013	27,462,600
6. Ending balance of cash and cash equivalents	**35,978,909**	**23,680,908**

RISK FACTORS

Prior to making any investment decision, prospective investors should carefully consider all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the risks associated with the Notes are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay principal, interest or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of investing in or holding the Notes are exhaustive.

RISKS RELATING TO THE GROUP

The Group's business operations have been affected, and may continue to be affected, by the ongoing COVID-19 pandemic.

A respiratory illness caused by a novel coronavirus known as COVID-19 was first detected at the end of 2019 and continued to spread globally in over 200 countries and territories. In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The accelerated spread of the virus globally has caused extreme volatility in the global financial market. For example, China experienced a slower-than-usual growth of 3.2 per cent. in its GDP in the second quarter of 2020, following a steep 6.8 per cent. slump in the first quarter, which was the biggest contraction since it began recording quarterly GDP. Although the economy recovered to a certain degree and the overall GDP for 2021 is estimated to have a 8.0 per cent. growth according to the World Bank's projection, the travel and related industries in China and around the world continue to be negatively impacted by COVID-19. There is no assurance that the recovery will continue.

The COVID-19 pandemic has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which has adversely affected the travel and related industries in China and other countries. In response to the COVID-19 pandemic, the PRC Government has imposed measures across China including, but not limited to, travel restrictions and quarantine for travellers or returnees, whether or not infected, and an extended shutdown of certain business operations. COVID-19-related concerns and event cancelations, together with government-imposed restrictions on businesses, have led to a significant decrease in travel, which has caused an immense negative effect to the Group's overall business.

In July 2021, multiple cities in China reported new locally transmitted cases of the Delta strain of COVID-19, which created new uncertainties. The virus is constantly mutating and such mutation may result in new variants of the virus that are more infectious or harmful. In November 2021, the World Health Organization declared that a new COVID-19 variant, Omicron, may be more infectious, lead to more severe symptoms or become more resistant to immunisation (including existing vaccines). It is uncertain as to whether there will be any further waves of COVID-19 outbreaks in China or any other part of the world, when the COVID-19 pandemic will be contained globally, and whether the COVID-19 pandemic will have a long-term impact on the Group's business operations. If the Group is unable to effectively and efficiently operate its business and implement its strategies as planned because of the obstructions caused by COVID-19, the Group may not be able to grow its business and generate revenue as anticipated and its business operations, financial condition and prospects may be material and adversely affected.

The Group may be adversely affected by fluctuations in the global economy and financial markets.

Recent global market and economic conditions have been unprecedented and challenging with tight credit conditions. Concerns over possible inflation or deflation, uncertainty relating to currency exchange rates and interest rates, the availability and cost of credit, volatility in commodity and oil prices, geopolitical issues, and unstable financial markets and the global housing and mortgage markets, have contributed to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world. The outlook for the world economy and financial markets remains uncertain. The United Kingdom withdrew from the European Union on 31 January 2020 ("**Brexit**"), but continued to participate in certain EU organisations (such as the customs union) during a transition period that ended on 31 December 2020. With Brexit taking full effect, the political, social and macroeconomic impact of post-Brexit is uncertain, which could potentially lead to volatility in the global markets.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict the Group's access to capital, which could have a material adverse effect on the Group's business, financial condition and results of operations and reduce the price of the Group's securities. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policies or excessive foreign fund inflows, or both. In July 2018, the U.S. government imposed tariffs on U.S.$34 billion worth of Chinese goods, which led the PRC to respond with similar sized tariffs on U.S. products. Since then, the U.S. and PRC made various announcements or threats to increase tariffs on goods from the other country. On 15 January 2020, the two sides signed the Phase 1 Deal pursuant to which, amongst other things, the U.S. committed to cut some tariffs on Chinese goods and the PRC pledged to purchase more U.S. goods and address some intellectual property complaints. By January 2020, the U.S. had set tariffs on more than U.S.$360 billion worth of Chinese products and the PRC had set tariffs on more than U.S.$110 billion worth of U.S. goods. However, China and the United States have not launched the phase two negotiations yet and whether the trade disputes between China and the United States will eventually be fully resolved remains uncertain. The full effect of such tariffs on the economy of the PRC and the U.S. is also yet to be seen, and the trade dispute between the PRC and the U.S. and the increasing amount of the tariff that the U.S. plans to impose on Chinese imports may have an adverse effect on the global and the PRC economies, resulting in continuing uncertainty for the overall prospects for the global and PRC economies, and may also result in structural shifts in the PRC economy. Any trade war may severely damage the economy and market confidence of both countries.

These and other related events have had and continue to have a significant adverse impact on the global credit and financial markets. Such unfavourable economic and financial conditions globally have had a material impact on the market conditions in the PRC and Hong Kong, which, in turn, has affected the Group's results of operations and financial condition. Turmoil in the financial markets, a downturn in general economic conditions or other risks associated with the business of the Group and the securities industry in general could reduce securities trading and corporate finance activities and affect the value of certain financial assets, which may consequently have a material adverse effect on the Group's businesses, as well as the returns on financial assets and investments of the Group. As a result of these risks, the Group's income and operating results may be exposed to significant fluctuations.

The PRC government can exert significant influence on the Group, and could cause the Group to make decisions, modify the scope of its activities or impose new obligations on the Group.

The Guarantor is a state-owned enterprise wholly-owned and directly supervised by the SASAC, a commission directly under the State Council of the PRC. Therefore, the PRC government is in a position to significantly influence the Group's major business decisions and strategies, including the scope of its activities, development and investment decisions, and dividend policy. For example, in 2016, the SASAC designated that CITS Group (the predecessor of CTG Asset) be transferred to the Group at nil consideration to consolidate travel and tourism resources. There is no assurance that the financial condition and results of operations of the Group's subsidiaries will not have a material adverse effect on the Group's financial condition and results of operations. Also, according to directions of the SASAC, the Group exited its iron and steel, power and electricity and logistics businesses, which may reduce the Group's source of revenue. The PRC government may change its policies, intentions, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in economic, political and social environments, and its projections of population and employment growth. Any amendment, modification or repeal could modify the existing regulatory regime and materially and adversely affect the Group's financial condition and results of operations.

The interim financial information of the Group contained in this Offering Circular has not been audited or reviewed by a certified public accountant.

The summary consolidated interim financial information of the Group as at 30 June 2021 and for the six months ended 30 June 2020 and 2021 included in this Offering Circular is extracted from the unaudited and unreviewed consolidated interim financial information of the Group as at and for the six months ended 30 June 2021, which have not been audited or reviewed by Baker Tilly or any other independent auditor, and are not included elsewhere in this Offering Circular. Consequently, the consolidated interim financial information of the Group as at 30 June 2021 and for the six months ended 30 June 2020 and 2021 should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit or a review by an independent auditor. None of the Joint Lead Managers, or any Agent (nor any of their respective affiliates, directors, officers, employees, representatives, advisers and agents) makes any representation or warranty, express or implied, regarding the accuracy of such financial information or its sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. The unaudited and unreviewed consolidated interim financial information of the Group as at 30 June 2021 and for the six months ended 30 June 2020 and 2021 should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ending 31 December 2021.

The Group has published, and may continue to publish, periodical financial information in the PRC pursuant to applicable PRC regulations and the rules of relevant stock exchanges. Investors should be cautious and should not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Group publishes its annual, semi-annual and quarterly financial information to comply with applicable PRC regulations and rules of the stock exchanges on which its debt securities are listed. Semi-annual financial information and quarterly financial information of the Group published in the past were derived from the Group's management accounts, which have not been audited or reviewed by independent auditors. Such financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any information that has been audited or reviewed. The Group is not responsible to holders of the Notes for the unaudited and unreviewed financial information published from time to time in the PRC and therefore investors should not place any reliance on any such financial information.

The presentation of certain accounting items in the Audited Financial Statements may not be comparable to the financial information in the consolidated financial statements of the Group for the previous periods.

Since 2017, MOFCOM has promulgated certain new accounting standards and new requirements in relation to the format of financial statements. Pursuant to MOFCOM's revised standards and requirements, the Group has implemented two new accounting standards starting from 1 January 2020, including "Interpretation of Accounting Standards for Business Enterprises No. 13" (CaiKuai [2019] No. 21) and "Provisions on Accounting Treatment of the Rent Concession Related to COVID-19 Epidemic-related Disease" (CaiKuai [2020] No. 10). The Group's subsidiary, CTG Duty-Free, has also implemented a new accounting standard, "Accounting Standard for Business Enterprises No. 14 – Revenue" (CaiKuai [2017] No. 22), starting from 1 January 2020. See "*Notes to the Financial Statements for the Year Ended 31 December 2020 – V. Description on Changes in Accounting Policies, Accounting Estimates and Correction of Errors*". Upon the implementation of the above new accounting standards, relevant items in the financial statements as at the beginning of the year, 1 January 2020, were adjusted. As a result, the presentation of certain items in the Audited Financial Statements may not be comparable to the financial figures in the financial statements of the Group for the previous periods. There can be no assurance that MOFCOM will not in the future promulgate other new accounting standards or requirements in relation to financial statements which affect the Group's accounting policies or the presentation of the Group's financial statements.

Historical consolidated financial information of the Group may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between periods due to material acquisitions, disposals or material changes to the list of consolidated subsidiaries.

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its businesses.

In addition, the Group establishes, acquires and disposes of equity interest in, its consolidated subsidiaries from time to time in accordance with its business objectives. For instance, CTII disposed 51.0 per cent. equity interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. (港中旅(登封)嵩山少林文化旅遊有限公司) in January 2021. See "*Description of the Group – Recent Developments – Disposal of 51.0 per cent. equity interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. under the travel and tourism business sub-segment*" for detail. Period-to-period comparisons of the historical operating results and financial positions of the Group must be evaluated in light of the impact of such transactions. Investors should exercise caution in comparing financial data between periods due to material acquisitions, disposals or material changes to the list of the Group's consolidated subsidiaries.

The Group is exposed to risks in connection with contracting with public bodies.

As an enterprise wholly-owned and directly supervised by the SASAC, the Group collaborates with various governmental authorities and their controlled entities at national, provincial and local levels. The Group is therefore exposed to risks in connection with contracting with public bodies. Although the Group believes that it currently maintains close working relationships with those governmental authorities and entities relevant to its businesses, there can be no assurance that these relationships will continue to be maintained on good terms in the future. The Group's domestic and overseas operations are sometimes subject to changes or postponement arising from factors such as changes in government budget, changes in policy considerations or changes of government in certain overseas jurisdictions. In addition, disputes with public bodies may last for considerably longer periods of time than for those that occur with private sector counterparties, and payments from public bodies may be delayed as a result. All these risks may have an adverse effect on the Group's results of operations and financial position.

The Group's business and operations require significant capital investment. Failure to raise sufficient capital in a timely manner could materially and adversely affect its business, financial condition or results of operations.

The Group's business and operations require significant capital resources, particularly relating to its tourism investment and operation business. The Group regularly incurs capital expenditure to expand its operations and production facilities, to maintain its production equipment and auxiliary facilities, to increase its operating efficiency and to service its obligations under outstanding indebtedness. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's capital expenditure amounted to RMB2.5 billion, RMB2.4 billion, RMB0.9 billion and RMB0.8 billion, respectively. For the same periods, the Group maintained a capital expenditure to revenue ratio of 3.1 per cent., 3.4 per cent., 3.6 per cent. and 1.9 per cent., respectively. As at 30 June 2021, the Group maintained a debt to asset ratio of 67.9 per cent. As at the same date, the Group had an indebtedness portfolio of 38 per cent. short-term (due within one year), 22 per cent. medium-term (due between one to three years) and 40 per cent. long-term (due after three years), respectively.

The Group has historically satisfied its cash needs with cash flow generated from its operating activities, proceeds from bank borrowings, proceeds from issues of equity and debt securities in the capital markets and advances from its affiliated companies.

The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as China's economic condition, prevailing conditions in the capital markets, regulatory requirements, the Group's financial condition, results of operations and cash flows, and costs of financing, including changes in interest rates. Some of these factors may be beyond the Group's control. If the Group fails to raise sufficient funds in a timely manner, it may not be able to fund in full the capital expenditure necessary to expand its production facilities, upgrade or purchase additional facilities and equipment or implement its business strategies, which may in turn have a material and adverse impact on the Group's business, financial condition and results of operations.

The Group may not have access to external financings or such access on acceptable terms, and its growth prospects and future profitability may be adversely affected as a result.

The Group's tourism investment and operation business requires substantial capital investment. The Group has historically required and expects that in the future it will continue to require substantial external financing to fund its capital expenditures through various channels, such as bank and other borrowings, equity financing and debt issuances. The Group's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including:

- general economic and capital market conditions;
- changes in monetary policies with respect to bank interest rates and lending policy;
- interest rates and credit availability from banks or other lenders;

- investor confidence in the Group, and the success of the Group's businesses;
- the Group's ability to obtain PRC Government approvals required to access domestic or international financing;
- provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital; and
- general political and economic conditions in the rest of the PRC.

The Group may be unsuccessful in integrating and managing future investments and/or acquisitions.

As part of its expansion plans, the Group from time to time considers investment and acquisition opportunities that may complement its core business portfolio and capabilities and assist in expanding the market share of its core business operations. The ability of the Group's operations to grow by investments in and/or acquisitions of its target businesses is dependent upon, and may be limited by, the availability of attractive projects, its ability to agree to commercial, technical and financing terms to the satisfaction of the Group and obtaining required approvals from relevant regulatory authorities.

Such investments and/or acquisitions may expose the Group to potential difficulties that could prevent it from achieving its strategic objectives for the investments and/or acquisitions or the anticipated levels of profitability from the investments and/or acquisitions. These difficulties include:

- diversion of management's attention from the Group's existing businesses;
- increases in the Group's expenses and working capital requirements, which may reduce its return on invested capital;
- difficulty expanding into markets in different locations and the challenges of operating in markets and industries in which the Group does not have substantial experience;
- increases in debt, which may increase the Group's finance costs as a result of higher interest payments;
- exposure to unanticipated contingent liabilities of acquired businesses; and
- difficulties in integrating acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

The Group may not be able to successfully identify, acquire, invest in or operate suitable investment projects, acquisition targets or businesses.

The Group's ability to implement its growth strategy will depend on a number of factors, in particular, its ability to identify suitable project development opportunities, reach agreements with national and provincial governments and obtain the necessary authorisations from national and provincial governments. The Group believes that identifying and developing projects may become increasingly difficult in the future as domestic and international competition for the development of investment projects increases.

There can be no assurance that the Group will be able to identify suitable investment and acquisition targets, complete the investments and acquisitions on satisfactory terms, if at all, or, if any such investments and acquisitions are completed, satisfactorily integrate the acquired businesses and investments. Any failure of the Group to implement its expansion plans through investments and acquisitions could have a material adverse effect on the Group's business, financial position and results of operations, as well as its future prospects.

Furthermore, the Group's portfolio companies in different operating segments may pursue new business ventures. There can be no assurance that such business ventures will be successful or generate the synergies expected, if any. The successful completion of this type of transaction will depend on several factors, including satisfactory due diligence findings and the receipt of necessary regulatory approvals, among others. If the Group fails to complete such business ventures or they prove to be unsuccessful, the Group's operating segments involved may be adversely affected.

The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or subsidiaries in which the Group has minority interests.

The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or subsidiaries in which the Group has minority interests. The Group may also fail to manage such assets, projects or subsidiaries successfully. The Group's involvement with such assets, projects and subsidiaries is generally subject to the terms of applicable agreements and arrangements. The Group may not have any board representation, veto power or power to exercise control over the management, policies, business and affairs of certain of its subsidiaries in which the Group does not have majority interests.

Furthermore, the Group conducts some of its business activities through one or more joint venture companies with local partners. In general, local partners may be involved in sourcing new projects and carrying out various activities during the development phase. The Group generally enters into such joint ventures where it believes it is able to benefit from the strong local insight and experience of local partners.

Under the current contractual arrangements, if any of the other equity owners or the Group's local partners fail to perform their respective obligations or otherwise breach the terms and conditions of the Group's shareholding arrangements or joint venture agreements, or if the Group has different views or strategies from its local partners, it could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's results of operations may be affected by material fluctuations in the results of operations of its key business segments.

The Group's business portfolio primarily consists of travel and tourism services, tourism investment and operation, tourism retailing, hotel operations, tourism finance and strategic innovation and incubation. As such, the Group's results of operations may be affected by material fluctuations in the results of operations of its key business segments. For the year ended 31 December 2020, the operating revenue from each of travel and tourism services, tourism investment and operation, tourism retailing, hotel operations, tourism finance and strategic innovation and incubation was RMB4.5 billion, RMB9.3 billion, RMB52.6 billion, RMB1.2 billion, RMB2.1 billion and RMB0.5 billion, respectively. For the six months ended 30 June 2021, the operating revenue from each of travel and tourism services, tourism investment and operation, tourism retailing, hotel operations, tourism finance and strategic innovation and incubation was RMB1.7 billion, RMB1.2 billion, RMB35.5 billion, RMB0.7 billion, RMB0.9 billion and RMB0.2 billion, respectively.

With a travel and tourism focus, the Group engages in diversified businesses and is exposed to a combination of risks and uncertainties associated with the operations of the relevant businesses and in the relevant industries. Therefore, it is difficult to forecast the future performance of the Group's key business segments. Any material decline in the revenue, operating profit or operating profit margin of any of the Group's key business segments may have a material adverse impact on the Group's total revenue, operating profit or operating profit margin in the future.

The Group's business is subject to concentration risks.

The Group's key business segments are travel and tourism-oriented, which results in the Group having a higher business concentration risk compared with other companies which have business interests that are more diverse in terms of sector. Such concentration exposes the Group to concentration risk, and the Group's business may therefore be significantly impacted by any adverse event affecting the travel and tourism industry in the PRC or Hong Kong, or even globally in general, which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks of fluctuation of cash flows generated from operating, investing and financing activities.

The Group's cash flows generated from operating, investing and financing activities faced fluctuations in the past. For the six months ended 30 June 2021, the Group had net operating cash outflow of RMB2.8 billion, net investing cash outflow of RMB2.1 billion and net financing cash inflow of RMB1.2 billion, compared to net operating cash inflow of RMB2.0 billion, net investing cash outflow of RMB3.8 billion and net financing cash inflow of RMB19.2 billion for the six months ended 30 June 2020, respectively.

Although the relevant industries that the Group engages in are expected to provide relatively stable cash inflows, the Group's future business expansion may exert certain pressure on cash flows from operating, investing and financing activities, which results in the Group facing risks of fluctuation of cash flows.

Certain principal business segments of the Group are conducted by companies listed on the main board of the SEHK and the SSE, which must take into account the interests of their respective minority shareholders.

The Group's travel and tourism services business is operated primarily by CTII, which is listed on the SEHK, and CTG Duty-Free, which is listed on the SSE. These listed companies have significant minority shareholdings that must be taken into consideration when CTII and CTG Duty-Free manage their respective businesses. Any disagreement or conflict between the management of Group companies and minority shareholders could divert management attention from the implementation of business strategies and could materially and adversely affect the Group's businesses. In addition, the Group is obliged to observe the minority protection rules of the SEHK, the SSE and the respective jurisdictions of incorporation of these subsidiaries.

The Group's results of operations are susceptible to significant fluctuations in the Group's non-operating revenues and non-operating expenses.

The Group's net profit may be affected by significant fluctuations in its non-operating revenues and non-operating expenses. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's non-operating income was RMB280.3 million, RMB239.4 million, RMB58.0 million and RMB77.8 million, respectively, and the Group's non-operating expenses were RMB74.3 million, RMB114.7 million, RMB69.3 million and RMB12.5 million, respectively. Any material fluctuation in the Group's non-operating revenue or non-operating expenses may have a material adverse impact on the Group's business, financial condition and results of operations.

Failure to obtain or renew necessary governmental approvals, licences and permits could materially and adversely affect the Group's business, financial condition or results of operations.

In accordance with the PRC laws and regulations, the Group is required to obtain and maintain various governmental approvals, licences and permits relating to its operating activities. According to applicable PRC laws, the granting of these governmental approvals, licences and permits needs to satisfy a number of conditions and procedures and may be subject to government review. Failure to satisfy the relevant conditions and procedures could cause the Group to temporarily or permanently suspend some or all of its production activities and have a material adverse impact on the Group's business, financial condition and results of operations. In addition, from time to time relevant regulatory authorities carry out inspections to ascertain the Group's compliance with applicable laws and regulations. Failure to pass such inspections could lead to revocation of licences and permits, impose legal and administrative liabilities, and adversely affect the Group's operations.

If the Group fails to obtain or experiences material delays in obtaining land use rights certificates with respect to land parcels, or building ownership certificates with respect to properties, on or in which it carries out its operations, its business, financial condition and results of operations may be materially and adversely affected.

The Group from time to time acquires land and properties for its business operations, such as real estate development, construction of project facilities and warehousing. According to applicable PRC laws, the granting of land use rights is customarily conducted through a public tender and bidding process. A number of factors are taken into consideration when the government determines the granting of land use rights, such as the reputation, track record and financial conditions of the bidders and project budgeting. Granting of the building ownership certificates is also subject to a number of conditions and procedures and sometimes requires documents and co-operation provided by contractors and third parties. Many of these factors are beyond the Group's control. There can be no assurance that the Group will be able to obtain necessary land use rights certificates or building ownership certificates in a timely manner or at all. If the Group experiences material delays in obtaining these certificates or fails to receive these certificates, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group is exposed to credit risks arising from receivables.

The Group undertakes a range of financing activities in the ordinary course of business. As at 1 January 2020, 31 December 2020 and 30 June 2021, the Group's accounts receivable amounted to RMB1.7 billion, RMB1.0 billion and RMB1.8 billion, respectively, representing 1.4 per cent., 0.7 per cent. and 1.0 per cent. of the Group's total assets, respectively. As at 1 January 2020, 31 December 2020 and 30 June 2021, the Group's other receivables amounted to RMB2.4 billion, RMB2.2 billion and RMB8.2 billion, respectively, representing 1.9 per cent., 1.5 per cent. and 4.8 per cent. of the Group's total assets, respectively. There are inherent risks associated with the Group's customers' ability to make timely payments, and failure by a large number of customers or by any principal customers to make timely payments could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations.

The Group is exposed to currency and interest rate risks.

The Group is exposed to foreign exchange risks relating to various currencies, primarily the Renminbi, U.S. dollar, Hong Kong dollar and British pound. Government and monetary authorities may impose, and have in the past imposed, exchange controls that could adversely affect an applicable exchange rate. As a certain portion of the Group's international purchases and sales are denominated in U.S. dollars, Hong Kong dollars and British Pound, while some of its costs, expenses and capital expenditures are incurred in other currencies, exchange rate fluctuations, in particular with respect to the Renminbi, could materially and adversely affect the Group's business, financial condition or results of operations.

A substantial portion of the Group's revenues, capital expenditures and operating expenses are denominated in Renminbi. The Group's acquisitions of assets and purchases of raw materials from outside China are generally denominated in currencies other than Renminbi and, as a result, the Group is exposed to foreign exchange risk with regard to these acquisitions and purchases. The Group may acquire more assets or purchase more raw materials and manufacturing equipment from outside China and incur additional foreign currency-denominated obligations. In particular, the Group will be required to make interest payments and other payments in foreign currencies. In addition, as at 31 December 2020, the Group total indebtedness is comprised of 28.9 per cent. onshore loans, 28.8 per cent. onshore debt securities, 7.6 per cent. offshore loans and 34.7 per cent. offshore debt securities. Currency wise, 34.7 per cent. of the Group's total indebtedness were denominated in U.S. dollars and 51.3 per cent. in RMB. In addition, as at 30 June 2021, the Group total indebtedness is comprised of 34.9 per cent. onshore loans, 21.1 per cent. onshore debt securities, 12.4 per cent. offshore loans and 31.7 per cent. offshore debt securities. Currency wise, 37.8 per cent. of the Group's total indebtedness were denominated in U.S. dollars and 51.5 per cent. in RMB. Any future exchange rate volatility relating to the Renminbi or any significant revaluation of the Renminbi may materially and adversely affect the Group's cash flows, revenue, earnings and financial position, as well as the value of any distributions payable to the Group by its PRC subsidiaries.

The Group's financing costs and, as a result, its business, financial condition or results of operations, are affected by changes in interest rates. A substantial portion of the Group's borrowings is linked to benchmark lending rates published by the PBOC, which may raise lending rates in the future. The Group also has a number of borrowings that are denominated in U.S. dollars, Renminbi and Hong Kong dollars and is exposed to interest rate fluctuations, including fair value interest-rate risk in relation to its fixed-rate debt and cash flow interest-rate risk in relation to variable-rate bank balances and borrowings. Any change in interest rates could materially and adversely affect the Group's business, financial condition or results of operations.

The Group is subject to extensive regulatory requirements and environmental regulations, the non-compliance with which would materially and adversely affect the Group's financial condition and results of operations.

The Group is subject to extensive laws, policy and regulatory requirements issued by the relevant governmental authorities in the PRC and other jurisdictions. For example, the Group's tourism investment and operation business is subject to extensive laws and regulations of the PRC Government, and provincial and local authorities and agencies, which regulate many aspects of its operations and environmental, health and safety standards. The Group is also subject to the supervision of a number of government ministries and departments, including the NDRC and Ministry of Emergency Management. Central governmental authorities, such as the NDRC, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Commerce and the State Administration of Taxation, as well as the local pricing bureaux, exercise extensive control over various aspects of the securities, finance and insurance industries in the PRC. A breach of the laws or regulations to which the Group is subject may result in the imposition of fines and penalties or the suspension or closure of its relevant operations and, as a result, may materially and adversely affect the Group's financial condition and results of operations.

In addition, the legal framework in the PRC and other jurisdictions, especially for environmental protection and operational health and safety, is becoming more comprehensive and complex, as the PRC legal system continues to rapidly evolve. Although the Group is obliged to comply with all applicable environmental laws and regulations, given the changing nature and increased complexity of the environmental regulations in the PRC and other jurisdictions, there can be no assurance that the Group will be in compliance at all times. Any failure to comply with applicable laws and regulations could subject the Group to, amongst other things, civil liabilities and penalty fees. In addition, there can be no assurance that environmental liabilities will not increase. Any increase in environmental liabilities could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group may from time to time be involved in legal or other proceedings arising out of its operations and/or products and may face significant liabilities as a result.

The Group may be involved in disputes with various parties, including partners, contractors, suppliers, employees and customers in connection with its operations and/or products. Such disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management attention. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees, resulting in pecuniary liabilities, causing delays, diverting resources and management attention or otherwise materially and adversely affecting the Group's business, financial condition or results of operations.

Government grants and tax exemptions for the Group may be reduced or discontinued.

The Group has received various government grants for investments in certain provinces of the PRC, including for infrastructure construction projects, desulfurisation, energy conservation and emission reduction, reformation for capacity expansion, and rebates for land purchases. For the years ended 2018, 2019 and 2020, the Group had government grants (including government grants relating to daily business activities categorised as other income, if applicable) of approximately RMB88.1 million, RMB161.8 million and RMB520.7 million, respectively. For the six months ended 30 June 2021, the Group had government grants (including government grants relating to daily business activities categorised as other income, if applicable) of approximately RMB260.1 million. These government grants and preferential tax treatments are discretionary, and thus there can be no assurance that the Group will continue to receive them on a regular basis, or at all. To the extent that grants and preferential tax treatments are reduced or discontinued in the future, the Group's other income may decrease and the Group's business, financial condition or results of operations could be materially and adversely affected.

The Group's operations are exposed to natural disasters, outbreaks of contagious diseases and other force majeure events the Group cannot currently predict.

Acts of God, acts of war, terrorist attacks, natural disasters, catastrophes and outbreaks of contagious diseases (such as severe acute respiratory syndrome ("**SARS**"), H5N1 flu, H1N1 influenza, Ebola, Middle East respiratory syndrome or the recent outbreak of the 2019 novel coronavirus ("**COVID-19**")) could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, and materially and adversely affect the Group's cash flows and, accordingly, adversely affect its ability to service debt. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted.

For instance, the COVID-19 pandemic has caused widespread travel disruptions and business slowdowns. Several cities across China in which the Group operates have been under a lockdown and have imposed travel restrictions in an effort to control the spread of this highly infectious contagious disease. These control measures had and may continue to have a negative impact across the Group's multiple business segments. Some of the Group's domestic and international travel services, tourist attraction, duty-free shops and hotels, including, for example, Window of the World, Splendid China Folk Village, Sanya International Duty-free Shopping Complex and Grand Metropark Hotel Hangzhou, were shut down or subject to reduced capacity restrictions in accordance with local counter-COVID-19 policies. These measures may have a negative impact on the Group's business operations, including a decline in operating revenue in the aforementioned business segments. In addition, due to the COVID-19 pandemic, the transit time for the delivery of the duty-free goods has also been prolonged, causing an increase in the operating cost of the Group's duty-free business. Due to the outbreak of and the uncertainties caused by COVID-19 variants, travel and tourism, tourism investment and operation and hotel operations business segments were negatively impacted for the six months ended 30 June 2021. While the Group managed to record a total operating profit of RMB6.8 billion for the six months ended 30 June 2021, it is uncertain as to the larger potential impact arising from the COVID-19 pandemic on the Group's business operations, profitability, financial condition and prospects in the years ahead as the virus continues to evolve.

Furthermore, under the Urgent Notice on Prevention and Control of COVID-19 Epidemic and Suspension of Tourism Enterprises' Operating Activities ("**Urgent Notice**") (關於全力做好新型冠狀病毒感染的肺炎疫情防控工作暫停旅遊企業經營活動的緊急通知) issued by the Ministry of Culture and Tourism (the "**MCT**") on 24 January 2020 and became effective on the same date, travel agencies in the PRC are prohibited from providing domestic and international packaged tours as well as flights and hotel packages, having a direct impact on the profitability and liquidity of Group's core business segments.

Government authorities at different levels have been taking proactive initiatives to stabilise economic growth and support those enterprises under the influence on COVID-19 by introducing preferential policies, such as providing subsidies to travel agencies for them to terminate contracts with customers. However, there is no assurance that the Group will continue to enjoy similar preferential policies or that such preferential policies would be sufficient.

The international outbreak of COVID-19 may also have a negative impact on the Group's cross-border and overseas travel services. Given the uncertainty of the COVID-19 outbreak, it can be difficult for the Group to accurately assess the impact of COVID-19 on its business operations and financial condition at this stage.

The occurrence or continuance of any of these or similar events which the Group cannot currently predict could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its revenue. Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant cost and liabilities will not be incurred, including those relating to claims for damages to property or persons.

The global economy is facing significant uncertainties and disruptions caused by COVID-19.

The World Health Organization declared COVID-19 to be a global epidemic. There has been rapid and widespread increase in new infections in the United States, Europe and other parts of the world and increased fatality rates in many countries. Many countries have declared state of emergency, closed their borders to international travellers, and restricted movements of their citizens with a view to containing the epidemic and there is no assurance that such measures will be effective. Citizens in many affected countries and areas are being advised or required to stay at their homes subject to limited exceptions. This, in turn, has resulted in reduced trade, lower consumption and commercial activities, lower industrial production and disrupted global supply chains and logistics demand, which will severely disrupt their economies and the global supply chain and may result in recessions in these economies.

The outlook for the world economy and financial markets remains uncertain. In the United States, inflation has become a major concern. It is unclear whether the Federal Reserve of the United States' efforts to curb inflation will prove to be successful, nor is it possible to predict the impact of future Federal Reserve's actions on the global economy. In Europe, several countries continue to face difficulties surrounding sovereign debt. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. Moreover, the elevated inflation pressures due to COVID-19 have cast uncertainties over the future course of major central banks' monetary policies. Although governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures to contain the economic impact of the epidemic, stabilise the markets and provide liquidity easing to the markets, there is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives or be successful in containing the economic impact of the epidemic or stabilising the markets.

If market conditions deteriorate or the market downturn (whether as a result of COVID-19 or otherwise) becomes more severe, longer lasting or broader than expected, the general demand for travel and transportation in the PRC and/or other markets in which the Group operates will likely be adversely affected. Any further tightening of liquidity in the global financial markets may also negatively affect the Group's liquidity. As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities which may adversely affect the economies in which the Group had operations, which, in turn, may affect the Group's business and financial condition, as well as outlook and the value of the Notes. Investors must exercise caution before making any investment decisions.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could not only subject it to financial losses and sanctions imposed by governmental authorities but also adversely affect its reputation. Such misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group's decision-making processes;
- improperly using or disclosing confidential information;
- engaging in improper activities such as offering bribes to counterparties in return for any type of benefit or gain;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;

- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The internal control procedures of the Group are designed to monitor its operations and ensure overall compliance. However, the internal control procedures of the Group may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There is no guarantee that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result. The Group's failure to detect and prevent fraud and other misconduct may have a material adverse effect on its business reputation, financial condition and results of operations.

The Group is subject to inspections, supervision and examinations by PRC regulatory authorities.

As an enterprise directly owned and supervised by SASAC, the Group is subject to inspections, supervision and examinations by PRC regulatory authorities from time to time. For example, the National Audit Office of the People's Republic of China (the "**NAO**") completed a routine audit in relation to the Group's financial results for the years ended 31 December 2019 and 2020.As at the date of this Offering Circular, to its best knowledge, the Group is not aware that the NAO has indicated any material or major defects in its internal control systems or misstatements in its financial statements that require improvement measures to be taken. However, there is no assurance that future investigations or examinations will not identify defects in the Group's internal controls or misstatements in its financial statements, or that the Group's directors and senior management may not be subject to litigation or investigation as a result of future investigations, examinations and their contents.

The insurance coverage of the Group may not adequately protect it against all operating risks.

The Group faces various operational risks in connection with its business, including, but not limited to:

- production interruptions caused by operational errors, electricity outages, raw material shortages, equipment failure and other production risks;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- economic loss due to product recalls;
- on-site production accidents;
- war, revolution, terrorist acts, embargoes and social, political and labour unrest;
- disruption in the global capital markets and economy in general;
- loss on investments;

- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods, collapse of mine or other natural disasters.

To manage operating risks, the Group maintains insurance policies that provide different types of risk coverage, which the Group believes to be consistent with the relevant industry and business practice in China and/or elsewhere. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Group's operations due to the above-mentioned operational risks. To the extent that any of the Group companies suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

If the Group fails to maintain effective internal controls, its business, financial condition, results of operations and reputation could be materially and adversely affected.

The Group has implemented various measures to improve internal controls. However, due to the limits of these controls, there can be no assurance that all such measures will prove effective or that material deficiencies in the Group's internal controls will not be discovered in the future. The independent auditors of the Group, Baker Tilly, may provide recommendation to the Group with respect to the improvement for the Group's internal control measures after preparing the audit reports of the Group from time to time. Baker Tilly has confirmed in the Internal Control Audit Report (內部控制審計報告(天職業字[2021]31109號)) issued by it to the shareholder of the Guarantor that the Guarantor has maintained effective internal control over its financial reports in all material aspects in accordance with relevant standards as at 31 December 2020. The Group has discussed thoroughly with the independent auditors about the recommendations and has been continuously improving its internal control system according to such recommendations and proposed measures.

The Group's efforts to improve its internal controls have required, and in the future may require, increased costs and significant management time and commitment. If the Group fails to maintain effective internal controls, its business, financial condition, results of operations or reputation could be materially and adversely affected.

If the Group does not compete successfully against new and existing competitors, the Group may lose market share, and the Group's business may be materially and adversely affected.

The Group engages in business activities primarily in travel and tourism services, tourism investment and operation, tourism retailing, hotel operations, tourism finance and strategic innovation and incubation, and, therefore, is exposed to competition with existing and future competitors in those industries and areas. Some of the Group's existing and potential competitors may have competitive advantages, such as significantly greater financial, marketing and strategic relationships and alliances or other resources, or name recognition. There can be no assurance that the Group will be able to successfully compete with its competitors. If the Group is not able to compete successfully, the Group's business, financial condition or results of operations may be materially and adversely affected.

The Group's success depends on the retention of its senior management team and other key personnel.

The Group depends on the services provided by its management and other qualified and experienced staff. As competition in the PRC for senior management and key personnel with experience in the businesses in which the Group operates is intense, and the pool of qualified candidates is very limited, the Group may not be able to retain the services of the Group's senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If any key management team member leaves and the Group fails to find a suitable substitute, or if the Group cannot attract or retain qualified personnel, its business and future growth prospects may be negatively affected.

The expansion of the Group's product and service offering exposes the Group to various risks, and the Group may misjudge the implementation of a new product group or customer acquisition channel, of a new pricing or credit assessment method or analytical tools and data.

As the Group continually expands its business and adjusts its business strategies in the changing market, it may seek to introduce new product or service groups, pricing and credit assessment analysis methods and uses of data in order to retain existing customers whose needs have evolved, and to attract new customers for whom the existing product offering or methods of acquisition are unattractive or ineffective and/or for whom more competitive pricing and more sophisticated underwriting processes are required. Expansion of any changes to the product range exposes the Group to a number of risks and challenges, including the following:

- competitors of the Group may have substantially greater experience and resources in relation to the business activities that the Group wishes to commence, and the Group may not be able to attract customers to its services from competitors with existing relationships with those customers;
- the new products and services may not be accepted by the Group's customers or meet its expectations for profitability, and may require greater marketing and compliance costs than the Group's traditional services;
- the new products and services may give rise to potential disputes or claims from customers;
- the Group may face greater risk of potential compliance issues such as mis-selling, when dealing with less sophisticated counterparties and investors;
- the Group may need to hire additional qualified personnel who may not be readily available; and
- the Group may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services.

There has been increased scrutiny of PRC public accountants, and the Group cannot ensure that there will not be negative news about the Group's independent auditors.

In recent years, as part of an effort to improve effective regulatory oversight, PRC regulators have increased their examinations of PRC public accountants. As a result, auditors in China have been subject to more frequent examinations. The CSRC's investigations are mainly focused on the independence of the auditors, the appropriateness of the implementation of accounting standards, the adequacy of professional scepticism in the auditing process, and the reasonableness of the judgement made by the auditors. In October 2021, CSRC requested three accountants of Baker Tilly, the Group's current independent auditors, to undergo a regulatory talk due to non-compliance of the relevant accounting standards when performing the audit of the financial statements of LONGZHOU GROUP CO., LTD. (龍洲集團股份有限公司) as at and for the year ended 31 December 2019 (the "**Longzhou Regulatory Talk**"). One of the accountants subject to the interview, Mr. Wang Qingfeng (王清峰), was and will continue to be a responsible person for the audit of the Group's Audited Financial Statements. Mr. Wang was not subject to any regulatory penalties subsequent to the Longzhou Regulatory Talk and his qualification was not affected. Baker Tilly has confirmed that the Longzhou Regulatory Talk would not affect the validity, effectiveness and fairness of the auditor reports included elsewhere in this Offering Circular. In addition to the Longzhou Regulatory Talk, Baker Tilly had been previously investigated by CSRC in connection with its provision of audit services to certain other PRC companies. As a result of such investigations, CSRC had issued warning notices to Baker Tilly and certain Baker Tilly employees, but there have been no regulatory penalties imposed on Baker Tilly in connection with such investigations.

Baker Tilly has confirmed to the Group that its auditing work is not affected by the above incidents and the audit reports included elsewhere in this Offering Circular are valid and effective. However, there can be no assurance that there will not be prolonged, broadened or new investigations against the Group's independent auditors, or what the results or impact of the investigations will be. Furthermore, there can be no assurance that there would be no additional negative news about its independent auditors and that negative news about its auditors would not have a material and adverse effect on the Group.

RISKS RELATING TO THE GROUP'S BUSINESS OPERATIONS

General declines or disruptions in the travel industry may materially and adversely affect the Group's travel and tourism services business and results of operations.

The Group's businesses, especially its travel and tourism services, tourism investment and operation, tourism retailing and hotel operations businesses, may be subject to seasonal fluctuations. The Group's travel and tourism services and tourism investment operation businesses typically experience larger sales during festive and holiday seasons, including the Chinese New Year, the Labour Day holiday, the Mid-Autumn festival and National Day. As a result of seasonal fluctuations, the results of operations of the Group's travel and tourism services and tourism investment and operation businesses during one period may not be comparable with that of any other period of the year. In addition, there can be no assurance that the Group has sufficient resources to capture business opportunities during peak seasons, or that the Group will be able to effectively respond to a decline in market demand during the slow season. Failure to do so may materially and adversely affect the Group's businesses.

The Group's businesses are subject to, and could be negatively affected by, seasonality.

The Group's businesses, especially its travel and tourism services, tourism investment and operation, tourism retailing and hotel operations businesses, are significantly affected by the trends that occur in the travel industry in China, including the hotel, air ticketing and packaged-tour sectors. As the travel industry is highly sensitive to business and personal discretionary spending levels, it tends to decline during general economic downturns. The recent worldwide recession has led to a weakening in the demand for travel services. Other trends or events that tend to reduce travel and therefore are likely to reduce the Group's revenues include:

- an outbreak of, H1N1 influenza, avian flu, Ebola, SARS, COVID-19 or any other serious contagious diseases;
- increased prices in the hotel, air ticketing, or other travel-related sectors;
- increased occurrence of travel-related accidents;
- political unrest;
- natural disasters or poor weather conditions;

- terrorist attacks or threats of terrorist attacks or wars; and
- any travel restrictions or other security procedures implemented in connection with any major events in China.

The Group could be severely and adversely affected by declines or disruptions in the travel industry and, in many cases, have little or no control over the occurrence of such events. Such events could result in a decrease in demand for the Group's travel services. This decrease in demand, depending on the scope and duration, could significantly and adversely affect the Group's businesses.

If the Group is unable to maintain existing relationships with travel suppliers, or establish new arrangements with them on favourable terms or on terms similar to those that the Group currently has, the Group's travel and tourism services business may suffer.

The Group's business depends significantly upon the Group's ability to contract with hotels or airlines in advance for the guaranteed availability of certain hotel rooms or flight seats. The Group relies on airlines and, to a certain extent, hotel suppliers to provide the Group with tickets or rooms at discounted prices. However, the Group's contracts with its suppliers are not exclusive and most of the contracts must be renewed semi-annually or annually. If the Group is unable to maintain satisfactory relationships with the Group's existing suppliers, if the Group's suppliers establish similar or more favourable relationships with the Group's competitors, or if the Group's hotel suppliers increase their competition with the Group through their direct sales, the Group's operating results and the Group's travel and tourism services business would be harmed. Loss of relationships or adverse changes in major business terms with the Group's travel suppliers would materially affect the Group's business, financial condition and results of operations.

If the Group fails to further increase its brand recognition, the Group may face difficulty in maintaining existing and acquiring new customers and business partners.

The Group believes that maintaining and enhancing the "CTG中旅" brand depends in part on the Group's ability to grow the Group's customer base and obtain new business partners. Some of the Group's potential competitors also have well-established brands in the travel industry. The successful promotion of the Group's brand will depend largely on the Group's ability to maintain a sizeable and active customer base, maintain relationships with the Group's business partners, provide high-quality customer service, properly address customer needs and handle customer complaints and organise effective marketing and advertising programmes. If the Group's customer base significantly declines, the quality of the Group's customer services substantially deteriorates, or the Group's business partners cease to do business with the Group, the Group may not be able to cost-effectively maintain and promote its brand, and its business may therefore be harmed.

The PRC government regulates the air ticketing, travel agency, advertising and internet industries. If the Group fails to obtain or maintain all pertinent permits and approvals or if the PRC government imposes more restrictions on these industries, the Group's business may be adversely affected.

The PRC government regulates the air ticketing, travel agency, advertising and internet industries. The Group is required to obtain applicable permits or approvals from different regulatory authorities to conduct the Group's business, including separate licences for value-added telecommunications, air ticketing, advertising and travel agency activities. If the Group fails to obtain or maintain any of the required permits or approvals in the future, the Group may be subject to various penalties, such as fines or suspension of operations in these regulated businesses, which could severely disrupt the Group's business operations. As a result, the Group's financial condition and results of operations may be adversely affected. In particular, the Civil Aviation Administration of China ("**CAAC**"), together with NDRC, regulates the pricing of air tickets. CAAC also supervises commissions payable to air ticketing agencies together with the China National Aviation Transportation Association ("**CNATA**"). If restrictive policies are adopted by CAAC, NDRC or CNATA, or any of their regional branches, the Group's air ticketing revenues may be adversely affected.

The Group relies on services from third parties to carry out the Group's business and to deliver the Group's products to customers, and if there is any interruption or deterioration in the quality of these services, the Group's customers may not continue using the Group's services.

The Group relies on third-party computer systems to host the Group's websites, as well as third-party licences for some of the software underlying the Group's technology platform. In addition, the Group relies on third-party air ticketing agencies to issue air tickets and travel insurance products, confirmations and deliveries in some cities in Greater China. The Group also relies on third-party local operators to deliver on-site services to the Group's package tour customers. Any interruption in the Group's ability to obtain the products or services of these or other third parties or deterioration in their performance, such as server errors or interruptions, could impair the timing and quality of the Group's own service. If the Group's service providers fail to provide quality services in a timely manner to the Group's customers or violate any applicable rules and regulations, the Group's services will not meet the expectations of the Group's customers and the Group's reputation and brand will be damaged. Furthermore, if the Group's arrangement with any of these third parties is terminated, the Group may not be able to find an alternative source of support on a timely basis or on favourable terms or at all.

The hotel business of the Group is dependent on the levels of business and leisure travel, the demand for and the supply of hotel rooms and other factors.

A number of factors, many of which are common to the hotel industry, could affect the Group's hotel business, including the following:

- adverse economic conditions;
- public health emergencies such as outbreak of contagious diseases;
- dependence on business, commercial and leisure travellers and tourism;
- demand for hosting of business meetings and conferences;
- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- adverse effects of international market conditions, which may diminish the demand for first-class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions in the countries or regions where the Group's hotels operate or where their guests live;
- increased competition and periodic local oversupply of guest accommodation, which may adversely affect occupancy rates and room rates;

- increases in operating costs due to inflation, labour costs (including the impact of unionisation), workers' compensation and healthcare-related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;

- seasonality in travel patterns;

- changes in interest rates and in the availability, cost and terms of debt financing; and

- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

These factors could materially and adversely affect the Group's hotel operations, which could, as a consequence, materially and adversely affect the Group's business, financial condition or results of operations.

The operations of the Group's businesses, especially its real property development, are subject to extensive governmental regulations, approvals and compliance requirements related to the relevant industries in the PRC, and the PRC government may adopt further measures to slow down growth in the real estate sector, affecting the Group's tourism investment and operation business.

The Group's businesses, especially its real property development projects, are heavily regulated and are affected by changes in government policies and regulatory measures affecting the property market. As with other PRC property developers, the Group must comply with various requirements mandated by the relevant PRC laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic and fiscal measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment.

From 2004 to the first half of 2008, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector.

Since late 2009, the PRC government has further adopted a series of new policies to cool down the property market, including, amongst other things:

- abolishing certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;

- imposing property purchase restrictions on non-local citizens, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers;

- increasing the minimum down payment to at least 60 per cent. of the total purchase price for second-house purchases with a minimum lending interest rate of at least 110 per cent. of the benchmark rate;

- restricting purchasers, in certain targeted cities, from acquiring second (or further) residential properties and restricting non-residents who cannot provide proof of local tax or social security payments for more than a specified time period from purchasing any residential properties;

- levying business tax on the full amount of the transfer price if an individual owner transfers a residential property within five years of purchase;

- launching new property tax schemes in certain cities such as Shanghai and Chongqing on a trial basis, levying property tax on some of the individual residential properties in these two cities;

- urging provincial governments to implement home purchase restrictions to control property prices, and setting certain criteria for the implementation of restrictions and, in the second half of 2011, extending such home purchase restrictions to certain second-tier cities in addition to the first-and second-tier cities which had adopted home purchase restriction measures;

- strictly enforcing the idle land-related law and regulations; and

- restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties.

On 20 February 2013, the State Council announced five measures on the control of the PRC property market, including: (1) stabilising property prices. Each major city in China was required to compile and announce its target for 2013 on how to control the prices of newly completed commodity properties; (2) strictly limiting speculative purchase of properties. Restrictions on purchasing commodity properties should be strictly implemented; expand the scope of experimental taxation on residential properties held by individuals; (3) increasing the supply of small to medium-sized commodity properties and land; (4) accelerating the construction of housing for low-income individuals; and (5) strengthening the supervision of the property market.

On 26 February 2013, the General Office of State Council issued the Notice on Continuing Adjustment and Control of Property Markets (關於繼續做好房地產市場調控工作的通知) (the "**Notice**") which, amongst other restrictive measures, provides that further restraining measures are to be adopted to strengthen the regulation of the property market. Major cities which have implemented the commodity housing purchase restrictions are required to enforce purchase restrictions in all administrative areas of the cities and restricted housing is to include new commodity housing and pre-owned housing. Non-local residents who have one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates will be barred from purchasing any residential properties located in the administrative areas subject to restrictions. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the Notice stipulates that a 20 per cent. income tax on individuals on profits from sales of properties will be strictly enforced. Financial institutions, subject to credit requirements, will prioritise requests for mortgages for ordinary commodity housing construction projects in which medium and small housing units constitute 70 per cent. or more of the total units in such construction projects.

In March 2015, the PBOC, China Banking Regulatory Committee (the "**CBRC**") and the Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部) (the "**MOHURD**") jointly issued the Circular on Issues concerning Individual Housing Loan Policies (關於個人住房貸款政策有關問題的通知). Pursuant to the circular, the minimum down payment ratio is lowered to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and the banks are allowed to decide at their own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by the State Administration of Taxation ("**SAT**") and the Ministry of Finance, effective from 31 March 2015, a business tax will be levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences (as defined in relevant regulations) business tax shall be paid on the basis of price difference between the sales proceeds and payment for original purchase.

The Notice on Adjustments in Respect of Certain Matters Concerning Individual Housing Loan Policies (關於調整個人住房貸款政策有關問題的通知), promulgated by PBOC and CBRC on 1 February 2016, provides that in the cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment, in principle, shall be 25 per cent. of the property price and each city could adjust such ratio downwards by 5 per cent.; and where a household which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 30 per cent. of the property price. In the cities that control measures on property purchase are imposed, the individual housing loan policies shall be adopted in accordance with the original regulations, and the actual down payment ratio and loan interest rate shall be determined reasonably by the banking financial institutions based on the requirements of minimum down payment ratio determined by provincial pricing self-disciplinary mechanism of market interest, the loan-issuance policies and the risk control for commercial personal housing loan adopted by such banking financial institutions and other factors such as the borrower's credit record and capacity of repayment.

The Group has had to adapt its property development operations to these austerity measures. There can be no assurance that the PRC government will not adopt more stringent policies, regulations and measures in the future. If the Group fails to adapt its property development operations to new policies, regulations and measures that may come into effect from time to time with respect to the real estate industry, or such policy changes disrupt its business or cause it to incur additional costs, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, since September 2021, there has been negative news relating to certain Chinese property companies including defaults on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in China. Such recent defaults make it difficult for Chinese property developers, management companies and potential property purchasers to obtain onshore and offshore financing, and result in very low market confidence in and very low demand for China real estate and increased market volatility. There is no guarantee that such situation will improve, and the property market may not continue to grow and may even experience significant contraction. Any adverse development in the condition of the property market in the PRC, could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, in order to develop a property and complete the development, the Group must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of property development and leasing, as well as for hotel operations, including, for example, land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions.

There can be no assurance that the Group will not encounter major problems in fulfilling the conditions precedent to the receipt of approvals or that the Group will be able to adapt itself to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or particular processes with respect to the issuance of such approvals. There may also be delays on the part of the administrative bodies in reviewing the Group's applications and in granting approvals. The Group may also be subject to periodic delays in its respective property development projects due to building moratoria in any of the areas in which it operates or plans to operate. If the Group fails to obtain, or experiences material delays in obtaining, the requisite governmental approvals, or if a building moratorium is implemented at one or more of its project sites, the development and sale of its projects could be substantially disrupted. Further, implementation of the laws and regulations by the relevant authorities, or the interpretation or enforcement of such standards, could require the Group to incur additional operating or other costs, which could, as a consequence, materially and adversely affect the Group's business, financial condition or results of operations.

The Group's business and prospects are heavily dependent on the performance of the PRC property markets, particularly in certain major first and second-tier cities in the PRC.

The Group principally develops and sells properties in major first and second-tier cities across the PRC, including, without limitation, Beijing, Shanghai, Shenzhen, Shenyang, Qingdao, Hangzhou, Ningbo, Suzhou, Chengdu and other cities. As at 30 June 2021, the Group had completed 38 major property projects in the PRC, of which the majority are located in first and second-tier cities. The Group's business continues to be heavily dependent on the property markets in those cities where the Group operates its business. These property markets may be affected by local, regional, national and global factors, including economic and financial conditions, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. These could lead to a material adverse impact on the Group's cash flows, financial condition and results of operations.

The PRC property market is cyclical, and the Group's property development activities are susceptible to significant fluctuations.

The PRC property market is, and is expected to continue to be, cyclical as a result of changes in market supply and demand. The rapid expansion of the property market in certain major cities in the PRC, including Guangzhou, Beijing and Shanghai, in the early 1990s culminated in an oversupply in the mid-1990s and a corresponding fall in property and rents in the second half of that decade. In addition, there was also a fall in property prices and rental yields during the economic downturn in 2008. Since the late 1990s, the number and price of residential property development projects have increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in major PRC cities such as Shanghai and Beijing have experienced rapid and significant growth. In recent years, however, risk of property oversupply is increasing in certain parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived oversupply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and the revenue and results of operations of the Group could be adversely affected. The growth of the property market in the PRC has become relatively flat during last 12 months. It is uncertain what the effect of the lifting of various government regulations on the property market will be as, ultimately, property prices are driven by demand and supply. There can be no assurance that the problems of oversupply and a property prices crash will not recur in the PRC property market. Any recurrence of such risks could adversely affect the business and financial condition of the Group's tourism investment and operation business, especially its property development projects.

The results of operations of the Group's property development projects are subject to seasonality and may fluctuate from quarter to quarter. The number of properties that the Group could develop or complete during any particular period is subject to a number of factors, including, but not limited to, construction schedules, permit approvals and lengthy development periods before revenues and profits from developments are realised and recognised (in particular, for projects that are developed in multiple phases over the course of several years). Therefore, the cyclical property market in the PRC affects the timing of both the Group's acquisition of sites and the Group's sale of completed properties. This cyclicality, combined with the lead time required for the completion of projects and the sale of properties, means that the results of operations of the Group relating to property development activities may be susceptible to significant fluctuations from year to year.

To the extent that supply in the overall property market significantly exceeds demand, the Group may be subject to significant market downturns and disruptions. Alternatively, any serious downturn in regional or global market conditions could materially and adversely affect and disrupt the property market in the PRC, and the financial condition and results of operations of the Group could be materially and adversely affected.

The Group's tourism investment and operation business, especially its property development, is subject to increasing competition.

In recent years, an increasing number of property developers have begun property development in the PRC. The Group's major competitors include large international, national and regional property developers, some of which may have longer track records, greater financial, marketing and land bank resources, wider brand recognition and superior economies of scale. The Group expects competition amongst property developers for land reserves to remain intense. In addition, the PRC governmental land supply policies and implementation measures may further intensify competition for land in China amongst property developers. For example, although privately held land use rights are not prohibited from being traded in the secondary market, the statutory requirements for public tender, auction and listing-for-sale practices in respect of the grant of state-owned land use rights have increased competition for available land as well as land acquisition costs.

The increasing number of property developers and the intensity of competition amongst property developers for land, financing, raw materials, skilled management and labour resources may result in increased costs for land acquisition, an oversupply of properties for sale, a decrease in property prices and a slowdown in the rate at which new property developments are approved by government authorities. Increased competition or other changes to market conditions may materially and adversely affect the business, prospects, financial condition and results of operations of the Group.

Land tax provisions and prepayments may not be sufficient to meet its land tax obligations.

In accordance with the provisions of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) and the related implementation rules regarding land appreciation tax ("**LAT**"), all entities and individuals that receive income from the sale or transfer of land use rights, buildings and ancillary facilities are subject to LAT at progressive rates ranging from 30 per cent. to 60 per cent. of the increased value of such properties. The PRC government issues rules and regulations with respect to LAT, including rules and regulations relating to assessable rates, the deductibility of certain expenses and the collection and settlement of LAT. In addition, the PRC government has determined that provincial, municipal and autonomous region level tax bureaux may formulate their own implementing rules for requisitioning pre-payment of LAT on income from transfer of real property before a project is completed. There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20 per cent. of the total deductible expense items allowed under the high-end relevant LAT regulations. This exemption is not available for sales of luxury residential properties, villas and high-end commercial properties.

The Group makes LAT prepayments and provisions in respect of its property development activities. There is no assurance that the relevant tax authorities will agree with the Group's calculation of LAT liabilities nor is there any guarantee that the LAT provisions will be sufficient to cover its LAT obligations in respect of its past LAT liabilities. If the relevant tax authorities, in particular the local tax bureau in cities and regions where the Group operates its businesses, determine that its LAT liabilities exceed its LAT prepayments and provisions and seek to collect that excess amount immediately, the Group's business, financial condition or results of operations could, as a consequence, be materially and adversely affected.

Furthermore, relevant notices issued by the PRC government relating to the settlement of LAT allow provincial municipal and autonomous region level tax authorities to formulate their own implementation rules for requisitioning pre-payment of LAT on income from transfer of real property before a project is completed, according to the local situation. If the implementation rules promulgated in the cities in which the projects of the Group are located require it to settle all unpaid LAT at the same time, or impose other conditions, its business, financial conditions and results of operations may be materially and adversely affected.

The Group may require significant capital resources to fund land acquisitions and property developments.

Property development is capital intensive. The Group's ability to secure sufficient financing for land acquisition and property development depends on a number of factors that are beyond its control, including market conditions in debt and equity capital markets, investors' perceptions of its securities, lenders' perceptions of its creditworthiness, the PRC economy and regulations that affect the availability and finance costs for companies with real estate businesses.

The PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements for companies with real estate businesses, which, amongst other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict the issuance of loans to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local region; and
- forbid commercial banks from issuing loans or providing loan extension services to a developer for its new projects, if the developer has a record of maintaining idle land, changing the land use purpose and nature without proper approval, delaying the commencement of construction or the completion date, hoarding properties or other forms of non-compliance.

In addition, the PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks. The PBOC adjusted the bank reserve requirement ratio five times in 2015, one time in each of 2016 and 2017, four times in 2018, three times in each of 2019 and 2020, and two times in 2021. The reserve requirement ratio for commercial banks currently ranges from 11.5 per cent. to 13.5 per cent. with effect from 15 December 2021.

There can be no assurance that the Group will be able to renew its current credit facilities or obtain sufficient funding to finance intended purchases of land use rights, develop future projects or meet other capital needs as and when required at a commercially reasonable cost or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit the Group's ability to initiate new projects or to continue the development of existing projects and may also increase its finance costs, which could, as a consequence, materially and adversely affect the Group's business, financial condition or results of operations.

The PRC government has implemented restrictions on the payment terms for land use rights.

On 28 September 2007, the Ministry of Land and Resources amended the Rules Regarding the Grant of State-owned Land Use Rights for Construction by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development of the land. These rules became effective on 1 November 2007. As a result, property developers are not allowed to bid for a large piece of land, make a partial payment and then apply for a land use rights certificate for the corresponding portion of land in order to commence development. In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the Ministry of Supervision and the National Audit Office jointly promulgated the Notice on Further Strengthening of Income and Expenses Management Regarding Land Transfers (關於進一步加強土地出讓收支管理的通知) which raises the minimum down payment on land premiums to 50 per cent. of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated the Notice on Issues Relating to Strengthening the Supply and Regulation of the Land for Real Estate Development (關於加強房地產用地供應和監管有關問題的通知), which provides that the minimum price for a given land grant is required to be equal to at least 70 per cent. of the benchmark price of the locality where the parcel of land is granted and the bidding deposit for such land grant is required to be equal to at least 20 per cent. of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days of the land grant deal is being closed, and the down payment of 50 per cent. of the land premium (taking into account any deposits previously paid) is to be paid within one month of signing the land grant contract, with the remainder to be paid in full within one year of the date of the land grant contract, in accordance with the provisions of such land grant contract, subject to limited exceptions. On 19 July 2012, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) which further requires the local governments to secure residential land supplies, especially land to be used for the development of government-subsidised residential units. The implementation of these regulations requires property developers, such as the Group, to maintain a higher level of working capital, which could, as a consequence, materially and adversely affect the Group's business, financial condition and results of operations.

Transfer of funds into China to finance the development projects of the Group is subject to approval by the PRC government and, as a result, the deployment of funds raised in offshore financing in the tourism investment and operation business may be delayed.

Equity contributions to the Group require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution of funds to the Group. In recent years, in an effort to cool down its real estate industry, the PRC government has introduced a series of rules and measures, including those aimed at controlling the inflow of foreign funds into the property development industry or for property speculation. The transfer of the net proceeds from this offering into China will be subject to such PRC governmental approval process.

On 23 May 2007, the MOFCOM and SAFE jointly promulgated the Notice on Further Reinforcing and Regulating the Approval and Supervision on Foreign Direct Investment in the Real Estate Industry (關於進一步加強規範外商直接投資房地產業審批和監管的通知), often known as "Notice No. 50", pursuant to which, prior to obtaining approval for the establishment of a foreign investment real estate enterprise (hereinafter referred to as "**FIREE**"), either (1) both the land use rights certificates and property ownership certificates must have been obtained or (2) contracts for obtaining land use rights or property ownership must have been entered into. In addition, a foreign-invested enterprise needs to obtain approval before expanding its business scope into the real estate sector or engaging in a new real estate development project. Pursuant to Notice No. 50, investors must first enter into land grant contracts before applying for the establishment of a new FIREE. Alternatively, if investors elect to engage in any new real estate project development through an existing FIREE, the relevant FIREE must first apply to the relevant PRC governmental authorities to expand its scope of business or scale of operations. In any event, the investors or the relevant FIREE must file with the MOFCOM and wait until such filing is complete before they can transfer the proceeds from offshore capital raising into China for the property development. It is unclear how long this process will take.

These regulations effectively prohibit the Group from injecting funds raised offshore into the PRC project companies by way of shareholder loans. Without this flexibility to transfer funds to the PRC subsidiaries in the form of loans or from the PRC subsidiaries in the form of interest or loan repayments, there is no assurance that the dividend payments from the PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the relevant series of Notes, or on a redemption date or the maturity date to repay the principal of the relevant series of Notes.

According to Improving Foreign Debt Registration and Effectively Preventing Foreign Debt Risks-Reply in a Press Conference re Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (完善企業外債備案登記管理,有效防範外債風險——國家發展改革委有關負責人就<國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知>答記者問), the fund of foreign debts shall be mainly applied to repay matured debts of a property developer and be restricted for the purpose of investing to property projects both in and outside the PRC or supporting working capital.

There is no assurance that the Group will obtain in a timely manner all relevant necessary approval certificates or registration to deploy the proceeds of this offering or other offshore financing into the tourism investment and operation business in the PRC, especially for its property development projects, which may adversely affect the financial condition of the Group and may cause delays to the development undertaken by the Group. Furthermore, there is no assurance that the PRC government will not introduce new policies that further restrict the Group's ability to deploy, or that prevent the Group from deploying, the funds raised offshore in China. Therefore, the Group may not be able to use all or any of the capital the Issuer may raise outside China to finance the property development projects of the Group in a timely manner or at all. Failure to obtain such governmental approvals and registration or material delays in the approval or registration process may also result in foreign exchange losses, thereby adversely affecting the Group's business, financial condition and results of operations.

The Group may not be able to complete its development projects on time, or at all, which may have a negative impact on the Group's cash flows and results of operations.

Property development projects require substantial capital expenditures prior to and during the construction period for, amongst other things, land acquisition and construction. The construction of property projects may take one year or longer before they generate positive net cash flow through pre-sales, sales, leasing or rentals. As a result, the Group's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. The schedules of the Group's project developments depend on a number of factors, including the performance and efficiency of the Group's third-party contractors and its ability to finance construction. Other specific factors that could adversely affect the Group's project development schedules include:

- natural catastrophes, public health emergencies and adverse weather conditions;

- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;

- changes in relevant regulations and government policies;

- relocation of existing residents and/or demolition of existing buildings;

- shortages of materials, equipment, contractors and skilled labour;

- labour disputes;

- construction accidents; and

- errors in judgement on the selection and acquisition criteria for potential sites.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm the Group's reputation as a property developer, lead to loss of or delay in recognising revenues and lower returns. If a property project is not completed on time, the purchasers of pre-sold units of a project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sale agreements and claim damages. The Group may experience significant delays in completion or delivery of its projects in the future and there is no guarantee that it will not be subject to any liabilities for any such delays.

The Group may be subject to fines or may forfeit land to the PRC government if it fails to develop properties in accordance with the terms and timeframe set out in the land grant contracts.

Under PRC laws, if the Group fails to develop a property project according to the terms of the land grant contract, including those relating to the payment of land grant premiums, demolition and resettlement costs and other fees, the designated use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and/or order it to forfeit the land. Specifically, under current PRC laws, if the Group fails to commence development for more than one year but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to it and impose an idle land fee at 20 per cent. of the land grant premium. The relevant PRC land bureau may confiscate the Group's land use rights without compensation if the Group fails to commence development within two years from the construction commencement date set forth in the land grant contract, unless the delay in the development is caused by government actions or force majeure. Moreover, if a property developer commences development of the land in accordance with the time frame stipulated in the land grant contract and the developed GFA on the land is less than one third of the total proposed GFA of the project or the total invested capital is less than one fourth of the total investment of the project, and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and subject to the risk of forfeiture.

In January 2008, the State Council issued a Notice on Promoting the Land Saving and Efficient Use (關於促進節約集約用地的通知) to escalate the enforcement of current rules on the management of idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterated then applicable rules on the management of idle land. In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管

理調控的通知), which provides that a property developer and its controlling shareholders will be prohibited from participating in land bidding before any illegal behaviour in which it engages, such as land idle for more than one year for reasons of its own, has been completely rectified. On 1 June 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法), which became effective on 1 July 2012. On 24 July 2019, the Ministry of Land and Resources revised the Provisions on the Economical and Intensive Use of Land (節約集約利用土地規定). According to those Provisions, the government will determine the scale, landscape, structure and arrangement of construction land through a general plan for land utilisation to exercise overall control of construction land. In addition, the Provisions allow land and resources authorities at the city or county level to transfer land by leasing the land before the transfer, shortening the number of transfer years within the statutory maximum years and other ways. However, the authorities are prohibited from reducing or exempting land transfer prices in any disguised form, such as exchanging land for projects or requisitioning, and then refunding, granting subsidies or rewards, etc. These further measures limit any application for new land use rights by land developers who breached the land grant contracts before completion of the required rectification procedures or any title transfer transaction, lease transaction, mortgage transaction or land registration application in respect of idle land. The Group cannot ensure that circumstances leading to imposition of penalties, liquidated damages or forfeiture of its land will not arise in the future. If the Group is deemed as holding land idle for more than one year without cause or are required to forfeit land, it may lose the opportunity to develop the relevant land, its investments in the land, including land premiums paid and development costs incurred, and its ability to bid for other land in the future, any of which could materially and adversely affect the Group's business, prospects, financial condition and results of operations.

The Group may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices in the future.

The growth and success of the Group's business depends on its ability to continue identifying and acquiring land reserves located in desirable locations at commercially reasonable prices that are suitable for residential tourism projects and tourism mixed-use complex projects. The Group needs to build up its land reserve in order to grow its business and the Group may incur significant costs in identifying, evaluating and acquiring suitable new sites for future development. However, the Group's ability to acquire land may depend on a variety of factors that it cannot control, such as overall economic conditions, its effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels.

During the two years ended 31 December 2019 and 2020, the Group's land reserves were primarily acquired in land auctions held by local governments. The availability and price of land sold at auction depends on factors beyond the Group's control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels, and approve the planning and use of such land parcels and grant state-owned land use rights through a bidding system. In the past 10 years, the acquisition cost of land reserves has increased significantly in the PRC, including the price of land acquired through the secondary market. If the Group fails to acquire sufficient land reserves in a timely manner and at acceptable prices, or at all, its business prospects, financial condition and results of operations may be materially and adversely affected. The PRC government has adopted a number of initiatives to control the growth of China's residential property sector and to promote the development of affordable housing. For example:

- one of these initiatives requires local governments, when approving new residential projects after 1 June 2006, to ensure that at least 70 per cent. of the development and construction GFA consists of units that are smaller than 90 square metres;

- in an announcement made on 30 May 2006, the Ministry of Land and Resources of the People's Republic of China (中華人民共和國國土資源部) (the "**MLR**") stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and of medium to small sizes (including affordable housing);

- pursuant to the "Catalogue of Restricted Use of Land (2012 Version)" and the "Catalogue of Prohibited Use of Land (2012 Version)" issued by the MLR and the NDRC on 23 May 2012, the area of a parcel of land granted for commodity housing development shall not exceed seven hectares in small cities and towns, 14 hectares in medium-sized cities or 20 hectares in large cities;

- pursuant to the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), jointly issued by the MLR and the MOHURD in September 2010, the development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1:1;

- one of these initiatives requires local government to further reassess the timing of reissuing land use rights certificates; no land use rights certificate will be issued if the property developers have not paid off land premiums according to the contract, and there should be no segmentation in the issue of land use rights certificates according to the amount of land premiums paid;

- pursuant to the Several Opinions on Accelerating the Cultivation and Development of the Home-Rental Market (關於加快培育和發展住房租賃市場若干意見) issued by the General Office of the State Council (國務院辦公廳) on 3 June 2016, focusing on both home purchase and rental as well as the cultivation and development of the home-rental market are an important step to deepen the reform of the housing system, and an important route to achieving the objective of urban residents having houses in which to live. The establishment of a system focusing on both home purchase and rental shall be taken as the major direction, to improve the home rental system with the main market allocation and the basic guarantee provided by the government. Home-rental consumption shall be supported to promote the sound development of the home-rental market; and

- pursuant to the Notice of Ministry of Housing and Urban & Rural Development and Ministry of Land and Resources on Matters Relating to Strengthening the Administration and Regulation of Recent Housing and Land Supply (住房和城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知) on 1 April 2017, in cities showing obvious contradictions between the supply of and demand for housing, or which are under pressure due to increasing housing prices and less housing land, in particular, land for ordinary commercial houses shall be supplied to a reasonable extent, and the housing land supply shall be reduced or even suspended in cities requiring much real estate to be destocked. According to the commercial housing inventory cycle, all local authorities shall adjust the scale, structure and time sequence of housing land supply in due time, and shall stop the supply of land for real estate having a cycle of more than 36 months; reduce the supply of land for development having a cycle of 18-36 months; increase the supply of land for development having a cycle of 6-12 months; and increase and accelerate the supply of land for development having a cycle of less than six months. All the local authorities shall build a land purchase money inspection system to ensure that the estate developers use their own legal funds to purchase land. If any source of funding does not meet the requirements as a result of review by the department of land and resources and the relevant financial department, the real estate developer shall be disqualified from land bidding and be prohibited from participating in land bidding, auction and listing for a period of time.

In addition, the central and local governments in the PRC have implemented various measures to regulate the means by which property developers obtain land use rights for property development. The PRC government also controls land supply through zoning, land usage regulations and other means.

All of these measures further intensify the competition for land in China amongst property developers. These policy initiatives and other measures adopted by the PRC government from time to time may limit the Group's ability to acquire suitable land for its development or increase land acquisition costs significantly, which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to rising costs for labour and materials, which it may not be able to pass on to construction contractors or to purchasers.

Construction and development costs account for a certain portion of the Group's cost of sales and may therefore affect its financial condition and results of operations. As a result of economic growth and the boom in the property industry in the PRC prior to the PRC government implementing certain policies to cool down the industry, wages for construction workers and the prices of construction materials and building equipment have substantially increased in recent years. Under certain circumstances, contractors or subcontractors are allowed to adjust the contract price when wages for construction workers and the prices of construction materials and building equipment have increased to certain levels. In addition, in negotiations that follow upward materials cost fluctuations post-contract, the Group often agrees to bear a greater share of the materials costs than is contractually required. The Group does so in order to maintain good relations with its contractors or subcontractors, which allows the Group to repeatedly source good quality and service. The Group is also exposed to price volatility of labour and construction materials to the extent that it periodically enters into new, or renews existing, construction contracts on different terms during the life of a project, which may span several years, or if the Group chooses to hire construction workers directly or purchase construction materials directly from suppliers. Furthermore, the Group is unable to pass increased costs on to pre-sale purchasers when construction costs increase subsequent to the date of the pre-sale contract. If the Group is unable to pass on any increase in the cost of labour, construction materials or building equipment to either its construction contractors or to the purchasers of its properties, its business prospects, results of operations and financial condition may be materially and adversely affected.

The Group may not be able to develop properties successfully across different regions in China.

The Group is a nationwide property developer. As at 30 June 2021, the Group had property development projects in 12 cities in China. The Group may continue to expand into new areas in China if a suitable opportunity or condition arises. Due to the inherent nature of property development, local climate, geological conditions, living habits, preferences for purchase, market conditions, regional development policies, regulations and law, each local region in China is different from others. Therefore, when developing properties across different regions, the Group may encounter different challenges. Experiences gained from the existing regions where the Group operates may not be applicable to other new regions it chooses to enter into. The Group's existing business model may not meet the expectations of the local business environment and regulatory requirements. The Group may not be able to find reliable local suppliers or contractors. As a new player in such markets, the Group may need to recruit additional staff with local knowledge, for which the Group may incur additional costs and face difficulties in management and operation. In addition, expanding the Group's operation in new areas would subject it to competition from developers with stronger local presence and popularity, who are more familiar with local regulations and practices and who have better relationships with local suppliers, contractors and buyers. If the Group cannot develop properties successfully in new areas, it might have an adverse effect on its business, financial condition, results of operations and future prospects.

The Group faces risks associated with its third-party contractors.

The Group engages third-party contractors to carry out various services relating to its property development projects in addition to its own construction subsidiary, CTG Investment. The Group generally selects third-party contractors through a tender process and endeavours to engage companies with a strong reputation and track record, high performance reliability and adequate financial resources. Any such third-party contractor may fail to provide satisfactory services at the level of quality or within the timeline required by us. In addition, completion of the Group's property developments may be delayed, and the Group may incur additional costs, due to a contractor's financial or other difficulties. If the performance of any third-party contractor is not satisfactory, the Group may need to replace such contractor or take other remedial action, which could adversely affect the cost structure and development schedule of its projects and could have a negative impact on the Group's reputation, credibility, financial condition and business operations. In addition, as the Group is expanding its business into other locations in the PRC, there may be a shortage of third-party contractors that meet the Group's quality standards and other selection criteria in such locations and, as a result, the Group may not be able to engage a sufficient number of high-quality third-party contractors.

The actual development of some of the Group's property developments may differ from the approved development plan, and the total GFA of some of its property developments may be different from the original authorised area.

When the PRC government grants the land use rights for a parcel of land, it will specify in the land grant contract the permitted use of the land and the total GFA that the developer may develop on the land. However, the actual plan adopted for a property development project may differ from the approved development plan, and the actual GFA constructed may be different from the total GFA authorised in the land grant contract or construction permit due to factors such as subsequent planning and design adjustments. The adjusted planning and design of a property development project and the actual GFA may be subject to approval when the relevant authorities inspect the properties following completion. The developer may be required to pay an additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report (房屋建築工程和市政基礎設施工程竣工驗收備案證明) can be issued on the property development. The methodology for calculating the additional land premium shall be based on the Notice of the General Office of the Ministry of Land and Resources on Printing and Distributing the Technical Specifications for the Assessment of Land Prices for the Assignment of State-owned Construction Land Use Rights (國土資源部辦公廳關於印發<國有建設用地使用權出讓地價評估技術規範>的通知) released on 9 March 2018 and implemented on 9 April 2018. If this occurs, the Group's business, prospects, financial condition and results of operations may be materially and adversely affected.

The property development projects are subject to claims under statutory quality warranties.

Under the Regulations on Administration of Development and Operation of Urban Real Estate (城市房地產開發經營管理條例) enacted by the State Council on 20 July 1998 and subsequently amended on 8 January 2011, 29 November 2020, and the Regulations for the Administration of Sale of Commodity Building (商品房銷售管理辦法), which became effective on 1 June 2001, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. The Group is required to provide these warranties to its customers. Generally, the Group receives quality warranties from its third-party contractors with respect to its property projects. If a significant number of claims were brought against the Group under its warranties and if the Group was unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained by the Group to cover its payment obligations under the quality warranties was insufficient, the Group could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm its reputation, and materially adversely affect its business, financial condition and results of operations.

The Group may be exposed to intellectual property infringement, misappropriation or other claims by third parties and deterioration in the Group's brand image could adversely affect the Group's business.

The Group believes that it has built a good reputation in China for the quality of its various product series. The Group has also placed great importance on the continuous enhancement of the Group's brand name and the increase in the Group's brand recognition. The Group's brand strategy, however, depends on the Group's ability to use, develop and protect the Group's intellectual properties, such as the Group's trademarks. Although the Group has applied for trademark registration for the Group's names and logos, the Group has not successfully registered all of these trademarks. As a result, the Group could be subject to trademark disputes. The defence and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming, and may significantly divert the Group's resources and the time and attention of the Group's management personnel. An adverse ruling in any such litigation or proceedings could subject the Group to significant liabilities to third parties, require it to seek licences from third parties, to pay ongoing royalties, or subject it to injunctions prohibiting the use of the Group's name and logo.

The Group faces risks related to the pre-sale of properties, including the risk that property developments are not completed.

The Group faces risks relating to the pre-sale of properties. For example, the Group may fail to complete a fully or partially pre-sold property development, in which case the Group would find itself liable to purchasers of pre-sold units for losses suffered by them. The Group cannot ensure that these losses would not exceed any deposits that may have been made in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery.

The Group may be liable to its customers for damages if it does not deliver individual property ownership certificates in a timely manner.

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale and purchase agreement. Property developers, including the Group, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, the Group is required to submit requisite governmental approvals in connection with its property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months after receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate in respect of these properties. The Group is then required to submit, within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the relevant local authority's review and issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval, as well as other factors, may affect timely delivery of the general as well as individual property ownership certificates. The Group cannot ensure that it will not become liable to purchasers for late delivery of the individual property ownership certificates due to its own fault or for any other reason beyond its control.

The terms on which mortgages are available to purchasers of the Group's properties, if at all, may affect the Group's sales.

Most of the Group's purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Furthermore, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50 per cent. of the individual borrower's monthly income.

Each of the China Banking Regulatory Commission and the PBOC in recent years has issued regulations on, amongst others, the minimum interest rate, down payment and minimum interest for mortgage loans. In the event that mortgage loans for property purchases becomes more difficult to obtain or that the costs of such financing increases, many of the Group's prospective customers who rely on such financing may not be able to purchase the Group's properties, which in turn will materially and adversely affect its business, financial condition and results of operations.

In addition, in line with industry practice, the Group provides guarantees to banks for mortgages they offer to the Group's purchasers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of the Group's properties, which could adversely affect its business, financial condition and results of operations. The Group cannot ensure that such changes in laws, regulations, policies or practices will not occur in the future.

Changes in the existing duty-free policies and regulations (or the interpretation thereof) could have an adverse impact on the Group's duty-free business.

The Group's duty-free business in China is generally subject to the government policies and regulations, and any changes in these policies or regulations would significantly impact the duty-free purchase volume, and thus materially impact the business.

For instance, visitors to Hainan Province currently enjoy more favourable duty-free policies. In June 2020, Ministry of Finance, General Administration of Customs and the State Administration of Taxation issued the Notice of Policies on Duty-free Shopping for Travelers Leaving Hainan (關於海南離島旅客免稅購物政策的公告) and in July 2020, General Administration of Customs issued Measures of the Customs of the People's Republic of China for the Supervision and Administration of Duty-free Shopping by Travelers Leaving Hainan Island (中華人民共和國海關對海南離島旅客免稅購物監管辦法), allowing visitors to Hainan Province to purchase more duty-free products with fewer limits. Under the new rules, (i) the annual duty-free purchase quota in Hainan was raised from RMB30,000 to RMB100,000 per person, (ii) the maximum purchase price of RMB8,000 per item was revoked, (iii) the categories of duty-free products were also expanded, and (iv) the purchasing quantity limit was revoked for products other than cosmetics, cell phones and alcohol. As a result of the favourable policies, the revenue brought by the Group's offshore duty-free stores increased by 126.1 per cent. from RMB13.2 billion for the year ended 31 December 2019 to RMB30.0 billion for the year ended 31 December 2020. The revenue contribution from offshore stores also increased significantly from 23.1 per cent. in 2018 to 57.0 per cent. in 2020.

In relation to the offshore duty-free market, the PRC Government has announced its plan to make Hainan Province a free trade port by 2025 to facilitate trade and investment. Currently, there are uncertainties related to duty-free policies once Hainan becomes a free trade port. The Hainan Free Trade Port Law of the People's Republic of China (中華人民共和國海南自由貿易港法) passed by the NPC in June 2021 also provides that, following the independent customs operations and streamlining of tax systems in Hainan in the future, the responsibility of developing the tax measures for goods circulated between Hainan and other parts of China will be delegated to the relevant departments of the State Council and Hainan Province. As a result, there remains uncertainties relating to the duty-free policies in Hainan in the future. Any unfavourable change in relation to the duty-free policies in Hainan once it becomes a free trade port in 2025 may adversely impact the number of visitors to Hainan as well as their duty-free purchases.

Furthermore, while it is expected that the downtown duty-free policies in China will be further relaxed, the further development of downtown duty-free stores, both by the Group and its competitors, may increase the competition between the downtown duty-free stores and other duty-free stores, especially those port duty-free stores in close proximity to the newly opened downtown duty-free stores. As a result, the business, financial condition and results of operations of those stores may be materially and adversely affected.

However, offshore duty-free policies and regulations may change from time to time beyond the Group's control or expectation, and there is no assurance that the relevant PRC Government authorities will not scale back on annual duty-free shopping allowances or impose other restrictions on duty-free shopping. If the relevant PRC Government authorities decide to impose restrictions on duty-free shopping or if the duty-free industry is no longer one of the industries encouraged by the PRC Government, the results of operations of the Group's duty-free business could be materially and adversely affected. For instance, if favourable tax policies to support certain businesses in the Hainan Free Trade Port were discontinued, if more duty-free licenses are granted to new market entrants, or if annual duty-free purchase quotas in Hainan were to be lowered, it could lead to a material adverse effect on the Group's business, financial condition and operating results.

In addition, as the duty-free industry and duty-free policies and regulations in China are currently undergoing rapid changes as the duty-free industry continues to evolve, uncertainties may arise with respect to the interpretation of certain duty-free policies, resulting in uncertainties in the Group's duty-free operations. As a result, any change in policy or regulation (or the interpretations thereof) that restricts or limits duty-free activities may lead to significant decline in the duty-free purchase volume, and thus materially and adversely impact the Group's business, financial conditions and results of operations.

The Group's duty-free stores are operated under concession agreements that may be modified or revoked by transportation authorities or facility owners or may fail to be renewed by the Group, and the loss of concessions could affect its business.

The Group conducts its duty-free business primarily through concessions in airports and other transportation terminals. The transportation authorities and facility owners with whom the Group contract are generally able to revoke them under certain conditions by terminating the applicable concession agreement. The Group's concessions may also be terminated by annulment, which may be declared by courts where the grant or the terms of the concession do not comply with applicable legal requirements, such as procurement, antitrust or similar regulations. The Group's concessions may also be revoked or terminated early by transportation authorities and other travel-related facility owners in certain default scenarios, including, among others:

- assignment, transfer or sublease to third parties, in whole or in part, of the rights or obligations provided in the applicable concession agreement without the consent of airport authorities or other travel-related facility owners, to the extent required;

- failure to comply with any of the provisions of the concession agreement;

- use of the concession area for a purpose other than the object of the agreement;

- entering into an agreement with a third-party with respect to the concession area or services without prior approval of the applicable airport authorities or other travel-related facility owners;

- making certain modifications to the facilities without prior approval from the applicable airport authorities or other travel-related facility owners;

- default on payment of the fees for a period provided in the relevant agreement; or

- not providing the services to an adequate quality level or the failure to obtain the necessary equipment for the satisfactory rendering of such services.

The revocation of concessions could have a material adverse impact on its business, financial condition and results of operations.

In addition, the concession agreements for the Group's duty-free stores normally have a fixed term ranging from five to ten years, and there is no assurance that the Group will be able to renew the concession agreements or to secure new concession agreements through a bidding process when the existing ones expire. As at 31 December 2020, 15 per cent., 26 per cent., 31 per cent. and 28 per cent. of the concession agreements of the Group were due to expire in less than one year, between one year and two years, between two years and five years and more than five years, respectively. If the Group cannot reach an agreement with transportation authorities or facility owners for the renewal of the concession agreements upon their expiration on acceptable terms and conditions, it will have to suspend the operation of the duty-free stores under those agreements and exit the market at those locations. There is no assurance that the Group will successfully renew its existing concession agreements with the transportation authorities or facility owners, which would in turn have a material adverse effect on its business, financial condition and operating results.

The Group's tourism retailing business may face increasing competition from internet shopping platforms, and it may not be successful in operating its own online shopping services, given the Group's limited history and experience compared to certain competitors.

In recent years, changes in consumer habits have made retail sales over the internet increasingly popular in China. Such retailers are able to sell directly to consumers, diminishing the importance of traditional distribution channels. Internet retailers may have significantly lower operating costs than the Groups does, as they do not rely on an expensive network of retail points of sale or a large sales force. As a result, such retailers can offer their products at lower costs than the Group does and in certain cases are able to bypass retailing intermediaries and deliver high quality merchandise directly to consumers. It is the Group's belief that its target customers are increasingly using the internet to shop for merchandise, in particular, electronics products and cosmetic products, at bargain prices, and that they are likely to continue doing so. If e-commerce and retail sales through the internet continue to grow, consumers' reliance on traditional distribution channels, such as the Group's tourism retailing business, could be materially diminished and its financial condition, results of operations and business may be materially and adversely affected.

Additionally, spurred by the COVID-19 pandemic, the Group has launched its online platforms such as "cdf Membership Club" and adopted innovative sales models such as online pre-order services. The Group faces increasingly intense competition in this area from other established e-commerce and shopping platforms domestically and internationally. The online shopping area is subject to rapid market change, introduction of new business models, entry of new and well-funded competitors and dominance of established players, and due to its limited history and experience in operating the online shopping channels, the Group may be required to divert significant managerial, financial and human resources in order to remain competitive in this area. In particular, the successful operation and maintenance of the Group's online shopping channels require continuous upgrading of its platforms and technology infrastructure and adoption of new features and functions, which in turn require significant investments of time and resources. Any failure to maintain and improve its technology infrastructure could result in system disruptions, slower response times, impaired user experience, and delays in reporting accurate operating and financial information, which would materially and adversely affect the Group's business, financial condition, results of operations, reputation and brand.

There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of the Group's property developments.

The ancillary facilities within the Group's residential communities enhance the value of the Group's properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of the Group's properties. However, the Group does not operate or manage some of the ancillary facilities, such as schools and hospitals. The Group cannot ensure that these facilities will continue to operate and provide services in its residential communities. In the event that these facilities cease to operate in the Group's residential communities, the Group's properties may become less attractive and competitive and this may adversely affect the value of its properties.

The funds business of the Group may be materially and adversely affected by disputes with the limited partners of the funds the Group manages and/or invests in.

The Group acts as the general partner and limited partner of some of the funds it manages and/or invests in and may obtain carried interests in addition to the management fees typically charged by the Group through its subsidiaries. Disagreements with any of the limited partners in connection with the scope or performance of the Group's respective obligations under a fund partnership or co-operation arrangement could adversely affect the Group's ability to implement its business strategies and achieve its investment goals. The limited partners may interpret the obligations of the parties under the partnership or co-operation arrangement differently than the Group does. The Group may have disputes over the carried interests to which the Group may be entitled. In addition, the Group may fail to identify appropriate investment opportunities and realise returns for the limited partners. The limited partners may have economic or business interests or goals that are inconsistent with the Group, take actions contrary to its instructions or requests, or to its policies or objectives, or be unable or unwilling to fulfil their obligations under the relevant partnership or co-operation agreements. Should any of these difficulties arise, the Group may be unable to derive the benefits it anticipates from such partnerships and the Group's business, financial condition and results of operations could be adversely affected.

RISKS RELATING TO THE PRC

Substantially all of the Guarantor's assets are located in the PRC and substantially all of the Guarantor's revenue is sourced from the PRC. Accordingly, the Guarantor's results of operations, financial condition and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

PRC economic, political and social conditions, as well as government policies, could affect the Guarantor's business.

The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to:

- political structure;
- level of government involvement;
- level of development;
- growth rate;
- foreign exchange;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 40 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect the Guarantor's operations. For example, the Guarantor's financial condition and results of operations may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to the Guarantor. The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past four decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. Although the Guarantor believes these reforms will have a positive effect on the Guarantor's overall and long-term development, it cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies could have any adverse effect on the Guarantor's current or future business, results of operations or financial condition.

The Group is exposed to foreign currency fluctuations.

The Group conducts most of its operations in the PRC and its functional currency is the Renminbi. A substantial portion of the Group's revenues and cost of sales were denominated in Renminbi. However, the Group conducts part of its travel and tourism services and tourism investment and operation businesses overseas, and the Group has made investments in overseas hotels and may continue to make other investments in overseas retail financing and travel and tourism services businesses. As at 31 December 2020, the Group's total foreign currency-denominated borrowings and notes were RMB20.4 billion. As at 30 June 2021, the Group's total foreign currency-denominated borrowings and notes were RMB23.2 billion. The Group's foreign exchange-denominated assets and liabilities are expected to significantly increase as the Group further expands its overseas businesses, including, in particular, undertaking additional real estate projects and expanding its resources development operations overseas. The Group is therefore subject to significant risks associated with foreign currency fluctuations.

Changes in the value of foreign currencies could increase the Group's Renminbi costs for, or reduce its Renminbi revenues from, its foreign operations, or affect the prices of its exported products and the prices of its imported equipment and materials. Any increased costs or reduced revenues as a result of foreign currency fluctuations could adversely affect the Group's profits and margins. The fluctuation of foreign exchange rates also affects the value of the Group's monetary and other assets and liabilities denominated in foreign currencies, primarily the U.S. dollar, Hong Kong dollar, Australian dollar, Euro and pound sterling. Generally, an appreciation of the Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange loss for assets denominated in U.S. dollars and other foreign currencies, and a foreign exchange gain for liabilities denominated in U.S. dollars and other foreign currencies. Conversely, a devaluation of the Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange gain for assets denominated in U.S. dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in U.S. dollars and other foreign currencies.

The value of the Renminbi is subject to changes in China's governmental policies and to international economic and political developments. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in appreciation of the Renminbi against the U.S. dollar. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. While the international reaction of the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies. Further appreciation of the Renminbi against these currencies may lead to a decline in the revenues of the Group's overseas operations. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars, Hong Kong dollars, Australian dollars, Euros or pound sterling of the Group's net assets, earnings and any declared dividends.

Management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arise. However, very limited hedging options are available in China to reduce the Group's exposure to exchange rate fluctuations and the availability and effectiveness of these hedges may be limited. Thus, the Group may not be able to adequately hedge its exposure or at all.

The PRC government's control of foreign currency conversion may limit the Group's foreign exchange transactions.

Currently, the Renminbi still cannot be completely freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Group will have sufficient foreign exchange to meet the Group's foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require advance approval from the State Administration of Foreign Exchange of the PRC, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, require approval from or registration with competent government authorities. If the Issuer or the Guarantor fails to obtain approval or registration from the competent government authorities to convert Renminbi into any foreign exchange for any purposes, its capital expenditure plans, and even the Group's business, operating results and financial condition, may be materially adversely affected. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currency to satisfy its foreign currency demands, the Group may not be able to pay dividends in foreign currencies to the Noteholders.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Guarantor or its directors and senior management who reside in the PRC.

Substantially all of the Guarantor's assets are located within the PRC. In addition, some of the Guarantor's directors and senior management reside within China, and assets of the directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of the Guarantor's directors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against the Guarantor or any of their respective directors or senior management in the PRC.

Uncertainty with respect to the PRC legal system, lack of uniform interpretation and effective enforcement may cause significant uncertainties to the Guarantor's operations.

As a significant part of the Guarantor's businesses are conducted, and a substantial part of the Guarantor's assets are located, in the PRC, its operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations (including the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the "**Joint Circular**") promulgated on 11 May 2018 and took effect on the same day) are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, 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) that may have a retroactive effect. As a result, the Guarantor may not be aware of its violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

For example, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號), the "**NDRC Circular**") on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst-case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes and the Notes might be subject to enforcement as provided in Condition 8 (*Events of Default*) of the Terms and Conditions of Notes. Potential investors of the Notes are advised to exercise due caution when making their investment decisions. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. The Guarantor has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed period under the NDRC Circular.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry.

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Agents or any person who controls any of them or any of its or their respective affiliates, employees, directors, agents, advisers or representatives, and, therefore, none of the Issuer, the Agents or any person who controls any of them or any of its or their respective affiliates, directors, officers, employees, representatives, agents makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE NOTES AND THE GUARANTEE OF THE NOTES

The Issuer has no material assets or business activities and its ability to make payments under the Notes will depend on timely payments under on-lent loans of the proceeds from the issue of the Notes.

The Issuer has no material assets or business activities. Upon the issue of the Notes, the Issuer will on-lend the net proceeds from the issue of the Notes to the Guarantor or any subsidiary of the Guarantor. Accordingly, the Issuer's ability to make payments under the Notes will depend on its receipt of distributions of dividends from its own subsidiaries and timely remittance of funds from the Guarantor or any subsidiary of the Guarantor. In the event that the subsidiaries of the Guarantor do not make any payments due under such on-lent loans as a result of restrictions in loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

The Notes and the Guarantee of the Notes are unsecured obligations.

As the Notes and the Guarantee of the Notes are unsecured obligations, their repayment may be compromised if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or, as the case may be, the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

The PRC government has no obligations under the Notes or the Guarantee of the Notes.

The PRC government as the ultimate shareholder of the Issuer and the Guarantor only has limited liability in the form of its equity contribution in the Issuer and the Guarantor. As such, the PRC government does not have any payment obligations under the Notes or the Guarantee of the Notes, or the transaction documents. The ownership or control by the PRC government of the Issuer and the Guarantor does not necessarily correlate to, or provide any assurance as to, the Issuer's, the Guarantor's and the Group's financial condition. Noteholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Notes or the Guarantee of the Notes in lieu of the Issuer or the Guarantor. This position has been reinforced by the Joint Circular, which is relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties. The Notes is solely to be repaid by the Issuer (and by the Guarantor pursuant to the Guarantee of the Notes) each as an obligor under the relevant transaction documents and as an independent legal person. Therefore, the description of support from the PRC government or government data such as GDP in this or any other section is on the support given to the Group's business operations and should not be read as any indication that the PRC government will provide any financial support to the Issuer or the Guarantor in respect of its obligations under the Notes or the Guarantee of the Notes. Investors should base their investment decision only on the financial condition of the Issuer and the Group and base any perceived credit risk associated with an investment in the Notes only on the Group's own financial information reflected in its financial statements.

If the Guarantor fails to submit the Deed of Guarantee in respect of the Notes for registration with SAFE or complete the SAFE registration in connection with the Guarantee of the Notes within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee of the Notes.

Under the Guarantee of the Notes, the Guarantor will unconditionally and irrevocably guarantee the due payment in full of all sums expressed to be payable by the Issuer under the Notes. The obligations of the Guarantor will be contained in the Deed of Guarantee.

The Guarantor is required by the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) to register the Guarantee of the Notes and will register the Deed of Guarantee with SAFE or its local counterpart within 15 PRC Business Days after the date of execution of the Deed of Guarantee. If the Guarantor fails to complete the SAFE registration, SAFE may impose penalties on the Guarantor. The Guarantor intends to use its best endeavours to complete the registration of the Deed of Guarantee as soon as practicable and in any event within 150 calendar days after the Issue Date of the Notes. If the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Notes) as domestic banks would require evidence of SAFE registration in connection with the Guarantee of the Notes in order to effect such remittance, although this does not affect the validity of the Guarantee of the Notes itself.

The Provisions on the Foreign Exchange Administration of Cross-Border Guarantees and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Guarantee of the Notes in China. In addition, the administration of the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guarantee of the Notes with SAFE can be completed by the Guarantor or will not be revoked or amended in the future or that future changes in the laws and regulations in China will not have a negative impact on the enforceability of the Guarantee of the Notes in China.

The Guarantor's payment obligations are structurally subordinated to liabilities, contingent liabilities and obligations of the Guarantor's subsidiaries.

The Guarantor owns assets and conducts its business operations through its subsidiaries. The Notes will not be guaranteed by any current or future subsidiaries. The Guarantor's primary assets are ownership interests in and its loans to its subsidiaries. Accordingly, the Guarantor's ability to make payments under the Notes will depend upon the receipt of principal and interest payments on the intercompany loans and distributions of dividends from the Guarantor's subsidiaries.

Creditors, including trade creditors of the Guarantor's subsidiaries and any holders of the preferred shares in such entities, would have a claim on the Guarantor's subsidiaries' assets that would be prior to the claims of the holders of the Notes. As a result, the Guarantor's payment obligations under the Guarantee of the Notes will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries, and all claims of creditors of the Guarantor's subsidiaries will have priority as to the assets of such entities over the Guarantor's claims and those of the Guarantor's creditors, including holders of the Notes.

Modifications and waivers may be made in respect of the Terms and Conditions of the Notes by less than all of the Noteholders, and decisions may be made on behalf of all Noteholders that may be adverse to the interests of the individual Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of the Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including those such Noteholders who did not attend and vote at the relevant meeting and those such Noteholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of Noteholders may be adverse to the interests of the individual Noteholders.

The Terms and Conditions of the Notes also provide that the Notes, the Terms and Conditions of the Notes, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement in respect of the Notes may agree to modify any provision thereof, but the Issuer and Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

The Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

An active trading market for the Notes may not develop.

The Notes is a new issue of securities for which there is currently no trading market. Application will be made to the SEHK for the Notes to be admitted for trading on the SEHK. No assurance can be given that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes. In addition, one or more initial investors of the Notes may purchase a significant portion of the aggregate principal amount of the Notes pursuant to the offering. The existence of any such significant Noteholder(s) may reduce the liquidity of such Notes in the secondary trading market. Accordingly, there can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, such Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the travel and tourism and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denominations of the Notes are U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 will not receive a definitive certificate in respect of such holding of Notes (should definitive certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Noteholders should be aware that Notes with aggregate principal amounts that are not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors "reactions to developments in one country can affect the securities markets and the securities of issues in other countries, including the PRC". Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility.

In addition, in March 2020, the World Health Organization declared COVID-19 as a global pandemic. As the situation relating to the COVID-19 pandemic is still evolving, and given the heightened uncertainties surrounding the pandemic (including the length of the pandemic, development and effectiveness of vaccines or other potential treatments and resurgence of infection cases), there is no assurance that the continuing outbreak of COVID-19 will not have an adverse impact on the market price of the Notes. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SEHK, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the SEHK. The disclosure standards imposed by the SEHK may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what Noteholders are accustomed to.

The rating of the Notes may be downgraded or withdrawn.

The Notes is expected to be assigned a rating of "A3" by Moody's. The rating represents only the opinions of the rating agency and its assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee of the Notes and their credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold any Notes and may be subject to suspension, reduction or withdrawal at any time. Neither the Issuer nor the Guarantor is obliged to inform Noteholders if the rating is lowered or withdrawn. A downgrade or withdrawal of the rating may materially and adversely affect the market price of the Notes and the Issuer's ability to access the debt capital markets.

Changes in interest rates may have an adverse effect on the price of the Notes.

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Investment in the Notes is subject to exchange rate risks.

Investment in the Notes is subject to exchange rate risks. The value of the U.S. dollars against the Renminbi and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the Notes will be made in U.S. dollars. As a result, the value of these U.S. dollars payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollars depreciates against the Renminbi or other foreign currencies, the value of a Noteholder's investment in Renminbi or other applicable foreign currency terms will decline.

The Issuer and the Guarantor may be unable to meet their outstanding obligations under the Notes and the Guarantee.

On certain dates, including the occurrence of an early redemption event on a Change of Control or Non-Registration Event and at maturity of the Notes, the Issuer may, and at maturity will, be required to redeem all of the Notes. In case of failure by Issuer to fulfil its payment obligations under the Notes, the Guarantor will also be required to pay on behalf of the Issuer under the Guarantee. If such an event were to occur, the Issuer, or, as the case may be, the Guarantor, may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes or the ability of the Guarantor to pay under the Guarantee in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, or, as the case may be, the failure to pay by the Guarantor under the Guarantee, in such circumstances, would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Guarantor and its subsidiaries.

The Notes may be redeemed at the Issuer's option.

The Issuer has the right to redeem the Notes, in whole but not in part, at a price equal to their Make Whole Redemption Price (as defined in the Terms and Conditions of the Notes). See "*Terms and Conditions of the Notes – Redemption and Purchase – Make whole redemption*". In addition, the Issuer may redeem the Notes at its option, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with interest accrued up to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Notes), as further described in Condition 5(b) (*Redemption for tax reasons*). The date that the Issuer elects to redeem the Notes may not accord with the preference of individual holders, which may be disadvantageous to holders in light of market conditions or the individual circumstances of the holder of the Notes. Additionally, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective yield at the same level as that of the Notes.

The insolvency laws of the British Virgin Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the Noteholders are familiar.

As the Issuer is incorporated under the laws of the British Virgin Islands, any insolvency proceeding relating to the Issuer, even if brought in other jurisdictions, would likely involve British Virgin Islands insolvency laws. Similarly, as the Guarantor is incorporated under the laws of the PRC, any insolvency proceeding relating to the Guarantor, even if brought in other jurisdictions, would likely involve PRC's insolvency laws. The procedural and substantive provisions of the laws of the British Virgin Islands or PRC may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

A change in English law which governs the Notes may adversely affect Noteholders.

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The Guarantor is also currently assigned ratings by Moody's. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.

If the Issuer or the Guarantor is unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's or the Guarantor's other debt agreements. If any of these events occur, the Issuer and the Guarantor cannot assure holders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

The Notes will be represented by the Global Note Certificate and holders of a beneficial interest in the Global Note Certificate must rely on the procedures of the Clearing Systems.

The Notes will be represented by beneficial interests in the Global Note Certificate. The Global Note Certificate will be deposited with a common depositary for Euroclear and Clearstream. Except in the circumstances described in the Global Note Certificate, investors of the Notes will not be entitled to receive individual Note certificates relating to Notes. The Clearing Systems will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes is represented by the Global Note Certificate, the Issuer or, failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in the Global Note Certificate must rely on the procedures of the Clearing System to receive payments under the Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System to appoint appropriate proxies.

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations, including its obligations under the Notes and the Guarantee of the Notes. The ability of the Guarantor's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies.

The Guarantor cannot assure the Noteholders that its subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. In particular, the Guarantor does not maintain complete control over its jointly controlled entities or associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Notes. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Notes and the Guarantee of the Notes.

Under the Enterprise Income Tax Law, the Issuer may be classified as a "resident enterprise" of China. Such classification could result in unfavourable tax consequences to the Issuer and its non-Chinese Noteholders.

Under the Enterprise Income Tax Law (the "**EIT Law**") of China, an enterprise established outside China with a "de facto management body" within China is deemed a "**resident enterprise**", meaning that it can be treated as a Chinese enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "**tax-exempt income**". The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation (the "**SAT**") on 22 April 2009 (the "**Circular 82**") provides that a foreign enterprise controlled by a company or a company group in China will be treated as a "**resident enterprise**" with a "de facto management body" located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within China. On 1 September 2011, the SAT promulgated the Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a Chinese Enterprise or a Chinese Enterprise Group (the "**Circular 45**") to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a Chinese enterprise or Chinese enterprise group". Circular 45 identifies and defines two ways for a foreign enterprise "controlled by a Chinese enterprise or a Chinese enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its de facto management body is located in China based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Secondly, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation. In 2014, a circular issued by SAT on 29 January 2014 revised Circular 82 and provides that if a foreign enterprise "controlled by a Chinese enterprise or Chinese enterprise group" meets the criteria set forth in Article 2 of Circular 82, it is required to apply to the competent tax bureau. After the preliminary determination of the identity of the resident enterprise, the tax authorities shall report through the levels and eventually to the provincial tax authorities for confirmation. The provincial tax authorities shall report to SAT after final determination, following which SAT shall publish such determination on its website.

The Issuer and the Guarantor believe that the Issuer is currently not a "resident enterprise", and as confirmed by the Issuer and the Guarantor, as at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by tax authorities in China that the Issuer is considered as a "resident enterprise" for the purpose of the EIT Law. However, neither the Issuer nor the Guarantor can assure Noteholders that the Issuer will not be deemed a "resident enterprise" under the EIT Law and other applicable implementation regulations and, therefore, be subject to enterprise income tax at a rate of 25 per cent. on its global income in the future.

If the Issuer is not considered to be a "resident enterprise" for EIT Law purposes, the payment of interest on the Notes to the non-Chinese resident Noteholders will not be subject to withholding tax in China.

Under the EIT Law and the implementation regulations thereunder, China's withholding tax at a rate of 10 per cent. is normally applicable to income derived in China by non-Chinese resident enterprises or individuals, subject to adjustment by applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as deriving in China if the enterprise or the establishment that pays or bears the interest is situated in China. If the Issuer is deemed a Chinese resident enterprise for tax purposes, interest paid to non-Chinese Noteholders may be regarded as deriving in China and therefore be subject to China's withholding tax at a rate of 10 per cent. for enterprise Noteholders and 20 per cent. for individual Noteholders (or a lower treaty rate, if any) pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") and the implementation regulations in relation to both the EIT Law and the IIT Law.

Any gains realised on the transfer of the Notes by such Noteholders may also be subject to China's income tax at a rate of 10 per cent. for enterprise Noteholders or 20 per cent. for individual Noteholders, if such gains are regarded as having derived in China. According to an arrangement between China and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from China's income tax on capital gains derived from a sale or exchange of the Notes.

If a Noteholder, being a non-Chinese resident enterprise or non-Chinese resident individual, is required to pay any Chinese income tax on capital gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

Due to uncertainties in the interpretation of certain provisions of the new VAT regime, the issuance of the Notes may be treated as provision of loans within China that is subject to VAT, and the Guarantor may be required to withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of China.

On 23 March 2016, China's Ministry of Finance and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知) ("**Circular 36**") which confirms that business tax will be completely replaced by value added tax ("**VAT**") from 1 May 2016. With effect from 1 May 2016, the income derived from the provision of financial services which previously attracted business tax is entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "**loans**" refers to the activity of lending capital for another's use and receiving the interest income thereon.

It is not clear from the interpretation of Circular 36, if the provision of loans to the Issuer or the Guarantor could be considered as financial services provided within China, which thus could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as Chinese tax residents. China's tax authorities could take the view that the holders of the Notes are providing loans within China because the Issuer is treated as Chinese tax residents. In which case, the issuance of the Notes could be regarded as the provision of financial services within China that is subject to VAT.

If China's tax authorities take the view that the holders of the Notes are providing loans within China, then the holders of such Notes could be regarded as providing financial services within China and consequently, the holders of such Notes shall be subject to VAT at the rate up to of 6 per cent. when receiving the interest payments under such Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be up to around 6.7 per cent. If the Issuer or the Guarantor pays interest income to Noteholders who are located outside of China, the Issuer (if VAT applicable) or the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to such Noteholders who are located outside of China.

Where a holder of the Notes who is an entity or individual located outside of China resells such Notes to an entity or individual located outside of China and derives any gain, since neither the service provider nor the service recipient is located in China, theoretically Circular 36 does not apply and the Issuer or the Guarantor does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of such Notes is located within China.

Circular 36 has been issued quite recently and the above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or China or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Notes, the Issuer and the Guarantor are required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time in the event it (or, if the Guarantee of the Notes were called, the Guarantor) has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or China (only where such tax or withholding is in excess of the rate applicable on 22 February 2022) or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or China or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 February 2022.

The Group may issue additional Notes in the future.

The Group may, from time to time, and without prior consultation of the Noteholders, create and issue further Notes (see "*Terms and Conditions of the Notes – Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Noteholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that courts in China will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Notes and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判斷的安排) (the "**Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by courts in China where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. In addition, on 18 January 2019, the Supreme People's Court of China (the "**SPC**") and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"). The New Arrangement extends the scope of judicial assistance, and the effective date shall be announced by SPC and Hong Kong after SPC issued the judicial interpretation and Hong Kong completed relevant procedures.

However, recognition and enforcement of a Hong Kong court judgment could be refused if courts in China consider that the enforcement of such judgment is contrary to the social and public interest of China or meets other circumstances specified by the Arrangement. While it is expected that courts in China will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the courts in China will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability to initiate a claim outside of Hong Kong will be limited.

The consolidated financial statements of the Guarantor have been prepared and presented in accordance with PRC GAAP, which are different from IFRS in certain respects.

The consolidated financial statements of the Guarantor included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. See "*Summary of Significant Differences between PRC GAAP and IFRS*" for more information.

Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame may have adverse consequences for the Issuer and/or the investors of the Notes.

NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Similarly, the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular is unclear. In the worst-case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Notes. The Guarantor has obtained pre-issuance registration certificate from the NDRC in relation to the Notes on 14 January 2022 and which remain in full force and effect as at the date of this Offering Circular. The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period after the Issue Date in accordance with the NDRC Circular.

THE GLOBAL NOTE CERTIFICATE

Each Global Note Certificate contains the following provisions which apply to the Notes in respect of which they are issued while they are represented by a Global Note Certificate, some of which modify the effect of the relevant Terms and Conditions of the Notes. Terms defined in the relevant Terms and Conditions of the Notes have the same meanings in the paragraphs herein.

The Notes will be represented by a Global Note Certificate which will be registered in the name of, and deposited with, The Hongkong and Shanghai Banking Corporation Limited as common depositary for Euroclear and Clearstream.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) any Global Note Certificate has not been issued and delivered by 5:00 p.m. (Hong Kong time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or

(b) any of the Notes evidenced by the Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Note Certificate on the due date for payment in accordance with the terms of the Global Note Certificate,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5:00 p.m. (Hong Kong time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (Hong Kong time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payments on business days: In the case of all payments made in respect of the Global Note Certificate, "**business day**" means any day which is a day on which dealings in foreign currencies may be carried on in New York City and Hong Kong.

Payment Record Date: Each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**"), where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 5(c) *(Redemption for Relevant Event)*, the Holder of the Global Note Certificate must, within the period specified in the Conditions for the deposit of the Global Note Certificate and put notice, give written notice of such exercise to the Fiscal Agent, in accordance with the rules and procedures of Euroclear, Clearstream and/or other relevant clearing system, specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 14 *(Notices)*, so long as the Global Note Certificate is held on behalf of Euroclear and Clearstream or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear and Clearstream or (as the case may be) such Alternative Clearing System.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Notes, which will be endorsed on the definitive Certificates evidencing the Notes.

The U.S.$700,000,000 2.95 per cent. Guaranteed Notes due 2027 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of Sunny Express Enterprises Corp. (the "**Issuer**") are constituted by a deed of covenant dated 1 March 2022 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are subject to and with the benefit of (a) a deed of guarantee dated 1 March 2022 (as amended or supplemented from time to time, the "**Deed of Guarantee**") entered into by China Tourism Group Corporation Limited (中国旅游集团有限公司) (the "**Guarantor**") and (b) a fiscal agency agreement dated 1 March 2022 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Bank of China (Hong Kong) Limited) as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Bank of China (Hong Kong) Limited) as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Noteholders during normal business hours with proof of holding or consent from the Issuer and prior written notice at the Specified Offices (as defined in the Agency Agreement) of each of the Agents.

1 FORM, DENOMINATION, STATUS AND GUARANTEE

(a) *Form and denomination*: The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) *Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This guarantee (the "**Guarantee of the Notes**") constitutes direct, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Notes will be evidenced by a global certificate (the "**Global Certificate**"). The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. and will be exchangeable for definitive Certificates only in the circumstances set out therein.*

2 REGISTER, TITLE AND TRANSFERS

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to Condition 2(f) (*Closed periods*) and Condition 2(g) (*Regulations concerning transfers and registration*), a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however*, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph (d), "**business day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity and/or security and/or pre-funding as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder upon prior written request and satisfactory proof of holding.

3 COVENANTS

(a) *Negative pledge*: So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor will, and the Guarantor will ensure that none of its Principal Subsidiaries, other than a Listed Subsidiary and Subsidiaries of such Listed Subsidiary, will, create, or have outstanding, any mortgage, charge, lien, pledge, encumbrance, other security interest or other arrangement with similar economic effect upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, other than Permitted Security Interest, without at the same time or prior thereto according to the Notes (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) have the benefit of such other security, guarantee or indemnity as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

(b) *Registration with SAFE*: The Guarantor undertakes to register or cause to be registered with the State Administration of Foreign Exchange of the PRC or its local counterparts ("**SAFE**"), the Deed of Guarantee within 15 PRC Business Days after the Issue Date in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014, which came into effect on 1 June 2014 and any implementation rules and guidelines as issued by SAFE from time to time (the "**Cross-Border Security Registration**").

The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the SAFE Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee of the Notes.

The Guarantor shall before the SAFE Registration Deadline and within 10 PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) (i) provide the Fiscal Agent with a certificate signed by any Authorised Signatory of the Guarantor confirming the completion of the Cross-Border Security Registration together with a copy of the relevant SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration and (ii) give notice to the Noteholders in accordance with Condition 14 (*Notices*) a notice confirming the completion of the Cross-Border Security Registration.

The Agents shall have no obligation to monitor and/or ensure or assist with the Cross-Border Security Registration on or before the deadline referred above or to verify the accuracy, validity and/or genuineness of, or to translate or arrange for translation into English of, any documents in relation to or in connection with the Cross-Border Security Registration, or to notify the Noteholders of the completion of the completion of the Cross-Border Security Registration, and shall not be liable to the Noteholders or any other person for not doing so.

(c) *Notification to NDRC*: The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules and guidelines as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

The Guarantor shall submit the NDRC Post-issue Filing within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Notes.

The Guarantor shall within 10 PRC Business Days after submission of such NDRC Post-issue Filing (i) provide the Fiscal Agent with a certificate signed by any Authorised Signatory of the Guarantor confirming the submission of the NDRC Post-issue Filing (together with the document(s), if any, evidencing due filing with the NDRC) and (ii) give notice to the Noteholders in accordance with Condition 14 (*Notices*) of the same.

The Agents shall have no obligation to monitor and/or ensure or assist with the completion of the NDRC Post-issue Filing on or before the deadline referred above or to verify the accuracy, validity and/or genuineness of, or to translate or arrange for translation into English of, any documents in relation to or in connection with the NDRC Post-issue Filing, or to notify the Noteholders of the completion of the NDRC Post-issue Filing, and shall not be liable to the Noteholders or any other person for not doing so.

(d) *Other covenants*: So long as any Note remains outstanding, the Issuer and the Guarantor jointly and severally undertake that:

(i) the Issuer shall at all times remain a wholly-owned subsidiary of the Guarantor;

(ii) the Issuer shall not carry on any business activities other than those in connection with issuance of, and performance of its obligations under any Relevant Indebtedness issued by it and advance of the net proceeds of the issuance of such Relevant Indebtedness to, or use the net proceeds of the issuance of such Relevant Indebtedness for capital investment in, the Guarantor or any subsidiary of the Guarantor designated thereby; and

(iii) the Guarantor will file with the Fiscal Agent (x) as soon as they are available, but in any event within 210 calendar days after the end of each fiscal year of the Guarantor (being as at the Issue Date, 31 December), a true and correct copy of its audited consolidated financial statements and any financial or other report in respect of such financial year (including an income statement, balance sheet and cash flow statement) and an English translation thereof; and (y) as soon as they are available, but in any event within 120 calendar days after the end of each first half fiscal year of the Guarantor (being as at the Issue Date, 30 June), a true and correct copy of its unaudited and unreviewed consolidated financial statements and any financial or other report in respect of such first half financial year (including an income statement, balance sheet and cash flow statement) and an English translation thereof.

(e) *Rating maintenance*: So long as any Notes remain outstanding, save with the approval of an Extraordinary Resolution of Noteholders, the Issuer shall use its reasonable endeavours to maintain a rating on the Notes by a Rating Agency.

In these Conditions:

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**Listed Subsidiary**" means, at any time, any Subsidiary of the Guarantor the ordinary voting shares of which are at such time listed on a Recognised Exchange;

"**Permitted Security Interest**" means:

(a) any security interest either over any asset acquired after the Issue Date which is in existence at the time of such acquisition or in respect of the obligations of any person which becomes a Subsidiary of the Issuer or the Guarantor, as the case may be, after the Issue Date which is in existence at the date on which it becomes such a subsidiary;

(b) any security interest created in connection with the refinancing of any obligations referred to in paragraph (a) above (*provided that* the principal amount secured by any such security may not be increased without the approval by an Extraordinary Resolution of Noteholders); and

(c) any lien arising by operation of law.

"**PRC**" means the People's Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**PRC Business Day**" means a day other than a Saturday, Sunday or public holiday on which commercial banks are generally open for business in Beijing, the PRC;

"**Rating Agency**" means any one of (a) Standard & Poor's Rating Services, and its successors ("**S&P**"), (b) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"), (c) Fitch Ratings and its successors ("**Fitch**"), and (d) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any or other internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer and the Guarantor, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be, rating agency;

"**Recognised Exchange**" means any of The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the Singapore Exchange Securities Trading Limited, the Frankfurt Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market and any other internationally recognised stock exchange;

"**Relevant Indebtedness**" means any indebtedness outside of the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market without regard, however, to whether such securities are sold through public offering or private placements (which for the avoidance of doubt shall not include any indebtedness under any transferrable loan facilities or agreements (including any drawing down of any existing credit line or facility of the Issuer, the Guarantor or any of the Guarantor's Subsidiaries));

"**SAFE Registration Deadline**" means the day falling 150 calendar days after the Issue Date; and

A "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

4 INTEREST

The Notes bear interest from 1 March 2022 (the "**Issue Date**") at the rate of 2.95 per cent. per annum (the "**Rate of Interest**"), payable semi-annually in arrear on 1 March and 1 September in equal instalments in each year (each, an "**Interest Payment Date**"), commencing on 1 September 2022, subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$14.75 in respect of each Note of U.S.$1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means U.S.$1,000;

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

5 REDEMPTION AND PURCHASE

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 1 March 2027 (the "**Maturity Date**") subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) and the Fiscal Agent, at their principal amount, together with interest accrued but unpaid to the date fixed for redemption, if:

(i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 February 2022; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 February 2022; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph 5(b), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate signed by an Authorised Signatory of the Issuer stating that the circumstances referred to in paragraphs (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed an Authorised Signatory of the Guarantor stating that the circumstances referred to in paragraphs (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) *Redemption for Relevant Event*: At any time following the occurrence of a Relevant Event, the Holder of any Note will have the right, at such Holder's option, to require the Issuer to redeem all, but not some only, of that Holder's Notes on the Put Settlement Date at 101 per cent. (in the case of a Change of Control) or 100 per cent. (in the case of a Non-Registration Event) of their principal amount, in each case together with interest accrued but unpaid to such Put Settlement Date. To exercise such right, the Holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 14 (*Notices*). The "**Put Settlement Date**" shall be the 14th day (in the case of a Change of Control) and the fifth day (in the case of a Non-Registration Event) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Noteholders in accordance with Condition 14 (*Notices*) and to the Fiscal Agent in writing by not later than 14 days (in the case of a Change of Control) or five days (in the case of a Non-Registration Event) following the first day on which the Issuer becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c).

For the purposes of these Conditions:

a "**Change of Control**" occurs when:

(i) the Controlling Persons together cease to Control the Guarantor;

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, except where such Person is Controlled by the Controlling Persons; or

(iii) the Guarantor ceases to, directly or indirectly, own or control 100 per cent. of the voting rights of the issued share capital of the Issuer;

"**Control**", in relation to a Person, means (i) the ownership or control, directly or indirectly, of 50.1 per cent. or more of the voting rights of the issued share capital of a Person or (ii) the right to appoint and/or remove a majority of a Person's board of directors or other governing body whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and the term "**Controlled**" shall have a meaning correlative to the foregoing;

"**Controlling Persons**" means the State Administration of State-owned Assets Commission ("**SASAC**"), any other agency of the central government of the PRC and any other Person Controlled by the central government of the PRC;

a "**Non-Registration Event**" occurs when the Registration Condition has not been satisfied on or prior to the SAFE Registration Deadline;

a "**Person**", as used in this Condition 5(c), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Guarantor's wholly-owned direct or indirect Subsidiaries;

"**Registration Condition**" means the receipt by the Fiscal Agent of: (i) a certificate referred to in Condition 3(b) (*Registration with SAFE*) signed by any Authorised Signatory of the Guarantor confirming the completion of the Cross-Border Security Registration and (ii) a copy of the relevant SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration in (i) above of this definition; and

a "**Relevant Event**" will be deemed to occur if (i) there is a Change of Control or (ii) there is a Non-Registration Event.

(d) *Make whole redemption*: On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Fiscal Agent and the Noteholders in accordance with Condition 14 (*Notices*), the Issuer may at any time redeem the Notes, in whole but not in part, at a Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date (the "**Optional Redemption Date**") specified in the Option Redemption Notice.

In this Condition 5(d):

"**Adjusted Treasury Rate**" means, with respect to any Optional Redemption Date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date;

"**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to the Maturity Date that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Maturity Date;

"**Comparable Treasury Price**" means, with respect to any Optional Redemption Date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Guarantor obtains fewer than three such Reference Treasury Dealer Quotations, the average of all quotations obtained;

"**Make Whole Price**" means, with respect to a Note at the Optional Redemption Date, the amount calculated by the Quotation Agent that is the greater of (1) the present value of the principal amount of the Notes, assuming a scheduled repayment thereof on the Maturity Date plus all required remaining scheduled interest payments due on such Note through the Maturity Date (but excluding accrued and unpaid interest to the Optional Redemption Date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, and (2) the principal amount of such Notes;

"**Quotation Agent**" means the Reference Treasury Dealer selected by the Guarantor;

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York City, selected by the Guarantor in good faith; and

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Guarantor, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Guarantor by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such Optional Redemption Date.

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Make whole redemption*) above.

(f) *Notices of Redemption*: If more than one notice of redemption is given in respect of any Note (which shall include any notice given by the Issuer pursuant to Conditions 5(b) (*Redemption for tax reasons*) and 5(d) (*Make whole redemption*) and any Put Exercise Notice given by a Holder of any Note pursuant to Condition 5(c) (*Redemption for Relevant Event*)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(g) *Purchase and Cancellation*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. Any Notes purchased pursuant to this Condition 5(g) may be held, reissued, resold or surrendered to the Registrar for cancellation at the option of the Issuer, the Guarantor or their respective Subsidiaries (as the case may be). The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a) (*Meetings of Noteholders*).

6 PAYMENTS

(a) *Principal*: Payments of principal shall be made by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender or, (in the case of part payment only) upon endorsement of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender or, (in the case of part payment only) upon endorsement of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph (d), "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

*Whilst the Notes are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made in respect of the total aggregate amount of the Notes represented by such Global Certificate and to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**") means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).*

7 TAXATION

All payments of principal, premium (if any) and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC up to the rate applicable on 22 February 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Issuer or the Guarantor is required to make (i) a deduction or withholding by or within the PRC in excess of the Applicable Rate, or (ii) any deduction or withholding by or within the British Virgin Islands or Hong Kong, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (the "**Additional Tax Amounts**") as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Tax Amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Hong Kong or the PRC respectively, references in these Conditions to the British Virgin Islands, Hong Kong or the PRC shall be construed as references to the British Virgin Islands, Hong Kong or the PRC and/or such other jurisdiction.

No Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8 EVENTS OF DEFAULT

If any of the following events (each, an "**Event of Default**") occurs:

(a) *Non-payment*: the Issuer and the Guarantor each fails to pay the principal of any of the Notes on the due date or any interest on any of the Notes within 7 days of the due date; or

(b) *Breach of other obligations*: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or under the Deed of Covenant, the Deed of Guarantee or the Agency Agreement (where applicable) which default is incapable of remedy or is not remedied within 45 consecutive days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) *Cross-acceleration*:

(i) any present or future indebtedness of the Issuer, the Guarantor or any of the Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any present or future indebtedness of the Issuer, the Guarantor or any of the Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described) (after giving effect to the expiration of any applicable grace period therefor);

(iii) the Issuer, the Guarantor or any of the Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned in paragraphs (i), (ii) and (iii) above in this Condition 8(c) have occurred, individually or in the aggregate, exceeds U.S.$100,000,000 (or its equivalent in any other currency or currencies); or

(d) *Enforcement proceedings*: a distress, attachment, execution after final judgment by a court of competent jurisdiction or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 60 days; or

(e) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary over a substantial part of the assets of the Issuer, the Guarantor or the relevant Principal Subsidiary, as the case may be, becomes enforceable pursuant to a final judgment by a court of competent jurisdiction and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 60 days; or

(f) *Insolvency*: the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

(g) *Winding-up*: an administrator is appointed, an order is made by any court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor or any of the Principal Subsidiaries, or the Issuer or the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except in the case of a Principal Subsidiary only, (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (x) on terms approved by an Extraordinary Resolution of the Noteholders; (y) whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Guarantor or another Subsidiary, or (z) on a solvent winding-up basis; or (ii) a disposal on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in the Issuer, the Guarantor or any of its Subsidiaries; or

(h) *Authorisation and consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Deed of Covenant and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Deed of Covenant and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(i) *Illegality*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Deed of Covenant or the Deed of Guarantee; or

(j) *Unenforceability of Guarantee*: the Guarantee of the Notes becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(k) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of the Principal Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues, in the case of (i) and (ii), where the value of the undertaking, assets and revenues that is subject to such condemnation, seizure or appropriation individually or in the aggregate exceeds five per cent. of the consolidated total assets of the Guarantor and its Subsidiaries; or

(l) *Analogous events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) (*Enforcement proceedings*) to (g) (*Winding-up*) above,

then any Note may, by written notice addressed by the Holder thereof to the Issuer, the Guarantor and the Specified Office of the Fiscal Agent and delivered to the Issuer, the Guarantor and to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

In these Conditions:

"**Principal Subsidiary**" at any time shall mean a Subsidiary of the Guarantor:

(a) as to which one or more of the following conditions is/are satisfied:

(i) its revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue is at least five per cent. of the consolidated revenue of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustment for minority interests; or

(ii) its net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit (in each case before taxation and exceptional items) is at least five per cent. of the consolidated net profit of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustment for minority interests; or

(iii) its net assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net assets (in each case after deducting minority interests in Subsidiaries) are at least five per cent. of the consolidated net assets of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests;

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Guarantor and the then latest consolidated financial statements of the Guarantor, *provided that:* (A) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (B) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated revenue, consolidated net assets and consolidated net profits shall be determined on the basis of *pro forma* consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (C) if the accounts of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the audited consolidated accounts of the Guarantor; or

(b) to which is transferred all or substantially all of the assets of the Subsidiary of the Guarantor which immediately prior to the transfer was a Principal Subsidiary, **provided that**, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (a) above).

A certificate of the auditors of the Guarantor as to whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

9 PRESCRIPTION

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within (in the case of principal) ten years and (in the case of interest) five years of the appropriate Relevant Date.

10 REPLACEMENT OF NOTE CERTIFICATES

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and Registrar or Transfer Agent may require (**provided that** the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11 AGENTS

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their respective Subsidiaries, and the Fiscal Agent shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Fiscal Agent in respect thereof.

No Agent shall be required to take any steps to ascertain whether a Relevant Event, Change of Control or Event of Default has occurred and shall not be responsible or liable to the Noteholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

12 MEETINGS OF NOTEHOLDERS; MODIFICATION

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Deed of Guarantee or the Deed of Covenant. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority in the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal (i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, (ii) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other person or body corporate formed or to be formed, (iii) to change the currency in which amounts due in respect of the Notes are payable, (iv) to modify any provision of the Guarantee of the Notes, (v) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution, or (vi) to modify Condition 3 (*Covenants*) (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than 66 per cent. or, at any adjourned meeting, 33 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders, who for the time being are entitled to receive notice of a meeting of Noteholders, holding not less than 90 per cent. in nominal amount of the Notes outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*: The Notes, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13 FURTHER ISSUES

Subject to compliance with Conditions 3(b) (*Registration with SAFE*) and 3(c) (*Notification to NDRC*), the Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the first payment of interest and the timing for completing the Cross-Border Security Registration and submitting the NDRC Post-issue Filing and the making of consequent notices thereof) so as to form a single series with the Notes.

14 NOTICES

Notices to the Noteholders will be sent to them by uninsured first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

15 CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or from the Guarantor in respect of the Guarantee of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, each of the Issuer and the Guarantor shall jointly and severally indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

16 GOVERNING LAW AND JURISDICTION

(a) *Governing law*: The Notes, the Deed of Guarantee, the Deed of Covenant and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Deed of Guarantee, the Deed of Covenant and Agency Agreement are governed by, and shall be construed in accordance with, English law.

(b) *Hong Kong courts*: The courts of Hong Kong have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum*: Each of the Issuer, the Guarantor, the Agents and any Noteholder agrees that the courts of Hong Kong are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Service of Process*: Each of the Issuer and the Guarantor agrees that the documents which start any proceedings relating to a Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Guarantor's principal place of business in Hong Kong at 17/F., CTG House, 78-83 Connaught Road Central, Hong Kong, or to such other person with an address in Hong Kong and/or at such other address in Hong Kong as the Issuer and the Guarantor may specify by notice in writing to the Noteholders. If for any reason the Guarantor shall cease to have a principal place of business in Hong Kong, each of the Issuer and the Guarantor shall forthwith appoint a new agent for service of process in Hong Kong and notify the Noteholders in writing of the agent's acceptance of that appointment within 30 days. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(e) *Consent to enforcement etc.*: Each of the Issuer and the Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(f) *Waiver of immunity*: To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues sovereign or other immunity from suit, enforcement, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Guarantor or their respective assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

USE OF PROCEEDS

The gross proceeds from the issue of the Notes is estimated to be approximately U.S.$698.4 million before deducting underwriting fees and expenses. The proceeds will be used for replacing and repaying existing offshore debts and replenishing working capital.

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the US dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the US dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the US dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent.

On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Renminbi per U.S. Dollar Noon Buying Rate			
Period	**Period End**	**Average(1)**	**High**	**Low**
2015	6.4778	6.2869	6.5932	6.1870
2016	6.8771	6.6549	6.9580	6.4480
2017	6.4773	6.7350	6.9575	6.5063
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5208	6.9042	7.1681	6.5250
2021	6.3726	6.4508	6.5716	6.3435
2022				
January	6.3610	6.3556	6.3822	6.3206
February (through 11 February)	6.3540	6.3599	6.3660	6.3526

Note:

(1) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

CAPITALISATION AND INDEBTEDNESS

THE GUARANTOR

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Group as at 31 December 2020 on an (i) actual basis and (ii) on an adjusted basis to give effect to both series of Notes to be issued. The summary consolidated financial information below should be read in conjunction with the Guarantor's consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

	Actual		**As adjusted**	
	(RMB'000)	**(U.S.$'000)**	**(RMB'000)**	**(U.S.$'000)[(1)]**
Current indebtedness				
Short-term borrowings	3,231,173	495,199	3,231,173	495,199
Current portion of non-current liabilities	6,239,757	956,285	6,239,757	956,285
Other current liabilities[(2)]	4,395,433	673,630	4,395,433	673,630
Total current indebtedness	**13,866,363**	**2,125,113**	**13,866,363**	**2,125,113**
Non-current indebtedness				
Long-term borrowings	12,048,322	1,846,486	12,048,322	1,846,486
Bonds payable	24,608,332	3,771,392	24,608,332	3,771,392
Long-term payable[(3)]	233,486	35,783	233,486	35,783
Notes to be issued[(4)]	–	–	4,567,500	700,000
Total non-current indebtedness	**36,890,140**	**5,653,661**	**41,457,640**	**6,353,661**
Total indebtedness[(5)]	**50,756,503**	**7,778,774**	**55,324,003**	**8,478,774**
Total equity	**53,363,318**	**8,178,286**	**53,363,318**	**8,178,286**
Total capitalisation[(6)]	**104,119,821**	**15,957,060**	**108,687,321**	**16,657,060**

Notes:

(1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.5250 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System on 31 December 2020.

(2) Other current liabilities exclude the non-interest-bearing portion.

(3) Long-term payable only includes the amount of fixed-assets finance lease.

(4) This amount represents the aggregate principal amount of the relevant series of Notes to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Notes.

(5) Total indebtedness equals the sum of total current indebtedness and total non-current indebtedness.

(6) Total capitalisation represents the sum of total indebtedness and total equity.

Except as disclosed above, there has been no other material change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2020.

Since 31 December 2020, the Guarantor issued RMB2,000,000,000 onshore notes for a term of five years, RMB1,500,000,000 onshore notes for a term of five years and RMB1,500,000,000 onshore notes for a term of five years. A subsidiary of the Guarantor, CTS, borrowed a term loan in the amount of U.S.$300,000,000 for a term of five years.

Save as disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 31 December 2020.

THE ISSUER

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of a single class with a par value of U.S.$1.00 each and one share has been duly authorised and issued to the Guarantor and is fully paid. The Issuer does not have any debt outstanding other than the U.S.$500,000,000 3.50 per cent. notes due 2022 issued on 21 March 2019, the U.S.$300,000,000 3.00 per cent. guaranteed notes due 2029 issued on 23 October 2019, the U.S.$300,000,000 3.35 per cent. senior guaranteed perpetual securities issued on 23 October 2019, the U.S.$300,000,000 2.625 per cent. notes due 2025 issued on 16 April 2020, the U.S.$600,000,000 3.125 per cent. notes due 2030 issued on 16 April 2020 and Notes to be issued under this Offering Circular.

Since 8 January 2018, the date of its incorporation, the Issuer has been dormant and no financial statements of the Issuer have been prepared. Under BVI law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not purpose to publish, any financial statements in the future. The Issuer is, however, required to keep proper books of account as are sufficient to show and to explain its transactions and which will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

DESCRIPTION OF THE ISSUER

FORMATION

Sunny Express Enterprises Corp. is a BVI business company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1966619). It was incorporated in the British Virgin Islands on 8 January 2018. The Issuer is a wholly-owned subsidiary of the Guarantor.

BUSINESS ACTIVITY

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer carries on and has carried on no business other than entering into arrangements for the issue of notes and the Issuer has no outstanding borrowings and has no contingent liabilities other than the issue of the U.S.$500,000,000 3.50 per cent. notes due 2022 issued on 21 March 2019, the issue of the U.S.$300,000,000 3.00 per cent. notes due 2029 issued on 23 October 2019, the issue of the U.S.$300,000,000 3.35 per cent. senior guaranteed perpetual securities issued on 23 October 2019, the issue of the U.S.$300,000,000 2.625 per cent. notes due 2025 issued on 16 April 2020, the issue of the U.S.$600,000,000 3.125 per cent. notes due 2030 issued on 16 April 2020 and the issue of the Notes on or around the issue date. As at the date of this Offering Circular, the Issuer has no subsidiaries.

FINANCIAL STATEMENTS

Under the British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of accounts as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

DIRECTORS AND OFFICERS

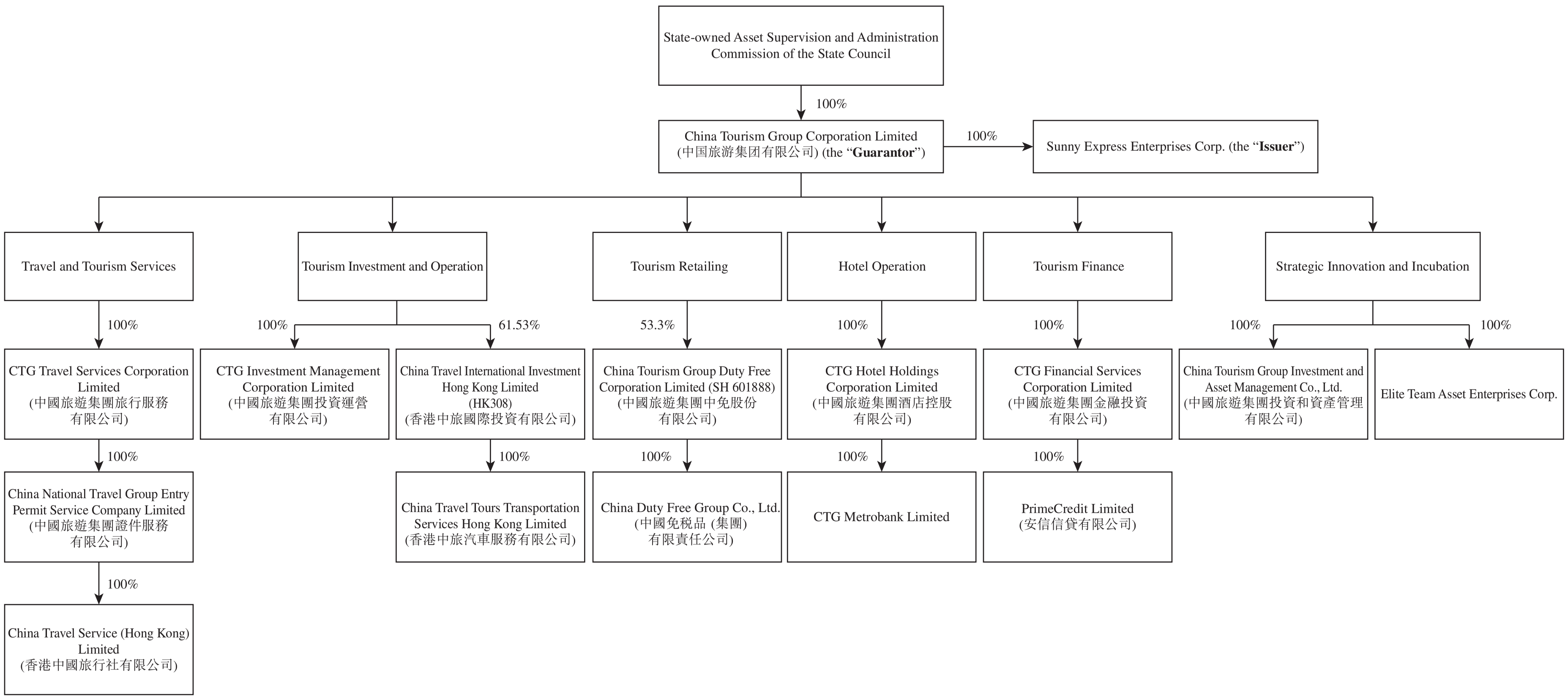
The directors of the Issuer Mr. Zhang Zheng and Mr. Li Wei.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of a single class with U.S.$1.00 par value per share and one share has been issued to and is being held by the Guarantor. The register of members of the Issuer is maintained at 17/F, CTG House, 78-83 Connaught Road Central, Hong Kong. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or proposed to be sought. As at the date of this Offering Circular, the Issuer does not have any debt outstanding other than the U.S.$500,000,000 3.50 per cent. notes due 2022 issued on 21 March 2019, the U.S.$300,000,000 3.00 per cent. guaranteed notes due 2029 issued on 23 October 2019, the U.S.$300,000,000 3.35 per cent. senior guaranteed perpetual securities issued on 23 October 2019, the U.S.$300,000,000 2.625 per cent. notes due 2025 issued on 16 April 2020, the U.S.$600,000,000 3.125 per cent. notes due 2030 issued on 16 April 2020 and the Notes offered hereby.

CORPORATE STRUCTURE

The following charts sets forth the Group's corporate structure showing the Group's key subsidiaries as at the date of this Offering Circular.



* The Group made an announcement on 12 September 2019 regarding the proposed transfer of 10 per cent. equity interest of the Group from SASAC to the National Social Security Fund pursuant to a decision collaborated between the Ministry of Finance, the Ministry of Human Resources and Social Security and the SASAC. The proposed change in shareholding structure will not affect future management of the Group. As at the date of this Offering Circular, the business registration process of the proposed transfer has not been completed. The Group believes that the proposed transfer will not incur any adverse material effects on the results of operations and financial position of the Group.

DESCRIPTION OF THE GROUP

OVERVIEW

Founded in April 1928, the Group is the most time-honoured tourism enterprise in China, and provides comprehensive travel and tourism services both domestically and internationally. It is one of the key state-owned enterprises under the direct supervision of the PRC central government through SASAC and one of only three central government-owned enterprises headquartered in Hong Kong.

The Group began as a travel agency and has been at the forefront of the tourism industry since its inception. In the course of its growth, the Group has gradually developed an all-round business network covering travel agency services, duty-free sales, tourist attraction operations, hotel operations and travel document services, with a presence in the PRC, Hong Kong, Macau and many foreign countries. Through over nine decades of development, the Group has established itself as an industry-leading tourism conglomerate underpinned by its large business scale, integrated service chain, rich tourism resources and global reach, thereby creating a highly valued brand. As at 30 June 2021, the Group was the largest central government-owned tourism enterprise in China in terms of total assets and revenue.

The Guarantor operates its business through various subsidiaries. As at the date of this Offering Circular, the Guarantor has 13 wholly-owned direct subsidiaries and two majority-owned direct subsidiaries in the PRC, Hong Kong and overseas. Among the subsidiaries of the Group, CTII (stock code: 308) and CTG Duty-Free (stock code: 601888) are two public companies that are listed on the SEHK and SSE, respectively.

As at 1 January 2020, 31 December 2020 and 30 June 2021, the total assets of the Group were RMB122.7 billion, RMB151.7 billion and RMB171.0 billion, respectively. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the total operating revenue of the Group was RMB81.0 billion, RMB69.9 billion, RMB24.5 billion and RMB39.8 billion, respectively. For the respective periods, the total operating profit (loss) of the Group was RMB7.5 billion, RMB8.7 billion, RMB-0.3 billion and RMB6.8 billion.

The Group's business operations can be divided into six core business divisions: (i) travel and tourism services; (ii) tourism investment and operation; (iii) tourism retailing; (iv) hotel operations; (v) tourism finance; and (vi) strategic innovation and incubation:

- *Travel and tourism services*. Travel and tourism services have been the Group's core business segment since its inception. This segment primarily consists of travel agency services and travel document services. The integrated service network has placed the Group in a good position to provide tourists with one-stop and tailor-made services. The Group conducts its travel and tourism services business primarily through CTG Travel Service, CTII, CTS and CTG Duty-Free as well as their respective subsidiaries in the PRC and Hong Kong. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from the travel and tourism services business was RMB20.1 billion, RMB4.5 billion, RMB1.9 billion and RMB1.7 billion, respectively, representing approximately 24.8 per cent., 6.5 per cent., 7.8 per cent. and 4.3 per cent. of its total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the travel and tourism services business was RMB0.4 billion, RMB-0.9 billion, RMB-0.6 billion and RMB-0.3 billion, respectively, representing 5.7 per cent. of the Group's total profit, -10.3 per cent. of the Group's total profit, 200.1 per cent. of the Group's total loss and -4.6 per cent of the Group's total profit, respectively.

- *Tourism investment and operation*. During the intra-group reorganisation in 2018, the Group consolidated its various business sub-segments, primarily tourist attraction operations, tourism real estate and passenger transport operation, to form this new business segment in the belief that the synergies amongst these businesses could better serve the Group's strategy in building a top-rated asset investment and operating platform. The Group has comprehensive cultural and tourism projects including iconic theme parks, natural scenery parks, holiday resorts and cultural villages. The Group has also mapped out its real estate network mainly in the Bohai Economic Zone and the Beijing-Tianjin-Hebei Metropolitan Region in the PRC. As at 30 June 2021, the Group had 28 major real estate projects under construction. The Group also owned one transportation company focusing on passenger transportation in the Greater Bay Area. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from its tourism investment and operation segment was RMB7.1 billion, RMB9.3 billion, RMB1.6 billion and RMB1.2 billion, respectively, representing approximately 8.7 per cent., 13.4 per cent., 6.5 per cent. and 3.0 per cent. of its total operating revenue, respectively. For the same period, the Group's total profit (loss) generated from the tourism investment and operation business was RMB1.0 billion, RMB1.0 billion, RMB-0.2 billion and RMB-1.0 billion, representing 12.8 per cent. of the Group's total profit, 12.0 per cent. of the Group's total profit, 62.5 per cent. of the Group's total loss and -13.9 per cent. of the Group's total profit, respectively.

- *Tourism retailing.* Tourism retailing has become the most important business segment of the Group. This business is primarily operated through CDFG, a wholly owned subsidiary of CTG Duty-Free that was merged into the Group in 2016. Established in 1984, CDFG is one of only ten groups of entities with duty-free operation permits in the PRC, one of the six groups of entities with permits to operate duty-free port stores nationwide, and the only group with operation permit for all types of duty-free stores in China. Its complete product portfolio ranges from tobacco, wines and spirits, perfumes and cosmetics to fashion and accessories, watches, jewellery, stationery, food and souvenirs, and travel accessories. After nearly 40 years of development, CDFG has set up 124 subsidiaries in the PRC, of which 37 are its wholly-owned subsidiaries and 87 are its majority-owned subsidiaries. Its sales network has expanded to cover airports, border crossings, planes, cruises, downtown areas, bus terminals and railway stations, with more than 240 outlets in total. In 2020, the Group's duty-free sales ranked first globally and first domestically in terms of sales volume, occupying over 90 per cent. of the market share in the PRC. As at 30 June 2021, the Group had the largest number of duty-free outlets within a single country in the world. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from the duty-free business was RMB48.1 billion, RMB52.6 billion, RMB19.3 billion and RMB35.5 billion, respectively, representing 59.4 per cent., 75.2 per cent., 79.0 per cent. and 89.4 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit generated from the duty-free business was RMB6.5 billion, RMB9.7 billion, RMB1.2 billion and RMB8.5 billion, respectively, representing 86.9 per cent. of the Group's total profit, 110.9 per cent. of the Group's total profit, -412.9 per cent. of the Group's total loss and 124.4 per cent. of the Group's total profit, respectively.

- *Hotel operations*. The hotel operations business is primarily conducted through the Company's wholly-owned subsidiary, CTG Hotel. Building on its brand reputation and extensive resources in capital and talent, the Group enjoys a competitive advantage in hotel operations and has, over the past 36 years, accumulated rich experience in operating and managing hotels in both eastern and western styles across the PRC and overseas, providing a comfortable experience to travellers. To cater to the diverse needs of clients, the Group operates both luxury and affordable hotels under four brands, namely, Grand Metropark (維景國際), Metropark (維景), Kew Green (睿景) and Traveller Inn (旅居). For the years ended 31 December 2019 and 2020 and for the six months ended 30 June

2020 and 2021, the operating revenue generated from the Group's hotel operations business was RMB2.8 billion, RMB1.2 billion, RMB0.5 billion and RMB0.7 billion, respectively, representing 3.5 per cent., 1.7 per cent., 1.9 per cent. and 1.7 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the group's hotel operations business was RMB0.2 billion, RMB-0.6 billion, RMB-0.5 billion and RMB-0.1 billion, respectively, representing 3.2 per cent. of the Group's total profit, -6.9 per cent. of the Group's total profit, 167.5 per cent. of the Group's total loss and -1.5 per cent. of the Group's total profit, respectively.

- *Tourism finance*. The Group develops its tourism finance business to provide comprehensive financial solutions as a value-added service to its integrated travel and tourism business, with the aim of consolidating and allocating its industrial and financial capital resources efficiently. This business is mainly carried out through a subsidiary of the Company, CTG Financial Services, which manages some subsidiaries of the Company which conduct financial businesses, including CTG Finance, PrimeCredit, CTG Financial Leasing, CTS Investment (Shanghai) and HKCTS Insurance Brokers. The Group's tourism finance business develops tailored financial services to support and contribute to the main travel and tourism business of the Group. The Group's tourism finance business mainly focuses on the development of consumer finance and industry fund businesses, as well as the promotion of the financial lease and tourism insurance businesses. The Group's tourism finance business mainly caters to the diverse investment, financing and wealth management requirements of tourism enterprises and individual tourists. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from its tourism finance business was RMB2.6 billion, RMB2.1 billion, RMB1.1 billion and RMB0.9 billion, respectively, representing approximately 3.2 per cent., 2.9 per cent., 4.5 per cent. and 2.3 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit generated from the tourism finance business was RMB0.4 billion, RMB0.5 billion, RMB0.2 billion and RMB0.3 billion, respectively, representing 5.1 per cent. of the Group's total profit, 6.2 per cent. of the Group's total profit, -71.0 per cent. of the Group's total loss and 4.2 per cent. of the Group's total profit, respectively.

- *Strategic innovation and incubation*. The Group's strategic innovation and incubation business primarily comprises the Group's non-core businesses and new business, including, for instance, cruises, recreational vehicles, as well as non-tourism oriented services operated by subsidiaries of CTG Asset. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the operating revenue generated from the Group's strategic innovation and incubation business was RMB0.7 billion, RMB0.5 billion, RMB0.5 billion and RMB0.2 billion, respectively, representing 0.8 per cent., 0.7 per cent., 2.0 per cent. and 0.6 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the strategic innovation and incubation business was RMB-54.2 million, RMB103.3 million, RMB-36.7 million and RMB34.7 million, respectively, representing -0.7 per cent. of the Group's total profit, 1.2 per cent. of the Group's total profit, 13.0 per cent. of the Group's total loss and 0.5 per cent. of the Group's total profit, respectively.

KEY MILESTONES

Set forth below are the key milestones in the development of the Group over the past nine decades:

1927	Shanghai Commercial Savings Bank (上海商業儲蓄銀行) establishes China Travel Agency (中國旅行社) in Shanghai, which was the first travel agency in the PRC.
1949	Fujian Xiamen Overseas Chinese Service Agency (福建廈門華僑服務社) was established, which was the first travel agency in the newly established PRC.
1954	China International Travel Service Head Office (中國國際旅行社總社), the predecessor of China International Travel Service Limited, Head Office (中國國際旅行社總社有限公司) was established. CTSHK was officially registered in Hong Kong.
1957	Overseas Chinese Travel Service Office (華僑旅行服務總社) was established.
1974	Overseas Chinese Travel Service Office (華僑旅行服務總社) started to use the name of "中國旅行社總社" (China Travel Service Head Office).
1984	China Duty Free (Group) Co., Ltd. (中國免稅品(集團)有限公司) was formally established.
1985	CTS was established.
1990	China Travel Service (Group) Company (中國中旅(集團)公司) was established.
1992	CTII, a subsidiary of CTS, was listed on the SEHK.
2004	China International Travel Service Limited, Head Office (中國國際旅行社總社有限公司) and China Duty Free (Group) Co., Ltd. (中國免稅品(集團)有限公司) were merged into CITS Group.
2005	The Guarantor was established under the name of "China National Travel Service (HK) Group Corporation (中國港中旅集團公司)". CTS became a wholly-owned subsidiary of the Guarantor. The Guarantor and CTS became one group bearing two names, reporting to the PRC central government.
2007	SASAC assigned China Travel Service (Group) Company (中國中旅(集團)公司) to the Group as a wholly-owned subsidiary.
2016	In July, according to the SASAC's Notice of the Reorganisation between China National Travel Service (HK) Group Corporation and China International Travel Service Group Corporation (《關於中國港中旅集團公司與中國國旅集團有限公司重組的通知》(國資發改革[2016]108號)), CITS Group (the predecessor of CTG Asset) became a wholly-owned subsidiary of the Guarantor. The Guarantor was renamed from China National Travel Service (HK) Group Corporation (中國港中旅集團公司) to China National Travel Service Group Corporation (中國旅遊集團公司).
2017	The Guarantor was renamed as China National Travel Service Group Corporation Limited (中国旅游集团有限公司).

2018	The headquarters of the Group was officially relocated to Haikou, Hainan Province, to assist in the development of Hainan Province as an international tourism travel island.
2020	On 16 July 2020, the Guarantor's English name was changed from "China National Travel Service Group Corporation Limited" to "China Tourism Group Corporation Limited". The Guarantor's Chinese name "中国旅游集团有限公司" remains unchanged. To further improve and optimise the management of its business operation and brand effect, the Group consolidated and renamed several subsidiaries to be the six main operation subsidiaries within the Group, CTG Travel Service, CTG Investment, CTG Hotel, CTG Duty-Free, CTG Financial Services, CTG Asset. In 2020, the Group's duty-free sales ranked first globally and first domestically in terms of sales volume.
2021	The Group maintained its leading position in the duty-free sales business. As at 30 June 2021, the Group had the largest number of duty-free outlets within a single country in the world.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths outlined below distinguish itself from its competitors and are important to its success and future development:

Largest travel enterprise under the direct supervision of the PRC central government carrying out the national tourism development strategy

The Group is one of the key state-owned enterprises that are under the direct supervision of the PRC central government through SASAC. Established in 1928, the Group is one of only three central government-owned enterprises headquartered in Hong Kong.

Since its inception, the Guarantor has grown its businesses organically as well as through asset acquisitions, reorganisation and asset injections by the PRC central government. For example, the SASAC successively injected China Merchants International Travel Management Co., Ltd. (中國招商國際旅遊管理總公司) and China Travel Service Group Company (中國中旅集團公司) into the Group between 2005 and 2007. In recent years, the Group has been assigned renowned stated-owned enterprises such as CITS Group (the predecessor of CTG Asset) and Hainan Duty Free by SASAC for nil consideration. These acquisitions have further strengthened the Group's strong reputation and brand recognition, and enhanced its integrated service chain. The Group was ranked within the Global Top 300 Hotel Groups for ten consecutive years by Hotels Magazine. CDFG was ranked 60th in 2021 in China's Top 500 Most Valued Brand by World Brand Lab and was ranked the first among the companies in the travel service industry in the same ranking, with its brand valued at RMB96.3 billion. Since 2018, the Group has entered into strategic cooperation agreements with local governments in popular tourist destinations such as Hainan Province, Sichuan Province, Guizhou Province, Yunnan Province, Hebei Province, Xinjiang Uyghur Autonomous Region, Tibet Autonomous Region, Guangxi Zhuang Autonomous Region, Hubei Province, Shandong Province, Guangzhou and Xiamen, which have strategically expanded the Group's travel and tourism services network.

Some of the Group's businesses enjoy preferential tax treatments from the relevant government authorities. Furthermore, the Group also enjoys favourable policy support from the local governments. It is the only agency in Hong Kong authorised by the Ministry of Public Security of the PRC to provide services in obtaining the Home Return Permit (回鄉證) and the Taiwan Compatriot Pass (臺胞證), and is authorised to provide services such as obtaining the Mainland Licence Plate (粵港車牌). These services provide the Group with an exclusive advantage in the travel and tourism industry.

Leveraging the strong support from and extensive connection with the governments at various levels, the Group benefits from the synergies amongst its business segments and seeks to take advantage of the development opportunities in the tourism industry. In 2017, with the approval of the State Council of the PRC, the Group launched the China Tourism Fund (中國旅遊產業基金) with a total investment amount of RMB50 billion. In the same year, the Group launched its cruise travel business with the operation of Nanhai Cruise, becoming one of only two cruise operators in China that has a cruise line to the Paracel Islands.

A leading tourism enterprise group in the PRC and Hong Kong with a diversified business portfolio and integrated chain of businesses

The Group, a leading PRC state-owned tourism enterprise focusing on travel and tourism services and tourism investment and operation, has created a dominant position in tourism retailing, and further diversified its businesses into tourism finance and strategic innovation and incubation of non-core and new businesses. As at 30 June 2021, the Group had a majority interest in and operated more than 240 outlets and 42 natural and cultural scenic spots (including 12 scenic spots at 5A level and 12 scenic spots at 4A level). As at 30 June 2021, the Group owned 58 hotels and operated 97 hotels. It operates under the famous brands of CTG, such as "中旅 CTG", "中旅" and "中國旅行社".

The Group believes that its diversified and comprehensive business has created a virtuous tourism ecosystem, which is reinforced by the synergies amongst its different segments. For example, the Group's one-stop travel and tourism services and hotel operations businesses have established a large customer base, which, coupled with the Group's brand recognition, has secured potential customer sources for the Group, enabling it to successfully develop its finance business, such as financial leasing and insurance brokerage. Leveraging its tourism resources, the Group has expanded its presence as a tourism retailer nationwide, which in turn has attracted more tourists in, and the popularity of, some of the less well-known tourism attractions under the Group's operation. The development in the Group's thriving tourism investment and operation business has further boosted the Group's leisure resorts business and contributed to the continuous advancement of its tourism real estate business. As at 30 June 2021, the Group had 28 major real estate projects under development in the PRC, including many tourism-oriented cities, such as Suzhou, Hangzhou and Qingdao. As at the same date, the total area available for development of the Group's real estate projects was 17.4 million square metres, including 11.9 million square metres under construction and 5.4 million square metres of land reserve. As at the date of this Offering Circular, the Group has a presence in approximately 30 countries around the world. The Group believes that this unique business model has placed it in an advantageous position compared with its competitors in China and Hong Kong.

Advantageous and expanding competitiveness in the Group's leading tourism retailing business

The scale of the Group's tourism retailing business is unparalleled in the PRC. Since its acquisition of the CITS Group (the predecessor of CTG Asset) in 2016, the Group has been proactively developing this business and continuously made progress. Starting from 2017, the Group has successively acquired Sunrise Duty Free (Beijing), Sunrise Duty Free (Shanghai) and Hainan Duty Free. With such newly consolidated resources, the Group began to operate the duty-free shops in Beijing Capital International Airport and Shanghai Pudong International Airport, the two largest airports in the PRC, marking a breakthrough in its airport duty-free sales. The Group has further obtained the franchise to operate airport duty-free outlets in Hong Kong, Kunming, Guangzhou, Qingdao, Nanjing, Chengdu and Urumqi.

The Group's track record has strengthened both its domestic competitiveness and international influence, as can be seen from its dominant market share in China and consistent rise in its global ranking. In 2020, the Group's duty-free business ranked first globally and first domestically in terms of sales volume, occupying over 90 per cent. of the market share in the PRC. As at 30 June 2021, the Group had the largest number of duty-free outlets within a single country in the world.

The Group has significant operations in China, which is the world's largest tourism consumer base and the world's fastest growing tourism-related market. The Group believes that its booming tourism retailing business in China will continue to experience significant growth.

Continuous growth potential of the Group's core travel and tourism business

The Group's travel and tourism business has experienced and is expected to continue to experience growth in view of the favourable policies promulgated by the central government and the stable increase in China's per capita disposable income. Though the outbreak of COVID-19 pandemic has had a negative impact on domestic and international tourism businesses, with the improvement in epidemic prevention and control measures and the increase of the vaccination rate, the tourism market is expected to gradually recover and expand. Following the outbreak of COVID-19 pandemic, the Group benefits from the policy support from the PRC government of the tourism industry. For example, according to the Circular of the General Office of the Ministry of Culture and Tourism on Temporarily Refunding Some Quality Deposits for Tourism Services to Support Travel Agencies to Cope with Business Difficulties (文化和旅遊部辦公廳關於暫退部分旅遊服務品質保證金支援旅行社應對經營困難的通知(文旅發電(2020)33號)), the General Office of the Ministry of Culture and Tourism of the PRC (中國文化和旅遊部辦公廳) decided to temporarily refund part of the tourism service quality deposits to the travel agencies in the PRC, and the refund standard is 80 per cent. of the deposited amount. Those favourable policies have supported the Group with its travel and tourism businesses during the pandemic.

In the 14th Five-Year Cultural and Tourism Development Plan (the "**C&T Development Plan**") according to the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035, the central government of the PRC has emphasised the importance of the tourism industry as a strategic backbone in the development of the service industry in China. The C&T Development Plan aims to promote the integrated development of the cultural and tourism industries, develop world-class tourist attractions and resorts with rich cultural elements, and build tourism and leisure cities and urban zones with distinctive cultural traits. In addition, the steady increase in China's average disposable income in recent years, together with policies that promote the tourism economy, has raised consumption levels in China and contributed to the expansion of overseas tourism. The tourism industry in the PRC is also gradually transforming. There is a rising demand for high quality and in-depth travel experiences compared to the traditional group sightseeing tours in the tourism industry of the PRC. The rapid development of transportation in the PRC including high-speed railways, highways and airlines have shortened travel time and lowered the cost of traveling, which has further boosted the travel and tourism businesses.

Benefiting from these favourable trends, the Group, as a leading travel and tourism conglomerate with an established reputation in the PRC, is well-positioned to bring its travel and tourism services business into full play, while at the same time continuing to maintain sustainable development.

A strong liquidity position and prudent fiscal policies

The Group has adopted prudent fiscal policies. While expanding its businesses, the Group has focused on controlling its indebtedness through close monitoring and effective liquidity management. The management sets internal thresholds for different financial ratios to monitor the financial health of the Group. As at 30 June 2021, 93.1 per cent. of the Group's debt was unsecured and 6.9 per cent. was secured. The Group believes that it has maintained a good balance of indebtedness with different maturities and currency denominations, thus increasing its financial stability. For example, as at 30 June 2021, the Group total indebtedness is comprised of 34.9 per cent. onshore loans, 21.1 per cent. onshore debt securities, 12.4 per cent. offshore loans and 31.7 per cent. offshore debt securities. In terms of currency, 37.8 per cent. of the Group's total indebtedness were denominated in U.S. dollars and 51.5 per cent. in RMB. The Group funds its capital expenditures through various external financing channels, such as bank and other borrowings, equity financing and debt issuances. It has closely monitored fluctuations in foreign exchange rates to adjust its financing strategies and resource allocation amongst its PRC domestic and offshore fundraising platforms. The Group also maintains a strong liquidity position with high coverage for current liabilities and demonstrates strong liquidity in covering short-term debt. The current ratio of the Group (current asset divided by current liabilities) as at 1 January 2020, 31 December 2020, 30 June 2020 and 30 June 2021 was 1.51, 1.63, 1.65 and 1.46, respectively. The quick ratio of the Group (cash and cash equivalent plus account receivables, divided by current liabilities) as at 1 January 2020, 31 December 2020, 30 June 2020 and 30 June 2021 was 0.49, 0.53, 0.68 and 0.37, respectively.

The Group adopts a centralised cash management system. This system enables the Group to strengthen capital budgeting and cash flow management, so that it is better able to optimise the allocation of capital resources to strategic key, high value-added businesses with large growth potential and to improve cash utilisation efficiency, better manage financial risk and reduce finance costs. At 31 December 2020 as compared to 31 December 2019, the Group's capital expenditure decreased from RMB2.5 billion to RMB2.4 billion and its capital expenditure to total revenue ratio increased from 3.1 per cent. to 3.4 per cent. As at 30 June 2021 as compared to 30 June 2020, the Group's capital expenditure decreased from RMB0.9 billion to RMB0.8 billion and its capital expenditure to total revenue ratio also decreased from 3.6 per cent. to 1.9 per cent.

In addition, the Group is able to leverage its presence in Hong Kong and the PRC to structure different fund-raising activities. The Group has access to diversified financing channels including bank loans, corporate bonds, medium-term notes, equity issuances and placings as well as other methods. The Group's ability to access both domestic and international financing resources places it in a more advantageous position over certain local competitors in China with access only to domestic funding, the availability and costs of which may be affected by credit control measures introduced by the PRC government. Moreover, the Group has established long-term strategic relationships with a number of major commercial banks, such as Bank of China, China Construction Bank, Agricultural Bank of China, and China Merchants Bank. As at 30 June 2021, the Group had approximately RMB203.5 billion of credit facilities, of which RMB183.5 billion had not been utilised.

Sound corporate governance implemented by a team of experienced leaders and senior management

The Group adopts a sound corporate governance structure emphasising checks and balances. In 2012, the board of directors introduced external directors to further increase its independence. The board of directors now consists of eight members, five of whom are external independent directors. See "*Directors and Company Management*". The board of directors has set up four special committees, namely, the audit and risk management committee, remuneration committee, nomination committee and strategic committee, which focus on key aspects of the Group's corporate governance and daily operations. In addition, the Group has formulated detailed policies and systems focusing on risk management and investment management in accordance with applicable PRC laws and regulations.

The directors and senior management of the Group have extensive experience in corporate management. Several members of the Guarantor's core management team also hold senior positions with other Group companies. The senior management of the Group has a diversified industry and professional background including tourism, real estate development and retail. The Group believes that the extensive industry and management experience of the directors and senior management has significantly contributed to the expansion of the Group's businesses.

BUSINESS STRATEGIES

As a leader in China's tourism industry, the Group has been striving to continue to utilise its excellent product innovation and resource facilitation capabilities in the tourism industry to grow and diversify its businesses so as to widen its influence from being primarily a domestic industry leader to become a world leading tourism enterprise that is highly competitive on a global scale. The Group intends to focus on the following strategies to achieve these goals:

Centre on its core travel and tourism services and create an excellent customer experience so as to further build upon its core competencies

The Group intends to concentrate on its core travel and tourism services business to further secure its dominant position in the domestic tourism industry. The Group will continue to keep abreast of the changing needs of its customers, in accordance with which it will enhance its service quality so as to deliver an optimised experience to its customers. To this end, the Group seeks to design different service portfolios in combination with its travel agency service, travel document services and other services to improve its competitiveness.

In addition, the Group expects to generate additional synergies between different business divisions of its travel and tourism businesses through increasing cross-selling efforts. The Group has established a committee focusing on implementing strategies and policies to further achieve this goal. The Group's integrated business model, covering key stages of the tourism business chain, provides it with unparalleled advantages to achieve this goal. In addition, the government-led mergers and acquisitions will allow the Group to capture new business opportunities presented by the merged groups, such as CTG Duty-Free and its wholly-owned subsidiary, CDFG. The Group believes that these measures will not only provide more opportunities to offer its customers a one-stop shop experience, but also help the Group improve operational efficiencies and results.

Further strengthen the competitiveness of its tourism retailing business to become a world-leading tourism retailer

Headquartered in Hainan, a popular tourist destination, the Group seeks to take full advantage of the geographical position and the synergies arising from its travel and tourism services business to enhance its tourism retailing business. The Group seeks to open more duty-free outlets in Hainan and develop an online platform for the offshore duty-free shops so as to reach more potential customers. With the implementation of the favourable policies, including the raising of personal duty-free goods quota from RMB30,000 to RMB100,000, issued by the Ministry of Finance of the PRC on duty-free shopping for travellers departing from Hainan, the Group believes that its tourism retailing business will achieve continuous growth.

In addition to offshore duty-free sales, the Group also intends to expand its downtown duty-free sales to both upstream and downstream industry chains. Building on the favourable policies on downtown duty-free shops promulgated by governments at various levels, the Group will first map out its sales network in establishing duty-free shopping complex in Tier 1 cities and further extend to Tier 2 cities where tourist resources abound, such as Qingdao, Dalian and Xiamen. The Group is also looking to introduce taxable retailing service provided by mature retailers to supplement its operation of duty-free complex. Meanwhile, the Group intends to expand into overseas duty-free markets by investing in destinations preferred by Chinese tourists, such as the regions covered by the Belt and Road Initiative. The Group also intends to capture suitable opportunities to acquire complementary assets and services to supplement its overseas presence and enlarge its overseas market share.

Furthermore, the Group will consolidate the tourism retailing resources of the subsidiaries it has acquired over the past years and integrate its purchasing channels to improve its bargaining power with suppliers, reduce procurement costs and increase its profit margins, and thus achieving scale benefit.

To establish a sound management system for its tourism investment and operation businesses

The Group seeks to establish a sound investment and operation management system to better manage the development of the tourist attractions, theme parks, and holiday resorts under its operation. With the system in place, the Group will also explore new investment opportunities to acquire quality tourism assets with sustainable returns, including the investment in theme parks, leisure resorts and scenic spots. The increasing number of customers attracted to tourist attractions under the Group's operation will further contribute to the development of various businesses conducted by the Group, including its tourist attraction operations, tourism retailing and hotel operations businesses.

To further support the development and improve profitability of the core tourism and travel services based on the synergies between tourism and finance

By fully utilising its management system, the Group seeks to better consolidate its resources in travel and tourism and tourism finance to provide diversified financial products and services as well as tourism funds to cater to the specific needs of its customers, which, as a supplement to its core business, will in turn improve the profitability of the travel and tourism services business.

Continue to be innovative in exploring new business opportunities

The Group will take the initiative to further cultivate the emerging new economy businesses, including the cruise and recreational vehicles tourism businesses, through investment or cooperation with different parties. It will continue to be innovative and proactively respond to government policies. The Group will strategically consider introducing suitable investors at the subsidiary level, which can be other state-owned investors, private investors or foreign investors. In the meantime, the Guarantor intends to explore innovative and effective business models and explore business opportunities in new industries and sectors to develop its overall business.

Continue to invest in human resources and attract and cultivate high-quality employees

The Group is fully committed to develop the skills and knowledge of its employees. The Group intends to continue to invest in human resources by providing a continuous learning environment and offering more opportunities to pursue professional growth. The Group expects to introduce innovative, merit-based incentive measures to continue to motivate its employees. In addition, the Group will continue to recruit talents and professionals, especially professional managers with working experience in multinational enterprises, to support the expansion of its businesses. By implementing these strategies, the Group hopes to build a team of professionals who are market-driven and have an international outlook.

RECENT DEVELOPMENTS

The financial information of the Guarantor as at and for the nine months ended 30 September 2021

The Guarantor has published the Guarantor's 2021 Third Quarter Financial Information, which was prepared in accordance with PRC GAAP. The Guarantor's 2021 Third Quarter Financial Information is not included in and does not form a part of this Offering Circular. The Guarantor's 2021 Third Quarter Financial Information has not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited or reviewed. Consequently, none of the Joint Lead Managers, or any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment thereof, and potential investors must exercise caution when using such data to evaluate the Guarantor's financial conditions and results of operations. The Guarantor's 2021 Third Quarter Financial Information should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor or the Group for the full financial year ended 31 December 2021.

For the nine months ended 30 September 2021, the Group's total revenue increased as compared to the same period in 2020 primarily due to increased revenue generated from its tourism retailing business. Increases in operating profit and net profit in respect of the Group's tourism retailing business also led to overall increases in its total operating profit and total net profit for the nine months ended 30 September 2021 as compared to the same period in 2020. Correspondingly, and given the continued expansion of the Group's business scale, total operating cost also recorded an increase, particularly in taxes and surcharges, management expenses and finance expenses.

As at 30 September 2021, the Group's current liabilities, non-current liabilities, current assets and non-current assets all increased, whereas its cash and cash equivalents decreased as compared to 31 December 2020, all of which are in line with the enlarged scale of the Group's business operations. In particular, as at 30 September 2021, the Group's short-term borrowings, non-current liabilities due within one year and long-term increased as compared to 31 December 2020, with a decrease in bonds payables. For the nine months ended 30 September 2021, operation cashflow and financing cashflow decreased and investing cashflow increased as compared to the same period in 2020.

See also "*Risk Factors – Risks Relating to the Group – The Group has published, and may continue to publish, periodical financial information in the PRC pursuant to applicable PRC regulations and the rules of relevant stock exchanges. Investors should be cautious and should not place any reliance on the financial information other than that disclosed in this Offering Circular.*"

Disposal of 51.0 per cent. equity interest in CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd. under the travel and tourism business sub-segment

In January 2021, CTII, a subsidiary of the Guarantor, made an open solicitation in relation to the disposal of 51.0 per cent. equity interest in Songshan Company, the operator of Songshan Scenic Spot, which performance has suffered. After completing the transaction process on China Beijing Equity Exchange, CTII entered into an equity transfer agreement with Deng Feng on 25 January 2021, pursuant to which the CTII agreed to dispose of its 51.0 per cent. equity interest in Songshan Scenic Spot to Deng Feng at a consideration of approximately RMB255.1 million. The disposal of Songshan Scenic Spot will help to enhance the portfolio of CTII's natural and cultural scenic spots, raise the asset turnover rate, increase working capital, and further improve the sustainability of CTII's development. As at the date of this Offering Circular, the disposal has been completed.

Provision of services by the Group to the 2022 Beijing Winter Olympic Games

In February 2022, the 2022 Beijing Winter Olympic Games were held in Beijing and Zhangjiakou, Hebei Province. Designated by the Beijing Organising Committee for 2022 Olympic and Paralympic Winter Games (北京2022年冬奧會和冬殘奧會組織委員會), the Group was the sole service provider of accommodation and catering services for the Zhangjiakou Olympic Village during the 2022 Beijing Winter Olympic Games. The Group was responsible for the management of 1,669 apartments in 27 apartment buildings in the Zhangjiakou Olympic Village, providing accommodations to athletes and visitors. The Group also provided catering services to more than 6,000 athletes and members of staff in the Zhangjiakou Olympic Village. With 17 catering plans developed, the Group provided various dining options for athletes from different countries and regions around the world. To better meet the specific dietary needs of athletes during the competitions, the calories, nutrients and allergens of the foods provided were clearly labelled and strictly controlled. In addition to the provision of accommodation and catering services, the Group has set up special visa processing sessions and expedited channels for foreign athletes applying for visas to enter the PRC and designated specialised personnel to provide visa application services to athletes participating in the Paralympic Winter Olympic Games. The Group provided visa application services to 1,943 athletes and members of staff from 25 countries and regions around the world for the 2022 Beijing Winter Olympic Games. The Group also dispatched more than 2,600 vehicles in total to provide transportation services for athletes to travel between the Zhangjiakou Olympic Village and stadiums and sports centres located in Beijing. Transportation services have been provided to more than 60,000 athletes and members of staff. On 4 February 2022, the Group dispatched 106 vehicles, providing transportation services to 7,420 spectators and members of staff for attending the opening ceremony of the 2022 Beijing Winter Olympic Games. The Group provided high quality services for the 2022 Beijing Winter Olympic Games, which were highly regarded by the athletes and visitors, and undertook its social responsibilities as a leading travel service provider in the PRC. Apart from provision of services during the 2022 Beijing Winter Olympic Games, the Group also provided various online and offline promotions in its duty-free outlets to celebrate the Olympic events and further promote its tourism retailing business.

Recent Outbreak of COVID-19 variants

Since December 2019, the COVID-19 outbreak has caused substantial disruption in the PRC economy and markets. In July 2021, multiple cities in China reported new locally transmitted cases of the Delta strain of COVID-19. In November 2021, the World Health Organization declared that a new COVID-19 variant, Omicron, may be more infectious, lead to more severe symptoms or become more resistant to immunisation (including existing vaccines). China has reported locally transmitted infections of the Omicron variant in several provinces and municipalities. As a result, the PRC government imposed lockdowns, travel restrictions and airline travel cancellations policies, which have affected the demand for the Group's hotels and sales of the Group's tourism retailing businesses. For instance, the Group's hotel business is experiencing cancellations, as well as a decline in forward bookings and transient business. These cancellations and reduced bookings are part of an industry-wide trend and are likely to continue in the near future. As the situation is evolving, the Group's ability to assess the financial impact of COVID-19 and its variants on its business continues to be limited due to changing circumstances and uncertainties of the consumers' demand for travel. The Group will continue to closely monitor the global development and assess the impact of COVID-19 and actively respond to its impact on the financial conditions and results of operations. See also "*Risk Factors – Risks Relating to the Group – The Group's operations are exposed to natural disasters, outbreaks of contagious diseases and other force majeure events the Group cannot currently predict*" and "*Risk Factors – Risks Relating to the Group – The global economy is facing significant uncertainties and disruptions caused by COVID-19" for more information*".

TRAVEL AND TOURISM SERVICES

The travel and tourism services business is the oldest and most established business segment of the Group. With nine decades of development, the Group has distinguished itself from its peers in the tourism industry with unparalleled competitiveness, largely attributable to its strong expertise in brand building, capability of providing one-stop quality services, rich experience in operating and managing tourist attractions, possession of unique tourism resources and an extensive service network covering both domestic and overseas markets. Since the consolidation of CITS Group (the predecessor of CTG Asset) into the Group in 2016, the Group has further enriched its tourism service chain, becoming the largest cross-regional tourism conglomerate in the PRC and Hong Kong. In addition, in 2020, China International Travel Service Limited, Head Office (中國國際旅行社總社有限公司) became a wholly-owned subsidiary of CTG Travel Service, which was renamed from China Travel Service Head Office Co., Ltd. (中國旅行社總社有限公司). Such consolidation further diversified the travel services provided by the Group and enhanced the Group's capacity to provide one-stop quality services to its customers, including domestic and international travel agency services, visa application, ticketing, hotel booking and travel insurance services.

Currently, the Group carries out its travel and tourism services business primarily through CTG Travel Service, CTII, a public company listed on the SEHK, and CTG Duty-Free, a public company listed on SSE, as well as their respective subsidiaries in the PRC and Hong Kong. This segment mainly consists of travel agency services and travel document services. The integrated service network has placed the Group in a good position to provide tourists with one-stop and tailor-made services.

The operating revenue generated from the travel and tourism services business contributes to a major portion of the Group's total operating revenue. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the operating revenue of the Group's travel and tourism services business was RMB20.1 billion, RMB4.5 billion, RMB1.9 billion and RMB1.7 billion, respectively, accounting for 24.8 per cent., 6.5 per cent., 7.8 per cent. and 4.3 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the travel and tourism services business was RMB0.4 billion, RMB-0.9 billion, RMB-0.6 billion and RMB-0.3 billion, respectively, representing 5.7 per cent. of the Group's total profit, -10.3 per cent. of the Group's total profit, 200.1 per cent. of the Group's total loss and -4.6 per cent. of the Group's total profit, respectively.

Travel Agency Service

Travel agency services have been the Group's key business since inception. The Group provides various kinds of agency services, such as packaged tours for inbound and outbound tourists; reception services for groups and individual visitors and business travellers; visa application services; issuance of China Entry Permits for Hong Kong, Macau and Taiwan residents; air, train and ferry ticketing services; hotel reservations; and tourist attraction bookings. These businesses are carried out primarily through two subsidiaries of the Company, namely, CTG Travel Service and CTSHK.

CTG Travel Service is a wholly-owned subsidiary of the Company and its predecessor, China Travel Service Head Office Co., Ltd. (中國旅行社總社有限公司) created the first travel agency in the history of the PRC. Since its establishment in 1949, CTG Travel Service has expanded its business from reception services targeted at overseas Chinese and compatriots in Hong Kong, Macau and Taiwan to inbound and outbound travel for various purposes, visa applications and air ticketing services, developing into a leading travel agency in China with the longest history and the most extensive service network amongst the travel agencies operating in the PRC. CTG Travel Service has the most established track record and the largest customer base relating to travel to Taiwan among travel agencies in mainland China. A subsidiary of CTG

Travel Service, China International Travel Service Limited, Head Office (中國國際旅行社總社有限公司) was the first travel agency appointed by the State Council to receive foreign tourists and amongst the first batch of travel agencies that were authorised to conduct outbound tourism business. As a leading travel agency in the PRC, China International Travel Service Limited, Head Office provides comprehensive tourism services covering inbound and outbound travel, visa application, ticketing, hotel booking and travel insurance.

CTSHK is a wholly-owned subsidiary of CTII and, founded in April 1928, was the first travel agency established by a Chinese person in Hong Kong. Through decades of development, CTSHK has become one of the largest travel agencies in Hong Kong. The Group estimates that CTSHK deals with over five million tourists in Hong Kong every year.

Apart from rendering travel and tourism services to both Chinese and foreign tourists, the Group also engages in exhibitions, trade fairs and ticketing services. As at 30 June 2021, the Group had set up three travel agencies in Hong Kong, Macau and 14 travel agencies overseas, and 46 overseas visa service points in 28 countries and regions covering Asia, North America, Europe and Australia, forming a globally oriented service network. It has also been authorised by the Ministry of Foreign Affairs of the PRC to process applications for consulate attestation of personal foreign-related notarisation since 1 June 1986.

Travel Document Services

The travel document services business supplements the Group's core tourism business. The Company provides its travel document services business primarily through its subsidiary CTSHK. Founded in 1928, CTSHK is the only agency in Hong Kong appointed by the Ministry of Public Security of the PRC and the Taiwan Affairs Office of the State Council to provide services in obtaining the Home Return Permit (回鄉證) and the Taiwan Compatriot Pass (臺胞證) for Hong Kong, Macau and Taiwan residents, respectively. The Home Return Permit (回鄉證), officially known as the Mainland Travel Permit for Hong Kong and Macau Residents (港澳居民來往內地通行證), is a travel document issued to permanent residents of Hong Kong and Macau to enter the PRC. The Taiwan Compatriot Pass, officially known as the Mainland Travel Permit for Taiwan Residents (臺灣居民來往大陸通行證), is a travel document issued by the Ministry of Public Security of the PRC to people with household registration in the Taiwan area to enter the PRC. Since February 2017, CTSHK has been authorised by the Traffic Administration Bureau of Guangdong Public Security Department to provide services in obtaining the Mainland Licence Plate (粵港車牌). With its exclusive position as the appointed service provider in processing travel documents, the Group has retained a large share in the local travel document services market. The Group processes a large number of Home Return Permits and Taiwan Compatriot Passes each year. The Group has set up operation centres for the visa application business in approximately 25 countries and regions and it processed the largest number of visa applications for foreigners to enter the PRC.

Set forth below is a map of the travel service office and entry permit service centre locations.

CTSHK is also authorised by the Ministry of Foreign Affairs of the PRC to process applications for visas to enter the PRC from foreign countries. CTSHK has expanded its business to process applications for visas to enter other foreign countries and has also been appointed as the only travel agency in Hong Kong to process applications for multiple-entry permits for non-permanent residents of Shenzhen to enter Hong Kong.

Competition

The Group's travel and tourism service business primarily competes with travel agency service providers in the PRC. These services providers include state-owned travel enterprises as well as privately-operated travel agencies. In recent years, online travel agents have continued to gain market share in this sector. Despite the increasing competition in the industry, the Group believes that it is in an advantageous position and has great potential for growth compared with its competitors given the scale and track record of its business, and its unique tourism resources. As such, the Group is confident that it will continue to be able to compete successfully in the foreseeable future.

TOURISM INVESTMENT AND OPERATION

During the intra-group reorganisation in 2018, the Group consolidated its various business sub-segments, mainly tourist attraction operations, tourism real estate and passenger transport operation to form this new business segment in the belief that the synergies amongst these businesses could better serve the Group's strategy in building a top-rated asset investment and operation platform.

Under this segment, the Group has comprehensive cultural and tourism projects including iconic theme parks, natural scenery parks, holiday resorts and cultural villages. The Group has also mapped out its real estate business network mainly in the Bohai Economic Zone and the Beijing Tianjin Hebei Metropolitan Region in the PRC. As at 30 June 2021, the Group has completed 38 major real estate development projects and has 28 major real estate projects under construction. The Group also owned one transportation company focusing on passenger transportation in the Greater Bay Area. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from its tourism investment and operation segment was RMB7.1 billion, RMB9.3 billion, RMB1.6 billion and RMB1.2 billion, respectively, representing approximately 8.7 per cent., 13.4 per cent., 6.5 per cent. and 3.0 per cent. of its total operating revenue, respectively. For the same period, the Group's total profit (loss) generated from the tourism investment and operation business was RMB1.0 billion, RMB1.0 billion, RMB-0.2 billion and RMB-1.0 billion, representing 12.8 per cent. of the Group's total profit, 12.0 per cent. of the Group's total profit, 62.5 per cent. of the Group's total loss and -13.9 per cent. of the Group's total profit, respectively.

Tourist Attraction Operations

Tourist attraction operations are primarily carried out by CTII, China's largest listed tourist attraction operations enterprise, and its subsidiaries. The Company beneficially owns a majority interest in two of the most iconic theme parks in the PRC, Window of the World (世界之窗) and Splendid China Folk Village (錦繡中華民俗村). The Company also owns a majority interest in four leisure resorts, including Zhuhai Ocean Spring Resort (珠海海泉灣度假區), Qingdao Ocean Spring Resort (青島海泉灣度假區), Xianyang Ocean Spring Resort (咸陽海泉灣度假區) and Anji Resort (安吉度假區), and operates Ningxia Shapotou Scenic Spot (寧夏沙坡頭景區) and Guangxi Detian Scenic Spot (廣西德天景區). These famous travel destinations attract many tourists every year, generating stable revenue for the Group. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from tourist attraction operations was RMB2.2 billion, RMB1.6 billion, RMB0.4 and RMB0.8 billion, respectively, accounting for 2.8 per cent., 2.3 per cent., 1.6 per cent. and 2.1 per cent. of the Group's total operating revenue, respectively.

Theme Parks

Window of the World (世界之窗)

Window of the World, a theme park featuring miniature replicas of famous landmarks of the world, was jointly invested and constructed by the Group and Overseas Chinese Town Enterprises Co. (華僑城集團) and commenced operations in 1994. The Company holds 51.0 per cent. of equity interest in Window of the World through CTII. Located in the western part of Shenzhen, China, it covers an area of 480,000 square metres and accommodates 130 reproductions of world wonders, heritage sites and famous scenic spots, such as the Eiffel Tower, the Pyramids, the Taj Mahal, the Acropolis of Athens, the Leaning Tower of Pisa and the Tower of London, which were built on a scale ranging from 1:1 to 1:15. Apart from sightseeing, the theme park also hosts various activities every year, including the Japanese Cherry Blossom Festival, the Indian Cultural Week, the International Beer Festival and the Pop Music Festival. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the average number of admission tickets to Window of the World sold each day was 9,074, 2,573, 930 and 3,961, respectively.

Splendid China Folk Village (錦繡中華民俗村)

Splendid China Folk Village is a comprehensive miniature park reflecting the history, culture, art, ancient architecture, and customs and habits of various ethnic groups in China. It was developed by Shenzhen Splendid China Development Co., Ltd. (深圳錦繡中華發展有限公司), a company jointly established by CTII and Overseas Chinese Town Enterprises Co. (華僑城集團) in 1988 with the approval of the People's Government of Shenzhen Municipality (深圳市人民政府). CTII holds a 51.0 per cent. equity interest in Splendid China Folk Village.

Located adjacent to Shenzhen Bay in the Overseas Chinese Town tourist area in Shenzhen, the theme park occupies an area of approximately 520,000 square metres. Apart from the operation of the theme park, the Group also engages in catering and sales of tourist commodities in the park as ancillary services. The theme park consists of two areas, namely, Splendid China Miniature Park (錦繡中華) and China Folk Culture Village (中國民俗文化村). Tourists can visit both areas with one entrance ticket. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the average number of admission tickets to Splendid China Folk Village sold each day was approximately 4,453, 207, 30 and 2,457, respectively.

Splendid China Miniature Park (錦繡中華), which commenced operations in 1989, is a unique tourist attraction featuring miniatures of the best known scenic spots in China. It is a collection and miniature display of Chinese history and culture spanning over 5,000 years, set in a splendid landscape across its territory. Occupying an area of approximately 299,929 square metres (excluding reclaimed land), it is one of the largest miniature scenic spots in the world. There are 82 miniature scenic spots open to the public in Splendid China. Most of the miniatures were reproduced on a scale of 1:15, while some are built on a scale of 1:10 or 1:8. Bricks and tiles are strictly miniaturised and reproduced according to the scale of the original, and the reproductions in Splendid China are therefore extremely realistic. Splendid China has unique artistic characteristics in respect of conception, scale of construction of the natural sceneries and moulding of figurines.

The 80 scenic spots are laid out according to their original geographic locations in China. They can be classified into ancient buildings, river and mountain scenery, and folk customs and local dwellings. Ancient buildings include palaces, monasteries, temples, towers, pagodas and bridges, amongst which are the Great Wall, the Imperial Palace, the Temple of Heaven and the Potala Palace. Rivers and mountains comprise famous mountains, large rivers, and strangely-shaped peaks and cliffs. Folk customs and local dwellings reflect the different styles of buildings and houses, traditions and customs of China.

China Folk Culture Village (中國民俗文化村) commenced operations in 1991. It is situated adjacent to Splendid China and covers an area of approximately 215,284 square metres. China Folk Culture Village is the first large-scaled culture tourist attraction in China that collectively presents examples of the distinctive folk arts, customs and traditions and architecture of various Chinese ethnic groups. In China Folk Culture Village, 27 ethnic villages were built on a scale of 1:1 for display, which vividly represent the typical ethnic cultural and architectural characteristics of 25 out of the 56 ethnic groups of China. Many of these villages and houses were designed and built by natives of the respective ethnic groups. The objects for daily use and the production tools and equipment displayed in these villages and houses were acquired from the original habitats of these ethnic groups.

In addition to appreciating different architectural characteristics of the various ethnic groups, tourists can also watch live demonstrations of handcraft making and cooking of local delicacies with typical ethnic flavours as well as participate in the singing and dancing performances organised by different ethnic groups. To realistically represent different folk customs and traditions, hundreds of artists and service workers from the 23 ethnic groups have been recruited from the urban and rural areas in over 10 provinces and autonomous regions where most national minorities live to undertake performance and service work in the China Folk Culture Village. Parades of folk arts and ethnic singing and dancing performances are organised on a daily basis. Under normal circumstances, every night, there is a grand parade led by a traditional Chinese band playing music followed by different ethnic performers. The form and content of the parade change from time to time. The local government may impose special COVID-19 prevention requirements from time to time.

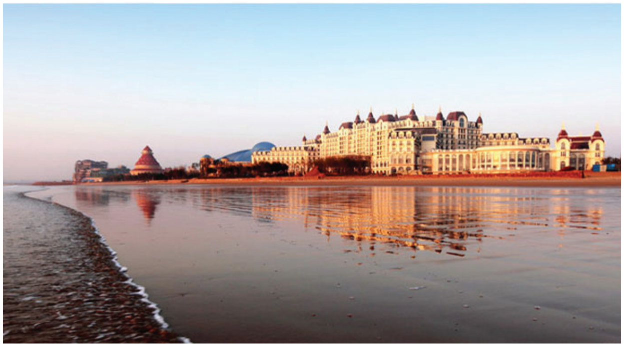
Leisure Resorts

Zhuhai Ocean Spring Resort (珠海海泉灣)

Zhuhai Ocean Spring Resort (珠海海泉灣) is a landmark project developed and operated by the Group through its subsidiary CTII. Opened to visitors in 2006, the resort is located on the west coast of Zhuhai. It covers a total area of 5.1 square kilometres, amongst which an area of approximately 1.1 square kilometres have been developed with a total investment amount of RMB3.5 billion.

The unique ocean hot spring is positioned as the Group's core business in the resort, which consists of indoor and outdoor hot spring areas. There are over 120 hot spring pools in different shapes and with different functions as well as eight kinds of sauna rooms in Zhuhai Ocean Spring Resort characterised by both eastern and western styles. To fully optimise the functions of the resort, the Group also provides a series of ancillary services as a supplement to the ocean hot spring business. As at 30 June 2021, the Group had two five-star Metropark Hotels in operation in the resort, which is a high-end chain hotel owned by the Group providing high quality services to tourists. The Group has also developed various recreational facilities in the resorts to diversify its services, including the Mysterious Island Theme Park, Fisherman's Wharf, Dreams Theatre, Health Centre, Sports Club, Caribbean Water World, Green Wonderland, Ice and Snow World, Outward Training Camp, Ocean Spring Driving Test Centre and Avic Helicopter Safari Base. As a supersized holiday resort, it also accommodates an international conference centre. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from Zhuhai Ocean Spring Resort was approximately RMB241.1 million, RMB150.6 million, RMB49.7 million and RMB59.0 million respectively.

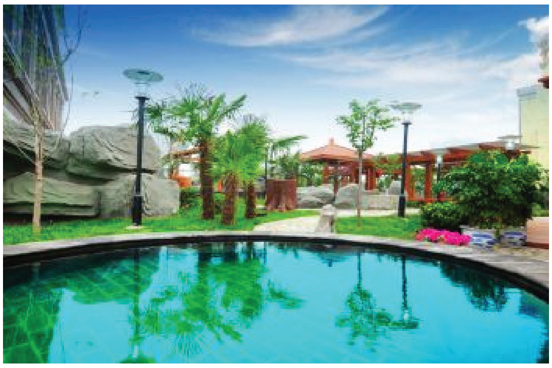
Qingdao Ocean Spring Resort (青島海泉灣)



Qingdao Ocean Spring Resort (青島海泉灣) is a project invested in and developed by the Group through CTII. It is situated on the east side of Aoshan Bay, the second largest bay in Qingdao. The resort covers a total area of approximately 1.9 million square metres (2,800 mu) with a gross floor area of approximately 1.1 million square metres. Enjoying a geographical proximity to Aoshan Bay and with the backdrop of a golden beach and the extensive spread of green lawn, the resort is positioned as a perfect site to host wedding banquets, parties and high-profile business activities catering to the diversified needs of tourists. Also, with spectacular scenery and beautiful landscape design, the resort is an ideal place for wedding photography. The Group has developed a series of ancillary service projects within the resort, including the Ocean Spring Grand Metropark Hotel, the ocean hot spring, an outlet shopping centre, Heaven Creation Grand Theatre and a seafood restaurant.

Ocean Spring Grand Metropark Hotel covers a gross floor area of 110,000 square metres, amongst which the banquet area accounts for an area of 13,000 square metres. There are around 600 hotel rooms and 18 multi-function halls in total. The hotel is also equipped with food and beverage facilities, such as Chinese and Japanese restaurants, an executive lounge and beer bar, as well as multi-functional recreational facilities, including indoor and outdoor swimming pools, gym, yoga room, chess and card room, karaoke, billiards room and table tennis room, providing comprehensive services for tourists, and enriching their leisure life to the fullest. The ocean hot spring covers a gross floor area of 34,000 square metres, with 58 indoor pools and seven outdoor pools. Here, tourists can bathe in the hot spring and enjoy a variety of spa services. The Heaven Creation Grand Theatre is located by the sea and was opened for business in November 2011. It covers a gross floor area of 12,000 square metres and can accommodate approximately 3,000 people. The outlet shopping centre was open to the public in 2012 and has attracted a number of famous brands to settle in.

Xianyang Ocean Spring Resort (咸陽海泉灣)



Xianyang Ocean Spring Resort (咸陽海泉灣), located at the Central Century Avenue of Xianyang city, was developed by CTS Xianyang Haiquan Bay Company Limited (中旅(咸陽)海泉灣有限公司), a company jointly established by the Company's wholly-owned subsidiary Chadwick Developments Ltd. (香港旭興發展有限公司) and Northwest China Grid Company Limited (西北電網有限公司) in 2006, in which the Company holds 89.14 per cent. of equity interest. Leveraging its brand recognition and expertise in tourism management, the Group has developed the Xianyang Ocean Spring Resort into a comprehensive leisure resort equipped with hot springs, five-star hotels and high-end residential properties, making it a popular large-scale vacation destination attracting tourists from all over China.

The total investment amount of the project was RMB855 million. The project was undertaken in three stages: at the first stage, the Group developed a hot spring centre in 2008; at the second stage, the Group built a high-end hotel, which was opened to the public in 2012; and at the third stage, the Group developed a mid-to-high-end residential property, which is partly under construction and partly for pre-sale with a pre-sale rate of approximately 99.5 per cent. as at the date of this Offering Circular. Apart from operating a hot spring, the resort also provides catering, artistic performances, accommodation and health care services in the resort.

Anji Resort (安吉度假區)

Anji Resort (安吉度假區) is the first tourism project that the Group developed in East China. Located in Anji County of Zhejiang Province, the resort covers an area of approximately 905,324 square metres (1,358 mu) with a total investment amount of around RMB5.4 billion. The Group intends to develop an integrated leisure resort, a residential property, a leisure farm, a commercial street and an equestrian club. To better consolidate and allocate its resources, the Group has entrusted Club Med, a well-known holiday service provider in France, to engage in the operation and management of the resort, to provide travellers and families with a tourist-friendly holiday experience in an authentic natural destination. The project consists of two major segments, mainly a tourism property and a residential property. The construction of the tourism property commenced in July 2015 and the operation commenced in January 2018. The residential property project is to be developed through four stages. During the first stage, the construction of the residential property stage I section A commenced in February 2015 and opened to sales in October 2015. The construction of the residential property stage I section BC commenced in October 2018 and opened to sales in May 2019. The construction of the second stage commenced in June 2020 and opened to sales in October 2020. As at the date of this Offering Circular, the Group is in the process of acquiring the land to be developed during the third stage.

Natural and Cultural Scenic Spots

Ningxia Shapotou Scenic Spot (寧夏沙坡頭景區)

The Ningxia Shapotou Scenic Spot (寧夏沙坡頭景區) is located 16 kilometres to the west of Zhongwei City of Ningxia Hui Autonomous Region and adjacent to the southeast of the Tengger Desert. It is amongst the first batch of the 5A tourist attractions of China listed by the Chinese National Tourism Administration. The great Tengger Desert, the flowing Yellow River, the high mountains and the spectacular oasis form a unique natural and cultural landscape combining the sceneries of southern and northern China.

In February 2014, the Group and Zhongwei City of Ningxia Hui Autonomous Region entered into a co-operation agreement, pursuant to which the Company acquired a 51 per cent. equity interest in Ningxia Shapotou Tourist Attraction Co., Ltd. through subscription of new capital and a 51 per cent. equity interest in Ningxia Shapotou Cable Car Co., Ltd. through acquisition of existing capital. Ningxia Shapotou Scenic Spot commenced commercial operations in September 2014. The Group has developed abundant tourist activities in Shapotou Scenic Spot and the Tengger Wetland Park, attracting a large number of tourists every year. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from the Ningxia Shapotou Scenic Spot was RMB223.7 million, RMB137.6 million, RMB27.3 million and RMB96.0 million, respectively.

Guangxi Detian Scenic Spot (廣西德天景區)

The Guangxi Detian Scenic Spot (廣西德天景區) is located 145 kilometres to Nanning City within Daxing County in the Guangxi Zhuang Autonomous Region and adjacent to Vietnam. It contains the famous Detian Waterfall crossing the border of China and Vietnam and national scenic spots. The flowing rivers and the changing mountains form unique natural landscapes.

On 1 March 2019, the Company's subsidiary CTII entered into a cooperation agreement with Daxin County People's Government for the Detian Tourism Project, pursuant to which CTII will establish a project company as a vehicle to invest in the Detian Tourism Project with a planned investment amount of RMB1.45 billion, and carry out operations in the Detian Waterfall Scenic Spot in Daxin County of Guangxi Zhuang Autonomous Region of the PRC. The Group believes that the abundant tourism resources in Daxin County will present a growth opportunity for the Group to create a new travel destination, hence increasing the Group's market influence and contributing revenue to the Group. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 30 June 2021, the Group's operation revenue generated from the Guangxi Detian Scenic Spot was RMB93.2 million, RMB60.4 million, RMB9.6 million and RMB59.4 million, respectively.

Tourism Real Estate

Overview

The tourism real estate business is an integral part and value-added extension of the Group's travel and tourism businesses, which is operated primarily though CTG Investment, a wholly-owned subsidiary of the Group in Hong Kong. The Group engages in the investment in, and the operation and management of residential and commercial properties and leisure resorts.

The Group started its tourism real estate business early in the mid-1980s when it invested in the construction of two theme parks in Overseas Chinese Town in Shenzhen, namely, Window of the World (世界之窗) and Splendid China Folk Village (錦繡中華民俗村), and a series of ancillary facilities. Since the 1990s, as eco-friendly and tourist-friendly tourism became more popular, the Group invested in the development of several Ocean Spring resorts in Zhuhai, Qingdao and Xianyang as well as a holiday resort in Anji. The successful development of the tourist attractions and the synergies derived from the Group's core travel and tourism business have contributed to the Group's expansion of its tourism real estate business to residential and commercial properties with the aim of improving its overall profitability and achieving the integrated and sustainable development of its core business.

The extensive tourism resources and the strong expertise in tourism management have laid a solid foundation for the Group to develop its tourism real estate business. Also, the Group's position as a leading travel and tourism services company in the PRC has better enabled the Group to obtain land reserves and undertake real estate projects for tourism purposes. Furthermore, the unique development model of combining tourism and real estate development adopted by the Group is very attractive to local governments, as it can not only improve the image of the cities with rich tourism resources, but also create sound economic and social benefits for local governments. Hence, the Group is in a good position to obtain quality land resources at a low cost.

As at 30 June 2021, the Group held land reserves of 5.4 million square metres. As at 31 December 2019 and 2020 and 30 June 2020 and 2021, the saleable area of the Group's real estate projects was approximately 928,637 square metres, 1,152,342 square metres, 1,152,342 square metres and 1,327,951 square metres respectively. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from its tourism real estate business was RMB4.8 billion, RMB7.7 billion RMB1.2 billion and RMB0.3 billion, respectively, representing approximately 5.9 per cent., 11.0 per cent., 4.9 per cent. and 0.9 per cent. of the Group's total operating revenue, respectively.

Project Development

The Group develops tourism real estate with miscellaneous functions to satisfy the diverse needs of different customers, including but not limited to affordable residential properties for customers with rigid demands, high-end residential properties for customers pursuing luxury accommodations, and suburban real estate, eco-friendly tourism real estate and leisure resorts for customers for vacation and investment.

As at the date of this Offering Circular, the Group has developed a number of high-quality projects in central cities and economically developed areas in China, such as Shanghai, Shenzhen, Suzhou, Shenyang and Qingdao. It has also strategically acquired lands in many Tier 2 and Tier 3 cities with abundant natural and cultural tourism resources for future development. The Group's real estate projects are mainly located in Eastern China in coastal cities with stable economic development and rich tourism resources covering the Bohai Economic Rim, the Yangtze River Delta Economic Zone, the Pearl River Delta Economic Zone and the Beijing-Tianjin-Hebei Metropolitan Region in the PRC.

Description of the Group's Projects

As at 30 June 2021, the Group had 28 major real estate projects under development in the PRC. The following table sets forth a summary of the Group's major property projects under construction as at 30 June 2021:

Project	**Year commenced construction**	**Completion or expected completion(1)**	**Planned GFA**	**Estimated total investment**	**Properties type**
			('000 sq.m.)	**(RMB in million)**	
Hangzhou Yuhang Project 杭州餘杭項目	2020	2022	203.5	2,750.0	Residential
Hangzhou City East 杭州城東項目	2019	2022	187.0	3,867.0	Residential
Hangzhou Anji II 杭州安吉二期	2020	2022	85.6	341.0	Residential
Hangzhou Anji Commercial Town 杭州安吉商業小鎮	2021	2023	11.9	30.0	Commercial
Hangzhou Anji BC District 杭州安吉BC區	2018	2021(1)	89.0	493.0	Residential
Suzhou Dongshan 蘇州東山	2021	2023	75.0	362.0	Residential
Ningbo Cicheng 寧波慈城	2020	2022	187.3	1,698.0	Residential
Beijing Yizhuang 北京亦莊	2020	2022	134.5	3,436.0	Residential
Xianyang Gongguan Project 咸陽公館項目	2019	2022	81.0	472.0	Residential
Chengdu Mabian Fulai B&B 成都馬邊福來民宿	2021	2021(1)	2.0	50.0	Commercial (Self-Owned)
Guangzhu Tianchen Project 廣珠天晨項目	2019	2024	128.3	2,450.0	Residential
Xiamen Jimei Project 廈門集美項目	2021	2023	108.6	2,072.0	Residential

Project	Year commenced construction	Completion or expected completion(1)	Planned GFA	Estimated total investment	Properties type
			('000 sq.m.)	(RMB in million)	
Juhao Grand Airport Project 聚豪大空港項目	2021	2024	97.7	1,385.0	Commercial
Hong Kong Hung Hom Hotel 香港紅磡酒店	2019	2023	21.2	863.0	Commercial (Self-Owned)
Ningbo Hangzhou Bay South New City 寧波杭州灣南部新城	2021	2024	247.7	529.0	Residential
Hangzhou Bay Haiquan Bay 杭州灣海泉灣	2019	2025	752.0	3,400.0	Residential and Commercial
Yanjiao School Project 燕郊學校項目	2019	2026	43.8	208.0	School
Qingdao 4.3 Zone B West Plot Phase I 青島4.3區B地塊西一期. . . .	2019	2021(1)	80.5	439.2	Residential
Qingdao 4.3 Zone B West Plot Phase II 青島4.3區B地塊西二期. . . .	2020	2022	57.40	304.8	Residential
Qingdao 4.3 Zone C Plot 青島4.3區C地塊.	2021	2023	32.40	336.5	Residential
Zhuhai Phase I Pot B Project 珠海一期B地塊時光序	2019	2021(1)	186.5	1,287.7	Residential
Chengdu Jintang C1 – C4 Project 成都金堂C1 – C4.	2020	2022	84.9	762.0	Residential
Ningbo Changxing Road 3 寧波長興路3#	2017	2021(1)	336.7	2,061.0	Residential
Hangzhou Xiaoshan Phase II 杭州蕭山二期	2018	2021(1)	90.0	1,820.0	Residential
Chengdu High-tech Xinchuan 成都高新新川	2021	2023	225.4	2,762.0	Residential
Hangzhou Bay Cultural Town 杭州灣文化小鎮.	2018	2024	991.6	9,695.3	Residential and Commercial
Guanghua Highway Phase I 廣花公路一期	2021	2024	450.0	6,744.5	Residential and School
Xianyang Fengxi Project Phase I 咸陽灃西項目一期	2021	2024	123.4	3,765.0	Residential

Note:

(1) Completion or expected completion is based on the expected date of the main structure of a property project which may contain ancillary facilities and amenities under construction as at 30 June 2021.

The following table sets forth a summary of the Group's principal property projects completed as at 30 June 2021:

Project	Location	Attributable interest	Site area(1)	GFA available for sale as at 30 June 2021(2)	Completion date
		(%)	('000 sq.m.)	('000 sq.m.)	
Shenzhen Gongguan I 深圳公館一期	Shenzhen	100	Information not available	130	2003
Shanghai Huili Garden II 上海匯麗花園二期.	Shanghai	100	Information not available	103	2007
Shanghai Mansion 上海大廈	Shanghai	100	Information not available	36	2006
Shenzhen Gongguan II 深圳公館二期	Shenzhen	100	Information not available	190	2006
Suzhou Lan'an International I 蘇州藍岸國際一期	Suzhou	100	Information not available	110	2008
Shenzhen Mansion 深圳大廈	Shenzhen	100	3.7	56	2008
Shenyang I 瀋陽一期	Shenyang	100	233	176	2009
Qingdao Tourism 青島旅遊	Qingdao	100	360	238	2011
Suzhou Lan'an International II 蘇州藍岸國際二期.	Suzhou	100	Information not available	88	2011
Shenyang II 瀋陽二期	Shenyang	100	406	240	2012
Qingdao I (5) 青島一期(5區)	Qingdao	100	87	72	2012
Mango.com Mansion 芒果網大廈.	Shenzhen	100	4.2	50.6	2014
Qingdao II (4.1) 青島二期(4.1區)	Qingdao	100	59	84	2013
Ningbo Baojiacao 寧波包家漕項目	Ningbo	100	51	134	2015
Qingdao III (4.2) 青島三期(4.2區)	Qingdao	100	79	160	2015
Anshan 1.1 鞍山1.1期.	Anshan	100	31	27.8	2014
Suzhou New District 蘇州新區	Suzhou	100	64	175	2015
Hangzhou Dingqiao 杭州丁橋	Hangzhou	100	47	174	2016
Hangzhou Sandun 杭州三墩	Hangzhou	100	61	21	2016
Yanjiao 1-1 North 燕郊1-1北區	Yanjiao	100	81	272.6	2016
Yanjiao Art Centre 燕郊藝術中心	Yanjiao	100	3.4	3	2015
Yichun I 宜春一期	Yichun	50.5	108	149	2016

Project	Location	Attributable interest	Site area(1)	GFA available for sale as at 30 June 2021(2)	Completion date
		(%)	('000 sq.m.)	('000 sq.m.)	
Anshan 1.2 鞍山1.2	Anshan	100	26	12	2016
Yanjiao 1-1 South 燕郊1-1南區	Yanjiao	100	73	296.5	2017
Anshan 1.3 鞍山1.3	Anshan	100	73	57	2016
Suzhou Taichao 蘇州太潮	Suzhou	100	81	142.8	2019
Ningbo Changxing Road 1# 寧波長興路1#	Ningbo	100	41	127	2019
Yanjiao 1-2 燕郊1-2	Yanjiao	100	55	179.8	2019
Ningbo Changxing Road 2# 寧波長興路2#	Ningbo	100	91	256	2019
Hangzhou Xiaoshan Phase I 杭州蕭山一期	Hangzhou	100	34	111	2019
Qingdao District Three 青島三區	Qingdao	100	31.6	40.2	2019
Suzhou Zhangjianggang 蘇州張家港.	Suzhou	100	58.8	177	2020
Suzhou Wujiang Tongli 蘇州吳江同里	Suzhou	100	47.3	162	2020
Suzhou Wujiang Gujiadang 蘇州吳江顧家蕩	Suzhou	100	69.7	161.8	2020
Chengdu Jintang B1 成都金堂B1	Chengdu	100	80	27	2020
Chengdu Shuangliu Dongsheng 成都雙流東升	Chengdu	100	39.6	117.6	2020
Mabian Fulai 馬邊福來	Leshan	100	7.2	2.4	2021
Shapotou Star Hotel 沙坡頭星星酒店	Zhongwei	51	33.3	8.6	2021

Notes:

(1) Planned site area is according to the newly obtained land use right certificates or land transfer agreements for all projects.

(2) GFA of completed properties is calculated according to the actual measurement upon completion of construction.

Competition

The property market in China is fragmented. Competition is primarily based on factors such as location, facilities and supporting infrastructure, services and pricing. In recent years, a large number of property developers have begun to undertake property development and investment projects in China. These include overseas property developers (including a number of leading Hong Kong property developers) and local property developers in China, many of whom have greater financial and other capital resources, marketing and other capabilities or name recognition than the Group. In addition, some local companies have extensive local knowledge and business relationships or a longer operational track record in the relevant local markets than the Group, while foreign companies are able to capitalise on their overseas experience to compete in China. Intensified competition between property developers may result in increased costs for land acquisition, oversupply of properties and a slowdown in the approval process for new property developments by the relevant government authorities. See also "*Risk Factors – Risks Relating to the Group's Business Operations – The operations of the Group's businesses, especially its real property development, are subject to extensive governmental regulations, approvals and compliance requirements related to the relevant industries in the PRC, and the PRC government may adopt further measures to slow down growth in the real estate sector, affecting the Group's tourism investment and operation business.*"

Passenger Transportation Operations

The Group is one of the major operators in cross-border passenger transportation in Hong Kong and Macau. The Group mainly conducts its cross-border passenger transportation business through China Travel Tours Transportation Services Hong Kong Limited (香港中旅汽車服務有限公司) ("**CTT Transportation**"), a jointly controlled entity owned by CTII and Shun Tak. Founded in 1985, CTT Transportation primarily engages in providing cross-border passenger transportation services and chartered car services. With 102 cross-border bus lines, CTT Transportation was the first batch of cross-border transportation companies to have obtained the right to operate its transportation services in Hong Kong International Airport, the Asia World-Expo, Hong Kong Disneyland and the PRC. Its bus lines have reached out from Hong Kong to most of the cities in Guangdong Province, covering ports of entry to Hong Kong, airports and tourist attractions. Since the Hong Kong-Shenzhen Western Corridor opened for business on 1 July 2007, CTT Transportation has become the first international cross-border transportation service company to provide services through this corridor.

Apart from cross-border passenger transportation business, the Group also conducts local passenger transportation through China Travel Automobile Co., Ltd. (中旅旅遊汽車有限公司), a subsidiary of CTG Asset. It has a long history of operating local tourism and daily passenger transportation since 1983. As at 30 June 2021, it owns in total 713 vehicles, including but not limited to 581 tourist buses and 126 taxis.

TOURISM RETAILING

Since CITS Group's merger into the Group in 2016, the tourism retailing business has become the most important business segment of the Group. This business primarily comprises duty-free sales business operated through CDFG, a wholly-owned subsidiary of CTG Duty-Free. CTG Duty-Free is a wholly-owned subsidiary of the Guarantor.

Established in 1984, CDFG is one of only ten groups of entities with duty-free operation permits in the PRC, one of the six groups of entities with permits to operate duty-free port stores nationwide, and the only group with operation permit for all types of duty-free stores in China. Its complete product portfolio ranges from tobacco, wines and spirits, perfumes and cosmetics to fashion and accessories, watches, jewellery, stationery, food and souvenirs, and travel accessories. After nearly 40 years of development, CDFG has set up 124 subsidiaries in the PRC, of which 37 are its wholly-owned subsidiaries and 87 are its majority-owned subsidiaries. As at 30 June 2021, its sales network has expanded to cover airports, border crossings, planes, cruise ships, downtown areas, bus terminals and railway stations, with more than 240 outlets in total. In 2020, the Group's duty-free sales ranked first globally and first domestically in terms of sales volume, occupying over 90 per cent. of the market share in the PRC. According to the Moodie Davitt Report, the global ranking of CDFG (in terms of revenue) surged from No. 4 in 2019 to No. 1 in 2020, making it the tourism retailer with the largest revenue in the world in 2020. As at 30 June 2021, the Group had the largest number of duty-free outlets within a single country in the world.

As at the date of this Offering Circular, the Group owns the world's largest single downtown duty-free shopping centre, namely, Sanya International Duty-free Shopping Complex (三亞國際免稅城) in Hainan. As at the date of this Offering Circular, Phase 1 of the Sanya International Duty-Free Complex, with a total area of 120,000 square metres and more than 600 internationally well-known luxury brands covering hundreds of thousands of duty-free goods, has not only become a well-established duty-free shopping centre, but also a landmark in Hainan. Phase 2 of the Sanya International Duty-Free Complex, with a total area of 65,000 square metres, commenced commercial operations in January 2020. As at 30 June 2021, there were approximately 68 business operators, more than 20 of which were the first stores in Hainan offering such brands. In addition, the Group also owns five Sanya Duty-free Shops including Sanya Haitang Bay, Sanya Phoenix International Airport, Haikou Sun Moon Plaza, Haikou Meilan International Airport and Haikou Bo'ao Duty-free Store. Benefiting from the rich tourism resources in Hainan, Sanya International Duty-free Shopping Complex has become a popular travel destination attracting a large number of tourists every year, which has contributed significantly to the success of the Group's duty-free sales business in Hainan. The Group has also benefited from a new favourable policy, "Duty-free Shopping Policy for Travellers Leaving Hainan Island", which was implemented on 1 July 2020.

In recent years, the Group's duty-free sales business has experienced rapid progress, as can be seen from the expansion of its business nationwide. In 2014, CDFG successfully entered the duty-free market in Cambodia, expanding its global footprint. In 2017, CDFG obtained the franchise to sell duty-free tobacco and liquor in Hong Kong International Airport, and successively won the franchise to conduct duty-free sales business in Terminal 2 and Terminal 3 of Beijing Capital International Airport. During the same year, it also won the franchise to operate the port entry duty-free shops in six airports in Kunming, Guangzhou, Qingdao, Nanjing, Chengdu and Urumqi. In March 2017, CTG-Duty Free acquired 51 per cent. of equity interest in Sunrise China and Sunrise Shanghai and, in May 2020, 51 per cent. equity interest in Hainan Duty Free, further consolidating its leading position in the domestic duty-free sales market. The strategic deployment has strengthened the Group's domestic competitiveness and international influence at the same time. Further, in early 2021, in order to expand overseas financing channels and enhance international reputation, CTG Duty-Free began to prepare for an application of H-share listing and public offering of shares on the Main Board of SEHK. CTG Duty-Free obtained the approval from the Listing Committee of SEHK in November 2021, but suspended its plan for listing on the SEHK in December 2021 due to market conditions and uncertainties relating to COVID-19 and the global economy.

For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from the duty-free business was RMB48.1 billion, RMB52.6 billion, RMB19.3 billion and RMB35.5 billion, respectively, representing 59.4 per cent., 75.2 per cent., 79.0 per cent. and 89.4 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit generated from the duty-free business was RMB6.5 billion, RMB9.7 billion, RMB1.2 billion and RMB8.5 billion, respectively, representing 86.9 per cent. of the Group's total profit, 110.9 per cent. of the Group's total profit, -412.9 per cent. of the Group's total loss and 124.4 per cent. of the Group's total profit, respectively.

To better manage and expand its businesses, in September 2018, the Group relocated its headquarters to Hainan. Moreover, in October 2018, the Group reached an agreement with the Hainan SASAC to acquire 51 per cent. of the shares that Hainan SASAC holds in Hainan Duty Free through a free allocation. The free allocation has been approved by the SASAC. In January 2019, the Group further opened two new duty-free shops in Hainan, mapping out a thriving sales network.

Apart from the duty-free sales, the Group also engages in non-duty-free tourism retail business as a supplement to its duty-free sales business. As at the date of this Offering Circular, the Group has nine tourism retail outlets in major transportation junctions in the PRC, including the airports in Hangzhou, Nanjing, Qingdao, Guiyang, Shenyang, Chengdu and Shenzhen, as well as the railway stations in Shanghai and Ningbo.

In response to the COVID-19 pandemic, the Group has launched its online platforms such as "cdf Membership Club", which not only makes up for the decline in offline traditional business caused by travel restrictions, but also reduces the cost of securing new space, improves profitability and helps the Group maintain growth in both revenue and profit.

HOTEL OPERATIONS

Overview

The hotel operations business is primarily conducted through the Company's wholly-owned subsidiary, CTG Hotel. Building on its brand recognition and extensive resources in capital and talents, the Group enjoys a competitive advantage in hotel operations and has, over the past 36 years, accumulated rich experience in operating and managing hotels in both eastern and western styles across the PRC and overseas, providing a comfortable experience to travellers. The Group received China Hotel Starlight award as China's best hotel management group in 2018, China Hotel Golden Horse award in 2016 and ranked within the Global Top 300 Hotel Groups for ten consecutive years by Hotels Magazine. The Group was also listed on the "2020 China Hotel Group Top 60" list in the 18th China Hotel Group Development Forum (第十八屆中國飯店集團化發展論壇) held by the China Tourist Hotel Association (中國旅遊飯店業協會). The hotel operation business is mainly conducted through CTG Hotel, a subsidiary of the Guarantor.

To cater to the diverse needs of clients, the Group operates both luxury and affordable hotels under four brands, namely, Grand Metropark (維景國際), Metropark (維景), Kew Green (睿景) and Traveller Inn (旅居). For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the average occupancy rate of the hotels under the Group's operation was 78.0 per cent., 50.9 per cent., 34.5 per cent. and 65.7 per cent., respectively. As at 30 June 2021, the Group owned 58 hotels and operated 97 hotels in the PRC, Hong Kong, Macau, the United Kingdom and Thailand. As at 30 June 2021, the Group also operated and managed 47 hotels in the United Kingdom.

For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the operating revenue generated from the Group's hotel operations business was RMB2.8 billion, RMB1.2 billion, RMB0.5 billion and RMB0.7 billion, respectively, representing 3.5 per cent., 1.7 per cent., 1.9 per cent. and 1.7 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the group's hotel operations business was RMB0.2 billion, RMB-0.6 billion, RMB-0.5 billion and RMB-0.1 billion, respectively, representing 3.2 per cent. of the Group's total profit, -6.9 per cent. of the Group's total profit, 167.5 per cent. of the Group's total loss and -1.5 per cent. of the Group's total profit, respectively.

Grand Metropark (維景國際) and Grand Metropark Resorts (維景國際度假)

Grand Metropark (維景國際) is positioned as a high-end classic hotel chain aiming to provide bespoke and high quality services to guests. Metropark (維景) is a business and apartment hotel chain targeting business travellers, family trips and group conferences. As at 30 June 2021, the Group had 43 Grand Metropark and Metropark hotels in operation and another 48 to be opened. The hotels are located in Hong Kong and Macau and cities across the PRC. Metropark (維景) also won the "2019 Most Popular Outbound Travel Brand for Chinese Families – Domestic Hotel Brand Award" established by Global Times (環球時報), a leading news medium in the PRC.

Kew Green (睿景)

Kew Green (睿景), as the Group's first overseas hotel chain, was acquired by the Group in 2015, when the Group entered the British hotel market. As at 30 June 2021, the Group has obtained the ownership of one Kew Green Hotel in Hong Kong as well as the right to operate and manage Kew Green Hotels in the United Kingdom. The Group's first Kew Green Hotel in Hong Kong was opened to the public in 2016. The Group manages its Kew Green Hotels in the United Kingdom mainly through CTS Metropark Limited, a subsidiary of the Guarantor incorporated in the United Kingdom.

Traveller Inn (旅居)

Traveller Inn (旅居) is positioned as a boutique economical hotel chain which provides efficient services for business travellers. As at 30 June 2021, the Group had in total 16 Traveller Inns in Beijing, Yancheng and Suzhou. The Traveller Inn in Beijing is located at a historical building built in 1952.

TOURISM FINANCE

Overview

The Group developed its tourism finance business to provide comprehensive financial solutions as a value-added service to its integrated travel and tourism business, with the aim of consolidating and allocating its industrial and financial capital resources efficiently. This business is mainly carried out through a subsidiary of the Company, CTG Financial Services, which manages some subsidiaries of the Company which conduct financial businesses, including CTG Finance, PrimeCredit, CTG Financial Leasing, CTS Investment (Shanghai) and HKCTS Insurance Brokers. The Group's tourism finance business develops tailored financial services to support and contribute to the main travel and tourism business of the Group. The Group's tourism finance business mainly focuses on the development of consumer finance and industry fund businesses, as well as the promotion of the financial lease and tourism insurance businesses. The Group's tourism finance business mainly caters to the diverse investment, financing and wealth management requirements of tourism enterprises and individual tourists. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the Group's operating revenue generated from its tourism finance business was RMB2.6 billion, RMB2.1 billion, RMB1.1 billion and RMB0.9 billion, respectively, representing approximately 3.2 per cent., 2.9 per cent., 4.5 per cent. and 2.3 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit generated from the tourism finance business was RMB0.4 billion, RMB0.5 billion, RMB0.2 billion and RMB0.3 billion, respectively, representing 5.1 per cent. of the Group's total profit, 6.2 per cent. of the Group's total profit, -71.0 per cent. of the Group's total loss and 4.2 per cent. of the Group's total profit, respectively.

Consumer Finance

Consumer finance plays a key part in the Group's tourism finance business, which is mainly operated by PrimeCredit Limited (安信信貸有限公司), a subsidiary of the Company. Established in 1977, PrimeCredit is the second largest non-bank consumer finance company in Hong Kong. It provides different kinds of consumer financial services, such as personal loans, revolving loans and credit card applications. As at 30 June 2021, PrimeCredit had 25 branch offices in Hong Kong.

As at 31 December 2019 and 2020 and 30 June 2020 and 2021, the amount of personal loans advanced by PrimeCredit in Hong Kong amounted to approximately HKD10.5 billion, HKD9.4 billion, HKD8.7 billion and HKD8.5 billion, respectively. For the years ended 31 December 2019 and 2020, the interest income received by the Group from the advances of personal loans amounted to approximately RMB2.2 billion and RMB2.1 billion, respectively.

Financial Leasing

The Group's financial leasing business is mainly operated by CTG Financial Leasing, a subsidiary of the Group in Shenzhen. The Group engages in providing leasing services related to tourism, such as leasing of equipment used for ecotourism. With a focus on the financial leasing business in the cruise, tourist attraction, hotel and other tourism industries, the Group is also tapping into the financial leasing market in the fields of healthcare, energy conservation, environmental protection and public utilities.

Industry Funds

In 2017, the Group established China Tourism Industry Fund Partnership (Limited Partnership) (中國旅遊產業基金合夥企業(有限合夥)) ("**China Tourism Industry Fund**"), which is managed by China Tourism Industry Fund Management Co., Ltd. (中國旅遊產業基金管理有限公司), a subsidiary of the Group. China Tourism Industry Fund is a national level tourism fund focusing on the investment in tourism-related industry segments, including tourism products, tourism services and tourism-related cultural leisure products. Unlike other local funds in the market, China Tourism Industry Fund is the only tourism industry fund in the PRC with the capacity to invest in the whole industry chain and across different regions. As at 30 June 2021, China Tourism Industry Fund had an aggregate capital commitment amount of RMB2.8 billion, and has yet to invest in any portfolio company.

The Group also invested in the Guangdong Hong Kong Macao Dawan District Common Home Development Fund (L.P.) (粵港澳大灣區共同家園發展基金(有限合夥)), which is a fund focusing on the investment in scientific and technological innovation and industrial revolution, Bay Area interconnection and policy innovation projects. As at the date of this Offering Circular, the Group has invested HKD300 million in the fund which accounts for 3.02 per cent. of the total capital commitment of the fund.

Tourism Insurance

Tourism insurance is another key business of the Group, which is mainly operated by HKCTS Insurance Brokers and CTG Insurance Brokers, two subsidiaries of the Company. HKCTS Insurance Brokers was incorporated in Hong Kong in 1988. HKCTS Insurance Brokers not only conducts the Group's risk management business, but also provides high quality tourism insurance services to companies in Hong Kong, having won extensive recognition from its clients. CTG Insurance Brokers, headquartered in Shenzhen, is mainly involved in providing professional tourism and property insurance services targeted at clients in the PRC. With a presence in both the PRC and Hong Kong, the Group is well-positioned to provide a wide coverage of its tourism insurance business. Currently, the Group is expanding its insurance business from tourism insurance to life insurance.

STRATEGIC INNOVATION AND INCUBATION

The Group's strategic innovation and incubation business is primarily comprised of the Group's non-core businesses and new businesses, including, for instance, cruises, recreational vehicles, as well as non-tourism oriented services operated by subsidiaries of CTG Asset. For the years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021, the operating revenue generated from the Group's strategic innovation and incubation business was RMB0.7 billion, RMB0.5 billion, RMB0.5 billion and RMB0.2 billion, respectively, representing 0.8 per cent., 0.7 per cent., 2.0 per cent. and 0.6 per cent. of the Group's total operating revenue, respectively. For the same periods, the Group's total profit (loss) generated from the strategic innovation and incubation business was RMB-54.2 million, RMB103.3 million, RMB-36.7 million and RMB34.7 million, respectively, representing -0.7 per cent. of the Group's total profit, 1.2 per cent. of the Group's total profit, 13.0 per cent. of the Group's total loss and 0.5 per cent. of the Group's total profit, respectively.

Nanhai Dream Cruise (南海之夢郵輪)

The Group carries out its cruise operation business mainly through Sansha Nanhai Dream Cruises, Ltd. (三沙南海夢之旅郵輪有限公司), a company jointly established by four central government-owned enterprises in the PRC, namely, the Group, China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), China Communications Construction Company, Ltd. (中國交通建設股份有限公司) and Sanya International Cruise Development Co., Ltd. (三亞國際郵輪發展有限公司) in 2016 with a registered capital of RMB500 million.

Nanhai Dream Cruise is held by Sansha Nanhai Dream Cruises, Ltd. and has launched the cruise lines to Yinyu Island, Quanfu Island and Yagong Island in Crescent Group of the Paracel Islands in the South China Sea. Nanhai Dream provides all kinds of on-board and offshore activities. In addition to appreciating the beautiful scenery and enjoying delicacies on the cruise, tourists can also enjoy different performances and participate in various recreational activities such as barbecue parties and yoga classes. The Group believes that the cruise operation business will be a new growth engine that further boosts its travel tourism businesses.

Piano Land Cruise (鼓浪嶼號郵輪)

The Group operates another cruise, Piano Land Cruise (鼓浪嶼號郵輪), by investing in Astro Ocean International Cruise Company Limited (星旅遠洋國際郵輪有限公司) ("**Astro Ocean**") through Elite Team Asset Enterprises Corp. (a subsidiary of the Company). Astro Ocean is a Hong Kong company jointly established by the Group and China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司). Piano Land Cruise has established cruise lines to Sanya in the PRC and plans to establish cruise lines to other hot tourist spots in Southeast Asia including Japan and Vietnam. Piano Land Cruise aims to provide high quality and diversified services to the tourists, including comfortable accommodation, various types of Chinese and foreign cuisines, entertainment shows and duty-free products.

Recreational Vehicle Travel

With the concept of healthy and eco-friendly tourism gaining popularity, recreational vehicle travel has become a new business of the Group. As a leading tourism group, the Group was the first state-owned enterprise to enter the recreational vehicle travel market. The Group set up the Miyun Nanshan Recreational Vehicle Camo (密雲南山房車小鎮) in Beijing in 2010, the first recreational vehicle campground in the PRC meeting international standards. In 2011, the Group further developed two recreational vehicle campgrounds in Chibi of Hubei Province and Chengdu of Sichuan Province. The Group has also cooperated with Messe Düsseldorf GmbH to organise seven sessions of "All in Caravaning" exhibition (中國國際房車展覽會) in the PRC.

The Group's recreational vehicle travel business ranges from the operation of recreational vehicle campgrounds to recreational vehicle leasing, mapping recreational vehicle travel routes and other related recreational activities. As the recreational vehicle travel business is in its initial stage of development, the Group believes that there is great potential for the development and expansion of this sector.

EMPLOYEES

Employees of the Group and its subsidiaries participate in various basic pension fund plans and social insurance plans in Hong Kong and China whereby the Company and its subsidiaries are required to make monthly contributions at defined rates as stipulated by the relevant regulations.

The Company and its subsidiaries have not experienced any strikes, work stoppages, labour disputes or actions which would have a material adverse effect on their overall business, financial condition or results of operations.

INSURANCE

The Group maintains a number of insurance policies for each of its business segments consistent with market norms and practices and PRC regulations in China. The Group purchases and maintains a number of insurance policies for its employees relating to personal injuries resulting from accidents, disability, illness and policies covering medical expenses. The Group purchases insurance policies relating to employee liability, public liability, property, risks of engine damage and business interruption and automobile for its travel and tourism businesses. Consistent with the industry practice, the Group purchases policies relating to building construction all risks insurance, third party liability insurance, construction materials and equipment insurance. The Group also requires its contractors to purchase workers' accident insurance and policies relating to machinery and equipment.

INTELLECTUAL PROPERTY

The Group's general policy is to seek intellectual property protection for those inventions and improvements likely to be utilised in its business activities or to obtain a competitive advantage. The Group relies on a variety of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance its competitive position. The Group is gradually shifting from the brand names of "China National Travel Service (HK) Group" (or "CTS") to "China Tourism Group" (or "CTG"), and has been applying for the registration of the new trademarks in the PRC, Hong Kong and other foreign countries. As at 31 December 2021, for the Group's original brand names including "CTS中旅", "紅五星旅" and "港中旅", the Group has a total of 340 trademarks registered in the PRC, 20 trademarks in Hong Kong and 80 trademarks in foreign countries. As at 31 December 2021, for the Group's new brand names including "五彩星", "中旅", "中旅+", "CTG" and "CTG+", the Group has a total of 63 trademarks in the PRC, 13 trademarks in Hong Kong and 27 trademarks in foreign countries.

LEGAL PROCEEDINGS

The Group may from time to time become involved in disputes in the ordinary course of business with its suppliers, contractors, government authorities, agencies and other third parties. Some of the Group's subsidiaries, associate companies, directors or senior officers have, in the past, been involved in legal proceedings, including claims, investigations, litigation or arbitration. The disputes are mainly contractual disputes. See note IX of 2020 Audited Financial Statements for further details of pending litigations where provisions were made.

As at the date of this Offering Circular, neither the Issuer, the Guarantor, nor any member of the Group is involved in any litigation or arbitration proceedings which are material in the context of the issue of the Notes nor, so far as the Issuer or the Guarantor is aware, is any such litigation or arbitration pending or threatened.

DIRECTORS AND COMPANY MANAGEMENT

DIRECTORS

The board of directors of the Guarantor consists of eight members, of whom one is chairman, two are directors and five are independent directors. The table below sets out the information relating to the Guarantor's directors:

Name	Position
CHEN Yin (陳寅)	Chairman
LV Youqing (呂友清)	Director
YUAN Jiuqiang (袁久強)	Director
REN Shuhui (任書輝)	Independent Director
OUYANG Qian (歐陽謙)	Independent Director
LIU Jinzhang (劉錦章)	Independent Director
CHE Shanglun (車尚輪)	Independent Director
ZENG Weixiong (曾偉雄)	Independent Director

The following contains certain biographical information of each of the Guarantor's directors as at the date of this Offering Circular:

Mr. CHEN Yin (陳寅) is the Chairman of the Guarantor. Mr. Chen joined the Group in 2021. Mr. Chen is also the Chairman of CTS. Mr. Chen is a senior engineer and obtained his master's degree in business administration.

Mr. LV Youqing (呂友清) is the Director of the Guarantor. Mr. Lv joined the Group in 2019. Mr. Lv is also a Director of CTS. Mr. Lv is a senior engineer at professor level. Mr. Lv holds a master's degree in law and a doctorate degree in economics.

Mr. YUAN Jiuqiang (袁久強) is the Director of the Guarantor. Mr. Yuan joined the Group in 2019. Mr. Yuan is also a Director of CTS. Mr. Yuan holds a master's degree in law.

Mr. REN Shuhui (任書輝) is the Independent Director of the Guarantor. Mr. Ren is also an Independent Director of CTS. Mr. Ren is a senior engineer and holds a bachelor's degree.

Mr. OUYANG Qian (歐陽謙) is the Independent Director of the Guarantor. Mr. Ouyang is also an Independent Director of CTS. Mr. Ouyang holds a doctorate degree.

Mr. LIU Jinzhang (劉錦章) is the Independent Director of the Guarantor. Mr. Liu is also an Independent Director of CTS. Mr. Liu is a professor level senior engineer and holds a doctorate degree.

Mr. CHE Shanglun (車尚輪) is the Independent Director of the Guarantor. Mr. Che is also an Independent Director of CTS. Mr. Che is a senior economist and holds a master's degree in business administration.

Mr. ZENG Weixiong (曾偉雄) is the Independent Director of the Guarantor. Mr. Zeng is also an Independent Director of CTS. Mr. Zeng holds a master's degree in business administration.

SENIOR MANAGEMENT

The table below sets forth certain information in respect of the Guarantor's senior management:

Name	Position
CHEN Yin (陳寅)	Chairman
WANG Bin (王斌)	Deputy General Manager
MA Wangjun (馬王軍)	General Accountant
LI Gang (李剛)	Deputy General Manager
SHI Shanbo (石善博)	Deputy General Manager
RAN Dezhang (冉德章)	Assistant General Manager
CHEN Rong (陳榮)	Assistant General Manager

The following contains certain biographical information of each of the Guarantor's senior management as at the date of this Offering Circular:

Mr. CHEN Yin (陳寅) – See "– *Directors*".

Mr. WANG Bin (王斌) is the Deputy General Manager of the Guarantor. Mr. Wang joined the Group in 2018. Mr. Wang is also the Deputy General Manager of CTS and the Chairman of CTG Asset. Mr. Wang is a senior engineer and holds a master's degree in engineering and a master's degree in business administration.

Mr. MA Wangjun (馬王軍) is the General Accountant of the Guarantor. Mr. Ma joined the Group in 2018. Mr. Ma is also the General Accountant of CTS. Mr. Ma is a senior accountant and holds a master's degree in business administration.

Mr. LI Gang (李剛) is the Deputy General Manager of the Guarantor. Mr. Li joined the Group in 2016. Mr. Li is also the Deputy General Manager of CTS. Mr. Li holds a bachelor's degree in literature.

Mr. SHI Shanbo (石善博) is the Deputy General Manager of the Guarantor. Mr. Shi joined the Group in 2020. Mr. Shi is also the Deputy General Manager of CTS and the Chairman of CTG Hotel. Mr. Shi holds a master's degree in economics.

Mr. RAN Dezhang (冉德章) is the Assistant General Manager of the Guarantor. Mr. Ran joined the Group in 2014. He concurrently serves as Manager of the General Office of the Guarantor. Mr. Ren is also the Assistant General Manager of CTS. Mr. Ran holds a bachelor's degree in literature and a doctorate degree in management.

Mr. CHEN Rong (陳榮) is the Assistant General Manager of the Guarantor. Mr. Chen joined the Group in 2016. He concurrently serves as the president of the Trade Union of the Guarantor. Mr. Chen is also the Assistant General Manager of CTS. Mr. Chen is a senior economist and holds a master's degree in economics, a master's degree in business administration and a doctorate degree.

AUDIT AND RISK MANAGEMENT COMMITTEE

The primary duties of the Guarantor's Audit and Risk Management Committee include, but are not limited to:

(i) guiding the construction of the Group's internal control mechanism and risk management system;

(ii) making recommendations to the board of directors on hiring or replacing the auditor of the Group and their remuneration;

(iii) reviewing the Group's financial reports, accounting policies and relevant changes, and providing opinions to the board of directors;

(iv) advising the board of directors on appointing and dismissing the head of the internal audit organisation of the Group;

(v) supervising the formulation and implementation of the Group's internal audit system;

(vi) assessing and supervising the completeness and operational effectiveness of the corporate audit system; and

(vii) maintaining good communication with the board of supervisors and the internal and external audit institutions of the Group.

REMUNERATION COMMITTEE

The primary duties of the Guarantor's Remuneration Committee include, but are not limited to:

(i) Formulating the methods of evaluation business performance and salary management for the senior management of the Group; and

(ii) Assessing and evaluating the performance of the Group's senior management, and making recommendations for the remuneration of the senior management to the board of directors based on the results of the assessment.

NOMINATION COMMITTEE

The primary duties of the Guarantor's Nomination Committee include, but are not limited to:

(i) Reviewing the selection criteria, procedures and methods of the Group's senior management;

(ii) Nominating the potential general manager for the Group to the board of directors in accordance with relevant authority regulations and conducting inspections; and

(iii) Inspecting the deputy general manager, chief accountant and general legal counsel of the Group nominated by the general manager and the candidates for the board secretary nominated by the chairman, and raising inspection feedback to the board of directors.

STRATEGIC AND INVESTMENT COMMITTEE

The primary duties of the Guarantor's Strategic and Investment Committee include, but are not limited to:

(i) Conducting research on the Company's development strategy, medium and long-term development and investment plan, and making recommendations to the board of directors; and

(ii) Conducting research on major issues, such as investment and financing, property rights transfer, mergers and acquisitions, capital operation, reform and restructuring, technological innovation, and resource allocation, that need to be resolved by the board of directors, and making recommendations to the board of directors.

PRINCIPAL SHAREHOLDERS

The following table sets forth information with regard to the beneficial ownership of the Guarantor's ordinary shares as at the date of this Offering Circular:

Principal shareholder	Capacity	Share Capital	Percentage of issued share capital
		(RMB)	
SASAC	Beneficial owner(1)	15,800,000,000	100%(2)

Notes:

(1) Beneficial ownership is determined by and includes the power to direct the voting or the disposition of the securities or to receive the economic benefit of the ownership of the securities.

(2) The Group made an announcement on 12 September 2019 regarding the proposed transfer of ten per cent. equity interest of the Group from SASAC to the National Social Security Fund pursuant to a decision collaborated between the Ministry of Finance, the Ministry of Human Resources and Social Securities and the SASAC. The proposed change in shareholding structure will not affect future management of the Group. As at the date of this Offering Circular, business registration process of the proposed transfer has not been completed. In addition, the Group believes that the proposed transfer will not incur any adverse material effects on the results of operations and financial position of the Group.

This section summarises the principal PRC laws and regulations which are relevant to the Issuer's and the Guarantor's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Issuer's and the Guarantor's business and operations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. In general, PRC court judgments do not constitute legally binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the PRC. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest committee of the State Administration of the PRC and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution (中華人民共和國憲法) and the Law of Organisation of the People's Courts (中華人民共和國人民法院組織法), the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are composed of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the power to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "**Civil Procedure Law**"), which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017, and 24 December 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by written agreement, select a jurisdiction where civil actions may be brought, **provided that** the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract, etc or a venue which has actual connection with the dispute. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

FOREIGN EXCHANGE CONTROLS

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE, by complying with certain procedural requirements. However, except as otherwise specified by laws and regulations, approval from or registration with the appropriate government authorities or designated banks is usually required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by the demand and supply of Renminbi. Pursuant to such system, the PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On 29 January 1996, the State Council promulgated Regulations on Foreign Exchange Administration (外匯管理條例) ("**Foreign Exchange Administration Regulations**") which became effective from 1 April 1996. The Foreign Exchange Administration Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Foreign Exchange Administration Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 1 August 2008, the Foreign Exchange Administration Regulations was further amended pursuant to a resolution of the State Council of China (中華人民共和國國務院令) and came into effect on 5 August 2008 (the "**New Forex Regulation**"). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. The Renminbi will be convertible for current account items (including goods, services, gains and transactions items that are frequently transferred, etc. involved in international balance of payments) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like capital transfers, direct investment, securities investment and derivative products and loans, is still subject to restriction, and prior approval from or registration with SAFE, its competent branch or designated banks.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**") which became effective on 1 July 1996. The Settlement Regulations superseded the provisional regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the *bona fide* nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swap Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each business day. This closing price sets the central parity for trading of the Renminbi on the following business day.

According to the Circular on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises issued by the General Affairs Department of the SAFE (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) ("**Circular 142**") on 29 August 2008, for each conversion and withdrawal, an Foreign Invested Enterprise is required to provide various supporting documents evidencing the authenticity of the transaction to relevant bank for review and verification. Also the converted RMB should only be used by FIEs in line with their business scope as approved by the examination and approval authorities, for example, for acquiring equipment and real estate for self-use. Except for special type of FIEs such as venture capital and private equity enterprises, ordinary FIEs are generally prohibited from using the RMB converted from their capital account balance to make equity investments in other companies in China, and, except for foreign-funded real estate enterprises, foreign-funded enterprise shall not use the RMB converted from their capital account balance to purchase domestic real estate for any purpose other than its own use.

On 30 March 2015, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) ("**Circular 19**"), which will relax the capital account settlement for all foreign invested enterprises across the nation from 1 June 2015. According to Circular 19, Circular 142 will cease to be effective on the same date of the implementation of Circular 19. Circular 19 allows all foreign invested enterprises across the PRC to convert foreign exchange in their capital accounts into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal.

On June 9, 2016, the SAFE issued the "Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement" (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

OVERSEAS INVESTMENT RULES

According to the Rules on Overseas Investment (境外投資管理辦法) issued by the MOFCOM on 16 March 2009, coming into effect on 1 May 2009 (the "**MOFCOM Overseas Investment Rules**"), local PRC enterprises proposing to engage in overseas investment where the total investment by the PRC party would be U.S.$100 million or more must first obtain approval from the commerce authorities at the local provincial level and thereafter must seek approval from the MOFCOM. On 6 September 2014, the MOFCOM Overseas Investment Rules were amended and came into effect on 6 October 2014. Under the New MOFCOM Overseas Investment Rules, any overseas investment involving a sensitive country or territory, or industry shall be subject to approval-based administration while other overseas investments shall be subject to filing-based administration. Such "**sensitive country**" refers to the countries which have not established diplomatic relations with the PRC or are sanctioned by the United Nations, whereas "**sensitive industry**" refers to the industries of which the products and technologies are restricted to export by the PRC government, or the industries of which the export may affect the interests of at least one country (region). With regards to an overseas investment that is subject to approval-based administration, a centrally administered enterprise shall file an application with the MOFCOM, and a local enterprise shall file an application to the MOFCOM via the local commerce authorities at the local provincial level. With regards to an overseas investment that is subject to filing-based administration, a centrally administered enterprise shall file for record the overseas investment with the MOFCOM; and a local enterprise shall file the same for record with the local commerce authorities at the local provincial level.

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (企業境外投資管理辦法) promulgated by the NDRC, which became effective on 1 March 2018, any overseas investment project involving any politically sensitive country or territory (such as countries with no diplomatic ties or which are sanctioned by the international community, or countries/territories where there is ongoing war or civil unrest, etc.) or otherwise any sensitive industry (such as research, production, maintenance and repair of weapons and equipment, cross-border water resources development and utilisation news media, etc.) shall be subject to approval by the NDRC. In particular, where any such other overseas investment project is carried out by an enterprise administered by the PRC central government or carried out by an enterprise administered by the local government and which involves investment by the Chinese party (parties) of an amount equal to or more than U.S.$300 million, such overseas investment project shall be filed with the NDRC. Any such other overseas investment project carried out by the local enterprise and involves investment by the Chinese party (parties) of an amount less than U.S.$300 million shall be filed with the investment department of the relevant government at the provincial level, including the government of each of the provinces, autonomous regions, municipalities directly under the Central Government and municipalities with independent planning status, as well as the Xinjiang Production and Construction Corps.

NDRC

On 14 September 2015, the NDRC promulgated the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No 2044) (the "**NDRC Notice**") (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知), which came into effect on the same day. According to the NDRC Notice, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the "**Pre-Issuance Registration Certificate**"). In addition, the enterprise must also report certain details of the bonds to the NDRC within 10 working days of the completion of the bond issue (the "**Post-Issuance Filing**"). The Guarantor obtained a Pre-Issuance Registration Certificate in respect of the offering of the Notes from the NDRC on 14 January 2022, which remains in full force and effect as at the date of this Offering Circular.

On 11 May 2018, NDRC and Ministry of Finance jointly issued the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (the "**Joint Circular**") (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知). Under the Joint Circular, enterprises that take on foreign debts shall have materialised operations, conduct financing activities in compliance with laws and fully demonstrate the necessity of taking on such foreign debts. Further, the assets owned by such enterprises shall be of good quality and the ownership shall be clear. It is forbidden that public schools, public hospitals, public cultural facilities, parks, public squares, government office buildings, municipal roads, non-toll bridges, non-operating water conservancy facilities, non-toll pipeline network facilities, reserved land use rights and other assets relating to public interests be accounted into enterprises' assets. It is restated that in bond prospectuses and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connecting with government credit shall be prohibited.

On 6 June 2019, the Notice by the General Office of the National Development and Reform Commission of the Relevant Requirements for the Application for Recordation and Registration of Foreign Debt Issuance by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改外資[2019]666號)) (the "**Circular 666**") was released, for the purposes of effective administration of local-government debts, guarding against medium- and long-term foreign debt risks and local governments' implicit debt risks, and further implementing the requirements of the NDRC Notice and the Joint Circular, which states that where all enterprises (including local state-owned enterprises) and overseas enterprises or branches controlled by them issue foreign debts, domestic enterprises shall apply to the National Development and Reform Commission for recordation and registration. Further, when applying for recordation and registration of foreign debt issuance, all enterprises (including local state-owned enterprises) shall submit a letter of commitment to the authenticity of the application materials, which shall be signed by the key decision makers of the enterprises. For any enterprise making false commitments, the National Development and Reform Commission shall record the violations by such enterprise and its key decision maker in their credit records and include them in the national credit information sharing platform.

CROSS-BORDER SECURITY REGULATIONS

On 12 May 2014, the SAFE promulgated the Circular concerning Promulgation of the Foreign Exchange Administration Rules on Cross-Border Guarantees and the Relating Implementation Guidelines (國家外匯管理局關於發佈《跨境擔保外匯管理規定》的通知) (collectively, "**Circular 29**"). Circular 29, which came into force on 1 June 2014, replaced 12 other regulations regarding cross-border security and introduces a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration or filing for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under Circular 29. Circular 29 classifies cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 business days after the execution of the Deed of Guarantee. In the event of changes to the major clauses of the Deed of Guarantee, it shall conduct a change registration for the relevant security/guarantee. According to Circular 29, the funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. According to Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) issued by the SAFE on 26 January 2017, funds for overseas loans under domestic guarantees are allowed to be repatriated into the PRC for domestic use. Debtors can repatriate, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions. Further, according to the Policy Q&As (Issue II) on the Circular of the State Administration of Foreign Exchange on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》政策實務問答二), in the case where the offshore debtor transfers the funds borrowed offshore by means of foreign loans onshore, the onshore borrower shall meet the relevant requirements for foreign debt administration and control the scale of funds repatriated according to the relevant requirements of the mode of macro-prudential management of full-covered cross-border financing or the mode required in the Administration Measures for Registration of Foreign Debts. In the case where the offshore debtor transfers the funds by means of equity investment onshore, it shall meet the requirements from the competent authorities in the area of foreign direct investment.

Upon enforcement, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by the onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC laws.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes. The Guarantor's obligations in respect of the Notes are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under Circular 29, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 business days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee of the Notes.

Under Circular 29, the local SAFE will go through a procedural review (as opposed to a substantive examination process) of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration.

Under Circular 29:

- non-registration does not render the Guarantee of the Notes ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if submission for registration is not carried out within the stipulated time frame of 15 business days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Notes) as domestic banks require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee of the Notes itself.

- The Terms and Conditions of the Notes provide that the Guarantor will register, or cause to be registered, the Deed of Guarantee with SAFE within 15 PRC Business Days after the Issue Date in accordance with, and within the time period prescribed by, Circular 29 and use its best endeavours to complete the registration and obtain a registration certificate from SAFE (or any other document evidencing completion of registration issued by SAFE) on or before the date following 150 calendar days after the Issue Date (the "**SAFE Registration Deadline**"). If the Guarantor fails to complete the SAFE registration and (i) provide the Fiscal Agent with, among other things, the certificate confirming the completion the SAFE registration; and (ii) give notice to the Noteholders in accordance with Condition 14 (*Notices*) before the SAFE Registration Deadline, the Noteholders will have a put option to require the Issuer to redeem the Notes held by them at their principal amount together with accrued interest (see Condition 5(c) (*Redemption for Relevant Event*) of the Terms and Conditions of the Notes).

ENVIRONMENTAL PROTECTION

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 and amended on 2 July 2016 and 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998, which became effective on the same date and was amended on 1 October 2017.

In accordance with the Law on Environmental Impact Assessment and the provisions of the Administrative Regulations on Environmental Protection of Construction Projects, the PRC government implements the system of environmental impact assessment on construction projects. The environmental impact reports and environmental impact statements must be approved by the competent environmental protection authority prior to the commencement of any construction work, and the environmental impact registration forms must be filed with the said authority. Unless otherwise provided by laws and regulations, enterprises that are required to submit an environmental impact report and an environmental impact statement shall be solely responsible for the examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be put into operation or used only after the corresponding environmental protection facilities have passed the examination and acceptance. The competent authorities may conduct random inspection and supervision on the implementation of environmental protection facilities.

The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaux is responsible for the environmental protection work within their respective jurisdictions.

The Atmospheric Pollution Prevention and Control Law of the PRC (中華人民共和國大氣污染防治法), amended on 26 October 2018 by the Standing Committee of the National People's Congress, which became effective on the same day, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaux is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

The Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法), amended on 27 June 2017 and became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaux is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

The Environmental Noise Pollution Prevention and Control Law of the PRC (中華人民共和國環境噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which became effective on 1 March 1997, amended on 29 December 2018 and became effective on the same date, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

Pursuant to the Notice of the General Office of the State Council on Issuing the Implementation Plan for the Control of Pollutant Release Permit System (國務院辦公廳關於印發控制污染物排放許可制實施方案的通知) (No. 81 [2016] of the State Council's Office, effective on November 10, 2016) and the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (固定污染源排污許可分類管理名錄(2019年版)) (Order No. 11 of the Ministry of Ecology and Environment, effective on December 20, 2019), key management, simplified management and registration management of pollutant discharge permits are implemented based on factors such as the amount of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The pollutant discharging entity subject to registration management does not need to apply for the pollutant discharge permit, but shall fill in the pollutant discharge registration form on the national pollutant discharge permit management information platform.

EMPLOYMENT RELATIONSHIPS

The Labour Contract Law of the PRC (中華人民共和國勞動合同法), promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as at the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

The Social Insurance Law of the PRC (中華人民共和國社會保險法), promulgated by the Standing Committee of the NPC on 28 October 2010, which became effective on 1 July 2011, amended on 29 December 2018 and became effective on the same date, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999, amended on 24 March 2019 and became effective on the same date, and the Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and on 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

BVI

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Notes to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Notes by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes.

All instruments relating to transactions in respect of the Notes are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Enterprise Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "**de facto management bodies**" are within the territory of China shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "**de facto management body**" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC. As confirmed by the Issuer and the Guarantor, as at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that the Issuer is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, holders of the Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event that the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC Noteholder. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee of the Notes, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10 per cent. on the payments of interest made by it under the Guarantee of the Notes to non-PRC Noteholders as such payments of interest will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC Noteholders.

Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside mainland China between non-PRC Noteholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC, and accordingly, would be subject to up to 10 per cent. of PRC withholding tax.

Value Added Tax

On 23 March 2016, the Ministry of Finance and the SAT jointly issued Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. With effect from 1 May 2016, the income derived from the provision of financial services which previously attracted business tax are entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "**loans**" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the interpretation of "loans" under Circular 36, the issuance of Notes may be treated as the holders of the Notes providing loans to the Issuer and the Guarantor, which thus could be regarded as the provision of financial services that could be subject to VAT. If the PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC (due to the Issuer being treated as PRC tax resident enterprise or due to the fact that the Guarantor is located in the PRC), then the holders of the Notes could be regarded as providing financial services within PRC and, consequently, the holders of the Notes shall be subject to VAT at the rate of up to 6 per cent. when receiving the interest payments under the Notes from the Guarantor. In addition, the holders of the Notes shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.7 per cent. Hence, if the Issuer or the Guarantor pays interest income to Noteholders who are located outside the PRC, the Issuer (if VAT applicable) or the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer or the Guarantor does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of the Notes is located within the PRC.

Circular 36 has been issued quite recently and the above disclosure may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law, and the VAT reform detailed above, the Issuer or the Guarantor may need to withhold EIT (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC Noteholder and the Issuer or the Guarantor may need to withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside the PRC. However, in the event that the Issuer or the Guarantor is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer and the Guarantor have agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

For more information, see "*Terms and Conditions of the Notes – Condition 7 (Taxation)*" of the Notes.

Stamp Duty

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(iii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a corporation (such as a partnership) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

UNITED STATES' FOREIGN ACCOUNT TAX COMPLIANCE ACT TAX PROVISIONS

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong and the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Guarantor have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter. Other than on reversal of impairment provisions taken on assets, PRC Accounting Standards have substantively converged with IFRS. Accordingly, there are no other significant differences between the principal accounting policies adopted by the Guarantor and IFRS. The difference on reversal of impairment provisions taken on assets is discussed in further detail in this section.

REVERSAL OF IMPAIRMENT LOSSES ON ASSETS

In accordance with PRC Accounting Standards No. 8 – Impairment of Assets, an asset impairment loss that has been recognised shall not be reversed in subsequent accounting periods, while in accordance with IAS 36 Impairment of Assets, an entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognised in prior periods for an asset other than goodwill can be reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount of that asset since the last impairment loss was recognised.

BUSINESS COMBINATIONS UNDER THE COMMON CONTROL

A business combination under the common control has specific provisions in PRC Accounting Standards No. 20 – Business Combinations, also the recognition and measurement of the investment has specific provisions in accordance with PRC Accounting Standards No. 2 – Long-term Equity Investments, but IFRS 3 Business Combinations does not make specific discussion on business combination under the common control.

For the years ended 31 December 2019 and 2020, respectively, the Guarantor had no such reversal of impairment losses on assets and business combinations under the common control. Therefore, the above technical difference had no substantial impact on the consolidated financial statements of the Guarantor.

APPLICATION OF FAIR VALUE

IFRS emphasise the use of fair value, while PRC accounting standards emphasise book value. Like international accounting standards, IFRS emphasise the use of fair value in asset valuation, especially in asset transactions. According to the current accounting system and the issued accounting standards in mainland China, the book value is basically used as the basis of assets valuation. This difference is highlighted in the treatment of investment and non-monetary transactions.

The above analysis is not meant to be an exhaustive description of all significant differences between PRC GAAP and IFRS. In making an investment decision, investors must rely upon their own examination of the Guarantor, the Group, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 22 February 2022 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally agreed to procure subscribers to subscribe and pay for, or failing which, subscribe and pay for, the aggregate principal amount of the Notes set forth below:

	Principal amount of the Notes
	(U.S.$)
CLSA Limited	157,000,000
Bank of China (Hong Kong) Limited	157,000,000
DBS Bank Ltd.	157,000,000
China International Capital Corporation Hong Kong Securities Limited	157,000,000
Industrial and Commercial Bank of China (Asia) Limited	8,000,000
China Construction Bank (Asia) Corporation Limited	8,000,000
CMB Wing Lung Bank Limited	8,000,000
ABCI Capital Limited	8,000,000
Deutsche Bank AG, Hong Kong Branch	8,000,000
UBS AG Hong Kong Branch	8,000,000
J.P. Morgan Securities PLC	8,000,000
Mizuho Securities Asia Limited	8,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	8,000,000
Total	**700,000,000**

In connection with the Offering of the Notes, each Joint Lead Manager and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references herein to the Notes being offered should be read as including any Offering of the Notes to the Joint Lead Managers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In connection with the issue of the Notes, the Joint Lead Manager acting as Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and that the Joint Lead Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to the payment of the net proceeds of the issue of the Notes to the Issuer on the Closing Date. The Issuer has agreed to pay the Joint Lead Managers certain fees and underwriting commissions, to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Notes, and to indemnify the Joint Lead Managers against certain liabilities in connection with the offering and sale of the Notes. The Issuer has also agreed to pay the Joint Lead Managers a further fee based on the principal amount of the Notes offered and sold.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or its affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

OTHER RELATIONSHIPS

Each Joint Lead Manager or its affiliates may purchase any Notes for its own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Notes at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Each of the Joint Lead Managers and its affiliates has engaged in, and may in the future engage in, investment banking, equity and other financings and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies from time to time. Each Joint Lead Manager or certain of its affiliates may purchase any Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. In addition to the transactions noted above, each Joint Lead Manager and its affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer or the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies in the ordinary course of their business. In addition, each Joint Lead Manager and certain of its subsidiaries and affiliates may hold shares or other securities in the Issuer as beneficial owner, on behalf of clients or in the capacity of investment adviser.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or the Guarantor or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, by the Issuer or the Guarantor or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Guarantor or the Joint Lead Managers.

UNITED STATES

The Notes and the Guarantee of the Notes have not been and will not be registered under the Securities Act and may not be offered, marketed, sold or delivered within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes within the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

UNITED KINGDOM

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision: the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other Regulatory Restrictions

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

HONG KONG

Each Joint Lead Manager has represented, warranted and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") 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 (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, 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 Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Joint Lead Manager has represented, warranted and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, 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 2001 (2020 Revised Edition) 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 Notes 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 Notes pursuant to an offer made under Section 275 of the SFA except:

(1) 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;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: *In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and each Joint Lead Managers has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No.228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

BVI

Each Joint Lead Manager has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase or subscribe for the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This Offering Circular does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems**: The Legal Entity Identifier (LEI) Code of the Issuer is 254900RHBSC69QS5NZ68.

   The Notes have been accepted for clearance through Euroclear and Clearstream under the following securities codes:

ISIN:	XS2434699968
Common Code:	243469996

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Notes, the Agency Agreement and the Deed of Covenant. The issue of the Notes was authorised by resolutions of the board of directors of the Issuer passed on 16 February 2022. The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee of the Notes and the performance of its obligations under the Deed of Guarantee and the Agency Agreement. The giving of the Guarantee of the Notes was approved by the Board of Directors of the Guarantor passed on 12 November 2021.

   The Guarantor will register or cause to be registered with SAFE the Deed of Guarantee in relation to the Notes within 15 PRC Business Days after the Issue Date in accordance with the Cross-Border Security Registration. The Guarantor intends to use its best endeavours to complete the Cross-Border Security Registration for the Notes and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the SAFE Registration Deadline (being 150 calendar days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee of the Notes.

   Pursuant to the NDRC Circular issued by NDRC, the Guarantor has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated 14 January 2022 evidencing such registration, which as at the date of this Offering Circular, remains valid and in full force and effect and intends to provide the requisite information about the issuance of the Notes to the NDRC within the prescribed timeframe in accordance with the NDRC Circular after the Issue Date of the Notes.

3. **Listing of the Notes**: Application will be made to the SEHK for the listing of, and permission to deal in, the Notes issued to Professional Investors only. It is expected that dealing in, and listing of, the Notes on the SEHK will commence on or about 2 March 2022.

4. **No Material Adverse Change**: Except as disclosed in this Offering Circular, there has been no adverse change, nor any development reasonably likely to involve an adverse change, in the financial or trading position, condition (financial or otherwise), general affairs or prospects of the Issuer, the Guarantor or the Group since (in the case of the Issuer) the date of its incorporation or (in the case of the Guarantor and the Group) 31 December 2020.

5. **Litigation**: As at the date of this Offering Circular, neither the Issuer, the Guarantor, nor any member of the Group is involved in any litigation or arbitration proceedings which are material in the context of the issue of the Notes nor, so far as the Issuer or the Guarantor is aware, is any such litigation or arbitration pending or threatened.

6. **Available Documents**: Copies of the latest annual report and consolidated financial statements of the Guarantor may be obtained free of charge, and copies of the Agency Agreement, which includes the form of the Global Note Certificate, the Deed of Covenant and the Deed of Guarantee, will be available for inspection, at the specified office of the Guarantor at 17/F, CTG House, 78-83 Connaught Road, Central, Hong Kong during normal business hours, so long as any of the Notes are outstanding.

7. **Independent Auditors of the Guarantor**: The Audited Financial Statements, which are included elsewhere in this Offering Circular have been audited by Baker Tilly.

   The Audited Financial Statements have only been prepared in Chinese. The Audited Financial Statements are available on www.shclearing.com. The Financial Statements Translation (being the English translation of the Audited Financial Statements) have been included in this Offering Circular together with the English translation of the auditor's audit report in respect of such financial statements. Should there be any inconsistency between the Financial Statements Translation and the Audited Financial Statements, the Audited Financial Statements will prevail. None of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential purchasers must exercise caution when using such financial information to evaluate the financial condition, results of operations and prospects of the Guarantor.

8. **Issuer's Financial Statements**: Under BVI law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any of its financial statements. The Issuer is, however, required to keep proper books of account as are sufficient to show and to explain its transactions and which will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

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Audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2020

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Auditor's Report

Baker Tilly China [2021] No. 26622

To the shareholders of China Tourism Group Corporation Limited:

Ⅰ. Opinion

We have audited the financial statements of China Tourism Group Corporation Limited (hereinafter referred to as the Company), which comprise the consolidated and the Company's balance sheets as at 31 December 2020, consolidated and the Company's income statements, consolidated and the Company's statement of cash flows, consolidated and the Company's statements of changes in owner's equity for the year then ended, and consolidated notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2020, and the result of operations and the consolidated cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises.

Ⅱ. Basis of opinion

We have conducted the audit in accordance with the regulations of Auditing Standards for Chinese Certified Public Accountants. The part of "Auditor's responsibility" of the report further stated our responsibilities under the standards.

According to the code of professional ethics for the Chinese Certified Public Accountants, We are independent of the Company and perform other responsibilities in the field of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Responsibilities of management and those charged with governance for the financial statements

Management of the Company (hereinafter referred to as the Management) is responsible for preparing the financial statements in accordance with Accounting Standards for Business Enterprises and Accounting System for Business Enterprises to achieve fair presentation of the financial statements; designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

When preparing financial statements, management is responsible for assessing the sustainability of the

Company's ability of continuous operation, disclosing matters related to continuous operations (if applicable), and applying the assumption of continuous operation unless management plans to clear the company and terminate operating or has no other realistic choice.

Those charged with governance are responsible for the supervision of the Company's financial reporting process.

Ⅳ. Auditor's responsibility for financial statements

Our goal is to obtain a reasonable assurance against material misstatement caused by fraud or error in the financial statements as a whole and make an audit report containing opinions. Reasonable assurance is a high-level guarantee, but it does not guarantee that every material misstatement can be found when we carried out the audit in accordance with the auditing standards. Misstatement may be caused by fraud or error. If a single misstatement or collected misstatements are expected reasonably to affect the economic decision made by a financial statement user based on the financial statements, it is generally considered significant.

In the process of implementing audit according to the auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also carried out the following work:

(1) We identified and evaluated the risk of material misstatement caused by fraud or error, designed and implemented audit procedures to cope with these risks and obtain sufficient and appropriate audit evidence as the basis for issuing audit opinions. Fraud may involve collusion, forgery, deliberate omission, misrepresentation or overriding internal control, accordingly, the risk of failing to find major misstatement caused by fraud is higher than that of failing to find the risk of major misstatement due to errors.

(2) We understood the internal control related to audit to design appropriate audit procedures, but the purpose was not to comment on the effectiveness of internal control.

(3) We evaluated the appropriateness of the accounting policy and the reasonableness of accounting estimates and related disclosures.

(4) We drew conclusions on the appropriateness of the continuing operation hypothesis used by the management level. Meanwhile, based on the audit evidence obtained, it is concluded that whether there is significant uncertainty in matters or situations that may cause significant doubts about the sustainability of the Company ability of continuous operation. If we conclude that there is a major uncertainty, the auditing standards require us to draw users' attention to relevant disclosures in the financial statements in the audit report. If we do not disclose enough information, we should publish modified opinions. Our conclusions

are based on the information available as of the date of the audit report. However, future events or circumstances may lead to the unsustainable operation of the Company.

(5) We evaluated the overall presentation, structure and content (including disclosure) of the financial statements, and the fairness of the financial statements to reflect the related transactions and matters.

(6) We have obtained sufficient and appropriate audit evidence on the financial information of the entity or business activities in the Company, and issue an audit opinion on consolidated financial statements. We are responsible for directing, supervising and performing audits, and take full responsibility for the audit opinion.

We communicated with governance level about the planned audit scope and schedule and significant audit findings, including communicating the notable internal control flaws we identified in the audit.

天职国际会计师事务所(特殊普通合伙)
Beijing, China
April 20 ,2021
1101080212359

Chinese Certified Public Accountant: 中国注册会计师 王清峰 370400010019

Chinese Certified Public Accountant: 中国注册会计师 110101500217

This auditor's report and the accompanying notes to the financial statements are English translation of the Chinese auditor's report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Consolidated Balance Sheet

Prepared by: China Tourism Group Corporation Limited Dec-31-20 Unit: Thousand yuan

Item	Lines	Closing balance	Opening balance	Note No.
Current assets:	1	—	—	
Cash and cash equivalents	2	28,406,550	20,590,452	VIII.1
△Settlement reserve	3			
△Due from banks and other financial institutions	4			
☆Transactional financial assets	5	435,933	50,973	VIII.2
Financial assets at fair value through profit and loss	6			
Derivative assets	7			
Notes receivable	8	3,702	25,632	VIII.3
Accounts receivable	9	1,009,747	1,724,344	VIII.4
☆Receivables for financing	10			
Prepayments	11	799,309	1,255,995	VIII.5
△Premiums receivable	12			
△Reinsurance receivables	13			
△Provision of cession receivable	14			
Other receivables	15	2,200,216	2,383,710	VIII.6
Including: Dividends Receivable	16	4,540	3,039	VIII.6
△Buying back the sale of financial assets	17			
Inventories	18	56,942,914	39,507,198	VIII.7
Including: Raw materials	19	155,425	30,653	VIII.7
Merchandise inventories(finished goods)	20	18,249,572	11,210,972	VIII.7
☆Contract assets	21			
Held-for-sale assets	22	41		VIII.8
Current portion of non-current assets	23	191,657	286,245	VIII.9
Other current assets	24	3,436,363	3,396,355	VIII.10
Total current assets	25	93,426,432	69,220,904	
Non-current assets:	26	—	—	
△Loans and advances issued	27	6,811,490	8,584,314	VIII.11
☆Debt investments	28			
Available-for-sale financial assets	29	783,665	661,946	VIII.12
☆Other debt investments	30			
Held-to-maturity investments	31	50,367	50,433	VIII.13
Long-term receivables	32	225,897	240,796	VIII.14
Long-term equity investments	33	11,122,108	5,946,410	VIII.15
☆Other equity instruments	34	23,057	43,698	VIII.16
☆Other non-current financial assets	35			
Investment property	36	9,324,637	9,496,323	VIII.17
Fixed assets	37	14,298,476	13,445,392	VIII.18
Including: Original book value	38	27,048,939	25,439,975	VIII.18
Accumulated depreciation	39	11,438,327	10,874,470	VIII.18
Impairment provisions of fixed assets	40	1,312,136	1,120,113	VIII.18
Construction in progress	41	2,276,486	1,763,380	VIII.19
Productive biological assets	42			
Oil and gas assets	43			
☆Right-of-use asset	44	327,538	334,760	VIII.20
Intangible assets	45	5,162,706	6,655,901	VIII.21
Development disbursements	46	1,980	1,693	VIII.22
Goodwill	47	2,956,047	2,968,732	VIII.23
Long-term deferred expenses	48	867,966	792,606	VIII.24
Deferred tax assets	49	2,993,392	1,860,747	VIII.25
Other non-current assets	50	1,080,139	604,335	VIII.26
Including: Authorized reserve material	51			
Total non-current assets	52	58,305,951	53,451,466	
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Total assets	74	151,732,383	122,672,370	

Legal Representative: Wan Min Chief Accountant: Ma Wangjun Person in charge of the accounting Department: Zeng Rongsheng

Consolidated Balance Sheet (continued)

Prepared by: China Tourism Group Corporation Limited　　Dec-31-20　　Unit: Thousand yuan

Item	Lines	Closing balance	Opening balance	Note No.
Current liabilities:	75	—	—	
Short-term borrowings	76	3,231,173	7,990,309	VIII.27
△Borrowings from central bank	77			
△Placement from banks and other financial institutions	78			
☆Transactional financial liabilities	79			
Financial liabilities at fair value through profit and loss	80			
Derivative liabilities	81	47,841	11,808	VIII.28
Notes payable	82	100,000	171,040	VIII.29
Accounts payable	83	7,923,390	7,527,128	VIII.30
Advances from customers	84	16,024,797	12,117,330	VIII.31
☆Contract liabilities	85	2,130,831	841,584	VIII.32
△Securities sold under agreement to repurchase	86			
△Deposits and placements from other financial institutions	87	38,527	31,275	VIII.33
△Securities brokering	88			
△Securities underwriting	89			
Employee benefits payable	90	1,305,830	1,797,832	VIII.34
Including: Salary payable	91	944,864	1,446,738	VIII.34
Welfare benefits payable	92	49,948	37,427	VIII.34
#Employee bonus and welfare fund	93		418	VIII.34
Taxes and surcharges payable	94	5,653,839	3,072,986	VIII.35
Including: Taxes payable excluding surcharges	95	4,576,526	2,052,362	VIII.35
Other payables	96	10,196,817	6,461,457	VIII.36
Including:Dividends Payable	97	54,791	105,217	VIII.36
△Fees and commissions payable	98			
△Reinsurance amounts payable	99			
Held-for-sale liabilities	100	208		VIII.37
Current portion of non-current liabilities	101	6,239,757	800,515	VIII.38
Other current liabilities	102	4,470,968	5,462,930	VIII.39
Total current liabilities	103	57,363,978	46,286,194	
Non-current liabilities:	104	—	—	
△Reserve of insurance contract	105			
Long-term borrowings	106	12,048,322	3,487,786	VIII.40
Bonds payable	107	24,608,332	17,980,874	VIII.41
Preferred stock	108			
Perpetual debt	109			
☆Lease liabilities	110	278,332	270,489	VIII.42
Long-term payable	111	235,748	160,100	VIII.43
Long-term employee benefits payable	112	42,952	44,305	VIII.44
Provisions	113	72,667	141,127	VIII.45
Deferred income	114	1,578,778	1,564,191	VIII.46
Deferred tax liabilities	115	2,139,956	1,742,235	VIII.25
Other non-current liabilities	116			
Including:Authorized reserve fund	117			
Total non-current liabilities	118	41,005,087	25,391,107	
Total liabilities	119	98,369,065	71,677,301	
Equity:	120	—	—	
Paid-in capital	121	15,896,578	15,896,578	VIII.47
State-owned capital	122	15,896,578	15,896,578	
State-owned legal person's capital	123			VIII.47
Collectively owned capital	124			
Private capital	125			
Foreign capital	126			
#Less: Payback capital	127			
Paid-in capital-net value	128	15,896,578	15,896,578	VIII.47
Other equity instruments	129			
Preferred stock	130			
Perpetual debt	131			
Capital reserve	132	801,959	46,673	VIII.48
Less:Treasury shares	133			
Other comprehensive income	134	-265,105	-521,397	VIII.66
Including: Currency translation reserve	135	-1,289,674	-1,131,413	VIII.66
Specialized reserve	136	3,296	2,268	VIII.49
Surplus reserve	137			
Including: Statutory surplus reserve	138			
Other surplus reserve	139			
#Reserve fund	140			
#Corporate development fund	141			
#Return of investment	142			
△General risk reserve	143			
Retained earnings	144	9,657,091	8,385,736	VIII.50
Equity attributable to parent company	145	26,093,819	23,809,858	
*Minority interests	146	27,269,499	27,185,211	
Total owner's equity	147	53,363,318	50,995,069	
Total liabilities and owner's equity	148	151,732,383	122,672,370	

Legal Representative: Wan Min　　Chief Accountant: Ma Wangjun　　Person in charge of the accounting Department: Zeng Rongsheng

Consolidated Income Statement

Prepared by: China Tourism Group Corporation Limited — Year of 2020 — Unit: Thousand yuan

Item	Lines	Amount for the Current Year	Amount for the Previous Year	Note No.
I. Total operating revenues	1	69,928,475	81,046,898	
Including: operating revenues	2	67,800,208	78,801,668	VIII.51
△Interest incomes	3	2,016,042	2,135,117	VIII.52
△Earned premiums	4			
△Fee and commission income	5	112,225	110,113	VIII.53
II. Total operating costs	6	60,290,535	72,866,979	
Including: operating costs	7	41,990,356	47,130,679	VIII.51
△Interest expenses	8	216,265	287,709	VIII.52
△Fee and commission expenses	9	92,489	83,366	VIII.53
△Surrenders	10			
△Net expenses of claim settlement	11			
△Net provisions for insurance contract reserves	12			
△Policy dividend expenses	13			
△Reinsurance expenses	14			
Taxes and surcharges	15	1,814,143	1,491,293	
Selling expenses	16	10,548,208	17,680,545	VIII.54
Administrative expenses	17	4,683,009	5,025,506	VIII.55
Research and development expenses	18			
Finance expenses	19	946,065	1,167,881	VIII.56
Including: Interest expenses	20	1,649,595	1,147,525	VIII.56
Interest income	21	287,396	256,646	VIII.56
Net exchange loss("-" for net proceeds)	22	-662,241	41,794	VIII.56
Other costs and expenses	23			
Other income	24	492,393	137,306	VIII.57
Investment income("-" for loss)	25	464,085	236,777	VIII.58
Including: Investment income from associates and joint ventures	26	-46,401	53,478	VIII.58
☆Income from derecognition of financial assets at amortized cost	27			
△Gain on foreign exchange("-" for loss)	28			
☆Net exposure to hedging gains("-" for loss)	29			
Gain from fair-value changes("-" for loss)	30	90,407	296,209	VIII.59
☆Credit losses("-" for loss)	31	13,693	-4,347	VIII.60
Impairment on assets("-" for loss)	32	-2,099,171	-1,591,621	VIII.61
Proceeds from asset disposal("-" for loss)	33	-2,024	28,058	VIII.62
III. Operating profits("-" for loss)	34	8,597,323	7,282,301	
Add:non-operating income	35	239,401	280,297	VIII.63
Government grants	36	28,262	24,457	VIII.63
Less: Non-operating expenses	37	114,705	74,310	VIII.64
IV. Profit before tax("-" for loss)	38	8,722,019	7,488,288	
Less: Income tax expense	39	3,069,812	2,360,055	VIII.65
V. Net profit("-" for net loss)	40	5,652,207	5,128,233	
By ownership	41	—	—	
Net profit attributable to parent company	42	1,652,273	1,980,510	
Profit/loss attributable to minority share-holders	43	3,999,934	3,147,723	
By going concern basis	44	—	—	
Continuous operating profit and loss	45	5,652,207	5,128,233	
Termination of the business profit and loss	46			
VI. Other comprehensive income after tax	47	-118,564	87,131	
Other comprehensive income after tax attributable to parent company	48	256,292	2,523	VIII.66
Comprehensive income not to be reclassified as profit or loss	49	-14,383	9,010	VIII.66
Changes in remeasured defined benefit obligations	50	2,251	37	VIII.66
Share of other comprehensive income of an associate	51			
☆Net gain on equity instruments at fair value through other comprehensive income	52	-16,634	8,973	VIII.66
☆Fair value changes in enterprise's own credit risk	53			
Others	54			
Other comprehensive income to be reclassified as profit or loss	55	270,675	-6,487	VIII.66
Share of other comprehensive income of an associate	56	-16,951	-94,126	VIII.66
☆Net gain on debt instruments at fair value through other comprehensive income	57		38,357	VIII.66
Gain or loss from fair value changes of available-for-sale financial assets	58	-53,569	4,245	VIII.66
☆The amount of financial assets reclassified into other comprehensive income	59			
Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets	60			
☆Other debt investment credit impairment provision	61			
Reserve for cash flow hedging(Effective part for cash flow hedging profit and loss	62	-16,885	-1,496	VIII.66
Currency translation reserve	63	-158,261	45,637	VIII.66
Other profit or loss to be reclassified	64	516,341	896	VIII.66
*Other comprehensive income after tax attributable to minority share-holders	65	-374,856	84,608	
VII. Total comprehensive income	66	5,533,643	5,215,364	
Total comprehensive income attributable to parent company	67	1,908,565	1,983,033	
*Total comprehensive income attributable to minority share-holders	68	3,625,078	3,232,331	
VIII. Earnings per share:	69	—	—	
Basic earnings per share	70			
Diluted earnings per share	71			

Legal Representative: Wan Min　　Chief Accountant: Ma Wangjun　　Person in charge of the accounting Department: Zeng Rongsheng

Consolidated Statement of Cash Flows

Prepared by: China Tourism Group Corporation Limited | Year of 2020 | Unit: Thousand yuan

Item	Lines	Current Period	Prior Period	Note No.
I. Cash flows from operating activities:	1	—	—	
Cash received from sales and services	2	78,693,668	88,465,203	
△Net increase in deposits and placements from financial institutions	3	7,251	106,160	
△Net increase in due to central banks	4			
△Net increase in placement from financial institutions	5			
△Cash received from premiums of original insurance contracts	6			
△Net amount of reinsurance business	7			
△Net increase in insured's deposits and investments	8			
△Net increase in disposal of financial assets at fair value through profit and loss	9			
△Cash received from interests, fees and commissions	10	2,140,420	2,273,380	
△Net increase of placement from banks and other financial institutions	11			
△Net increase in repurchasing	12			
△Net cash received from agent sales of securities	13			
Taxes and surcharges refunds	14	167,501	28,903	
Other cash receipts related to operating activities	15	6,580,219	5,290,322	
(Total cash inflows from operating activities)	16	87,589,059	96,163,968	
Cash paid for goods and services	17	54,262,695	62,854,880	
△Net increase in loans and advances	18	-1,156,167	1,072,110	
△Net increase in deposits with central banks and other financial institutions	19	130,110	-1,121,314	
△Cash paid for claim settlements on original insurance contracts	20			
△ Net increase of due from banks and other financial institutions	21			
△Cash paid for interest, fees and commissions	22	308,808	366,017	
△Cash paid for policy dividends	23			
Cash paid to and for employees	24	6,620,767	6,826,548	
Taxes and surcharges cash payments	25	6,058,065	4,822,661	
Other cash payments related to operating activities	26	14,482,967	22,035,695	
(Total cash outflows from operating activities)	27	80,707,245	96,856,597	
(Net cash flows from operating activities)	28	6,881,814	-692,629	VIII.72
II. Cash flows from investing activities:	29	—	—	
Cash received from withdraw of investments	30	39,869,896	16,873,706	
Cash received from investment income	31	295,834	451,096	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32	7,521	26,027	
Net cash received from disposal of subsidiaries and other business units	33			
Other cash receipts related to investing activities	34	1,069,452	13,407,749	
(Total cash inflows from investing activities)	35	41,242,703	30,758,578	
Cash paid for fixed assets, intangible assets and other long-term assets	36	2,411,298	2,533,226	
Cash payments for investments	37	45,664,594	16,075,792	
△Net increase in pledged loans	38			
Net cash paid for acquiring subsidiaries and other business units	39	218,918		
Other cash payments related to investing activities	40	16,914	9,730,606	
(Total cash outflows from investing activities)	41	48,311,724	28,339,624	
(Net cash flows from investing activities)	42	-7,069,021	2,418,954	
III. Cash flows from financing activities:	43	—	—	
Cash received from investments by others	44	137,596	2,458,650	
Including: Cash received by subsidiaries from minority shareholders' investments	45	122,596	193,828	
Cash received from borrowings	46	31,974,801	21,134,443	
Other cash receipts related to other financing activities	47	240,602	141,895	
(Total cash inflows from financing activities)	48	32,352,999	23,734,988	
Cash repayments for debts	49	16,760,988	15,631,848	
Cash payments for distribution of dividends, profit and interest expenses	50	2,850,220	2,915,679	
Including: Dividends or profit paid by subsidiaries to minority shareholders	51	1,111,697	1,631,062	
Other cash payments related to financing activities	52	3,161,534	1,600,290	
(Total cash outflows from financing activities)	53	22,772,742	20,147,817	
(Net cash flows from financing activities)	54	9,580,257	3,587,171	
IV. Effect of foreign exchange rate changes on cash and cash equivalents	55	-394,463	153,654	
V. Net increase in cash and cash equivalents	56	8,998,587	5,467,150	VIII.72
Add: Beginning balance of cash and cash equivalents	57	18,464,013	12,996,863	VIII.72
VI. Ending balance of cash and cash equivalents	58	27,462,600	18,464,013	VIII.72

Legal Representative: Wan Min   Chief Accountant: Ma Wangjun   Person in charge of the accounting Department: Zeng Rongsheng

Consolidated Statement of Changes in Owner's Equity

Prepared by: China Tourism Group Corporation Limited

Year of 2020

Unit: Thousand yuan

Item	Lines	Amount for the Current Year													
		Owner' s Equity attributable to the Owners of Parent Company												Minority interests	Total owner' s equity
		Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury ahares	Other comprehensive income	Special reserve	Surplus reserve	△General risk provision	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	other										
Column No.	—	1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Ending balance of last year	1	15,896,578				46,673		-521,397	2,268			8,385,736	23,809,858	27,185,211	50,995,069
Add: Increase/decrease due to changes in accounting policies	2														
Increase/decrease due to corrections of errors in Prior Period	3														
Others	4														
II. Beginning balance of current year)	5	15,896,578				46,673		-521,397	2,268			8,385,736	23,809,858	27,185,211	50,995,069
III. Increase/decrease for current year("-" for decrease)	6					755,286		256,292	1,028			1,271,355	2,283,961	84,288	2,368,249
(I) Total comprehensive income	7							256,292				1,652,273	1,908,565	3,625,078	5,533,643
(II) Owner's contributions and withdrawals of capital	8					755,286						-113,549	641,737	-2,409,789	-1,768,052
1. Capital contributed by share holders	9													1,072,116	1,072,116
2. Capital contributed by other equity instruments holders	10														
3. Share-based payment recorded in owner's equity	11					-3,006							-3,006	-2,632	-5,638
4. Others	12					758,292						-113,549	644,743	-3,479,273	-2,834,530
(III)Accrual and utilization of specialized reserve	13								1,028				1,028		1,028
1. Accrual of specialized reserve	14								1,628				1,628		1,628
2. Utilization of specialized reserve	15								-600				-600		-600
(4) Profits distribution	16											-267,369	-267,369	-1,131,001	-1,398,370
1. Appropriation of surplus reserve	17														
Including: Statutory surplus reserve	18														
Discretionary surplus reserve	19														
#Reserve fund	20														
#Corporate development fund	21														
#Return of investment	22														
2.Accrual of general risk reserve	23														
3.Distribution to owner/shareholder	24											-267,369	-267,369	-1,131,001	-1,398,370
4. Others	25														
(5) Transfer within owner's equity	26														
1. Capital reserve transferred to paid-in capital	27														
2. Surplus reserve transferred to paid-in capital	28														
3. Recover of loss by surplus reserve	29														
4. Defined benefit plan changes carried forward to retained earnings	30														
☆5.Other comprehensive income carried forward to retained earnings	31														
6. Others	32														
IV. Ending balance of current year	33	15,896,578				801,959		-265,105	3,296			9,657,091	26,093,819	27,269,499	53,363,318

Legal Representative: Wan Min Chief Accountant: Ma Wangjun Person in charge of the accounting Department: Zeng Rongsheng

Consolidated Statement of Changes in Owner's Equity (Continued)

Year of 2020

Prepared by: China Tourism Group Corporation Limited

Unit: Thousand yuan

Item	Lines	Amount for the Previous Year													
		Owner's Equity attributable to the Owners of Parent Company												Minority interests	Total owner's equity
		Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury ahares	Other comprehensive income	Special reserve	Surplus reserve	△General risk provision	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	other										
Column No.	—	15	16	17	18	19	20	21	22	23	24	25	26	27	28
I. Ending balance of last year	1	15,696,578				54,896		-523,920	1,381		42,217	4,997,823	20,268,975	23,376,229	43,645,204
Add: Increase/decrease due to changes in accounting policies	2														
Increase/decrease due to corrections of errors in Prior Period	3														
Others	4														
II. Beginning balance of current year)	5	15,696,578				54,896		-523,920	1,381		42,217	4,997,823	20,268,975	23,376,229	43,645,204
III. Increase/decrease for current year("-" for decrease)	6	200,000				-8,223		2,523	887		-42,217	3,387,913	3,540,883	3,808,982	7,349,865
(I) Total comprehensive income	7							2,523				1,980,510	1,983,033	3,232,331	5,215,364
(II) Owner's contributions and withdrawals of capital	8	200,000				-8,223						1,548,353	1,740,130	2,092,030	3,832,130
1. Capital contributed by share holders	9	200,000											200,000	2,970,919	3,170,919
2. Capital contributed by other equity instruments holders	10														
3. Share-based payment recorded in owner's equity	11					-14,935							-14,935	-13,563	-28,498
4. Others	12					6,712						1,548,353	1,555,065	-865,356	689,709
(III)Accrual and utilization of specialized reserve	13								887				887		887
1. Accrual of specialized reserve	14								1,914				1,914		1,914
2. Utilization of specialized reserve	15								-1,027				-1,027		-1,027
(4) Profits distribution	16										-42,217	-140,950	-183,167	-1,515,349	-1,698,516
1. Appropriation of surplus reserve	17														
Including: Statutory surplus reserve	18														
Discretionary surplus reserve	19														
#Reserve fund	20														
#Corporate development fund	21														
#Return of investment	22														
2.Accrual of general risk reserve	23										-42,217	42,217			
3.Distribution to owner/shareholder	24											-183,167	-183,167	-1,510,284	-1,693,451
4. Others	25													-5,065	-5,065
(5) Transfer within owner's equity	26														
1. Capital reserve transferred to paid-in capital	27														
2. Surplus reserve transferred to paid-in capital	28														
3. Recover of loss by surplus reserve	29														
4. Defined benefit plan changes carried forward to retained earnings	30														
☆5.Other comprehensive income carried forward to retained earnings	31														
6. Others	32														
IV. Ending balance of current year	33	15,896,578				46,673		-521,397	2,268			8,385,736	23,809,858	27,185,211	50,995,069

Legal Representative: Wan Min Chief Accountant: Ma Wangjun Person in charge of the accounting Department: Zeng Rongsheng

Consolidated Assets Impairment Provisions Statement

Prepared by: China Tourism Group Corporation Limited

Dec-31-20

Unit: Thousand yuan

Item	Lines	Opening Balance	Increase in current year: Accrued	Increase in current year: Mergers and Acquisitions	Increase in current year: Others	Increase in current year: Total	Decrease in current year: Reversal	Decrease in current year: Written off	Decrease in current year: Mergers and Acquisitions	Decrease in current year: Others	Decrease in current year: Total	Closing Balance	Items	Lines	Amount
Columns	-	1	2	3	4	5	6	7	8	9	10	11	Column No.	-	12
I. Provision for bad debts	1	906,632	-20,187			-20,187		23	6,304	35,253	41,580	844,865	**Supplementary :**	21	——
II. Provision of inventories	2	697,940	908,944			908,944		258,639		11,635	270,274	1,336,610	**I. Credit of hidden loss due to policy reasons**	22	
III. Provision for contractual asset	3												**II. Current year disposal of previous year losses and credit**	23	
IV. Provision for held-for-sale assets	4												Including:Disposal in current year profit and loss	24	
V. Provision for debt investment	5													25	
VI. Provision for available-for-sale financial assets	6	80,712	2,550			2,550		479		952	1,431	81,831		26	
VII. Provision for held-to-maturity investments	7													27	
VIII. Provision for long-term equity investments	8	384,054	354,737			354,737			156,761	1,665	158,426	580,365		28	
IX. Provision for investment properties	9													29	
X. Provision for fixed assets	10	1,120,113	212,635			212,635		281	134	20,197	20,612	1,312,136		30	
XI. Provision for constructions in progress	11	173,688	6,330			6,330						180,018		31	
XII. Provision for productive biological assets	12													32	
XIII. Provision for oil and gas assets	13													33	
Provision for The right-of-use assets	14													34	
XV. Provision for intangible assets	15	1,586	3,811			3,811				149	149	5,248		35	
XVI. Provision for goodwill	16	1,001,013								19,467	19,467	981,546		36	
XVII. Provision for contract acquisition cost	17													37	
XVIII. Provision for contract performance cost	18													38	
XIX. Others	19	513,634	616,658		123,950	740,608		741,609		29,927	771,536	482,706		39	
Total	20	4,879,372	2,085,478		123,950	2,209,428		1,001,031	163,199	119,245	1,283,475	5,805,325		40	

Legal Representative: Wan Min Chief Accountant: Ma Wangjun Person in charge of the accounting Department: Zeng Rongsheng

Balance Sheet

Prepared by: China Tourism Group Corporation Limited   Dec-31-20   Unit: Thousand yuan

Item	Lines	Closing balance	Opening balance	Note No.
Current assets:	1	——	——	
Cash and cash equivalents	2	6,924,964	1,325,415	
△Settlement reserve	3			
△Due from banks and other financial institutions	4			
☆Transactional financial assets	5			
Financial assets at fair value through profit and loss	6			
Derivative assets	7			
Notes receivable	8			
Accounts receivable	9			
☆Receivables for financing	10			
Prepayments	11	988	38	
△Premiums receivable	12			
△Reinsurance receivables	13			
△Provision of cession receivable	14			
Other receivables	15	9,367,456	9,303,972	XIII.1
Including: Dividends Receivable	16	221,030	306,410	XIII.1
△Buying back the sale of financial assets	17			
Inventories	18	15		
Including: Raw materials	19			
Merchandise inventories(finished goods)	20			
☆Contract assets	21			
Held-for-sale assets	22			
Current portion of non-current assets	23			
Other current assets	24	200,000		
Total current assets	25	16,493,423	10,629,425	
Non-current assets:	26	——	——	
△Loans and advances issued	27			
☆Debt investments	28			
Available-for-sale financial assets	29	51,850	51,850	
☆Other debt investments	30			
Held-to-maturity investments	31			
Long-term receivables	32	1,557,308		
Long-term equity investments	33	27,013,555	22,887,855	XIII.2
☆Other equity instruments	34			
☆Other non-current financial assets	35			
Investment property	36			
Fixed assets	37	22,653	23,082	
Including: Original book value	38	38,590	37,597	
Accumulated depreciation	39	15,937	14,515	
Impairment provisions of fixed assets	40			
Construction in progress	41			
Productive biological assets	42			
Oil and gas assets	43			
☆Right-of-use asset	44			
Intangible assets	45			
Development disbursements	46			
Goodwill	47			
Long-term deferred expenses	48			
Deferred tax assets	49	102,329	170,548	
Other non-current assets	50			
Including: Authorized reserve material	51			
Total non-current assets	52	28,747,695	23,133,335	
	53			
	54			
	55			
	56			
	57			
	58			
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	62			
	63			
	64			
	65			
	66			
	67			
	68			
	69			
	70			
	71			
	72			
	73			
Total assets	74	45,241,118	33,762,760	

Legal Representative: Wan Min   Chief Accountant: Ma Wangjun   Person in charge of the accounting Department: Zeng Rongsheng

Balance Sheet (continued)

Prepared by: China Tourism Group Corporation Limited | Dec-31-20 | Unit: Thousand yuan

Item	Lines	Closing balance	Opening balance	Note No.
Current liabilities:	75	—	—	
Short-term borrowings	76	588,000	7,000,000	
△Borrowings from central bank	77			
△Placement from banks and other financial institutions	78			
☆Transactional financial liabilities	79			
Financial liabilities at fair value through profit and loss	80			
Derivative liabilities	81			
Notes payable	82			
Accounts payable	83			
Advances from customers	84			
☆Contract liabilities	85			
△Securities sold under agreement to repurchase	86			
△Deposits and placements from other financial institutions	87			
△Securities brokering	88			
△Securities underwriting	89			
Employee benefits payable	90	58,944	1,404	
Including: Salary payable	91	56,585	1,000	
Welfare benefits payable	92			
#Employee bonus and welfare fund	93			
Taxes and surcharges payable	94	1,348	1,036	
Including: Taxes payable excluding surcharges	95	1,348	997	
Other payables	96	7,397,688	7,270,142	
Including:Dividends Payable	97			
△Fees and commissions payable	98			
△Reinsurance amounts payable	99			
Held-for-sale liabilities	100			
Current portion of non-current liabilities	101	5,594,179	2,288,000	
Other current liabilities	102			
Total current liabilities	103	13,640,159	16,560,582	
Non-current liabilities:	104	—	—	
△Reserve of insurance contract	105			
Long-term borrowings	106	12,467,000	1,099,000	
Bonds payable	107	8,996,747	7,583,851	
Preferred stock	108			
Perpetual debt	109			
☆Lease liabilities	110			
Long-term payable	111			
Long-term employee benefits payable	112			
Provisions	113			
Deferred income	114			
Deferred tax liabilities	115			
Other non-current liabilities	116			
Including:Authorized reserve fund	117			
Total non-current liabilities	118	21,463,747	8,682,851	
Total liabilities	119	35,103,906	25,243,433	
Equity:	120	—	—	
Paid-in capital	121	15,896,577	15,896,577	
State-owned capital	122	15,896,577	15,896,577	
State-owned legal person's capital	123			
Collectively owned capital	124			
Private capital	125			
Foreign capital	126			
#Less: Payback capital	127			
Paid-in capital-net value	128	15,896,577	15,896,577	
Other equity instruments	129			
Preferred stock	130			
Perpetual debt	131			
Capital reserve	132	413,022	413,022	
Less:Treasury shares	133			
Other comprehensive income	134	-45,340	10,152	
Including: Currency translation reserve	135			
Specialized reserve	136			
Surplus reserve	137			
Including: Statutory surplus reserve	138			
Other surplus reserve	139			
#Reserve fund	140			
#Corporate development fund	141			
#Return of investment	142			
△General risk reserve	143			
Retained earnings	144	-6,127,047	-7,800,424	
Equity attributable to parent company	145	10,137,212	8,519,327	
*Minority interests	146			
Total owner's equity	147	10,137,212	8,519,327	
Total liabilities and owner's equity	148	45,241,118	33,762,760	

Legal Representative: Wan Min　　Chief Accountant: Ma Wangjun　　Person in charge of the accounting Department: Zeng Rongsheng

Income Statement

Prepared by: China Tourism Group Corporation Limited | Year of 2020 | Unit: Thousand yuan

Item	Lines	Amount for the Current Year	Amount for the Previous Year	Note No.
I. Total operating revenues	1	95	94	
Including: operating revenues	2	95	94	
△Interest incomes	3			
△Earned premiums	4			
△Fee and commission income	5			
II. Total operating costs	6	857,337	726,330	
Including: operating costs	7			
△Interest expenses	8			
△Fee and commission expenses	9			
△Surrenders	10			
△Net expenses of claim settlement	11			
△Net provisions for insurance contract reserves	12			
△Policy dividend expenses	13			
△Reinsurance expenses	14			
Taxes and surcharges	15	3,276	2,585	
Selling expenses	16	10,631	990	
Administrative expenses	17	128,461	30,748	
Research and development expenses	18			
Finance expenses	19	714,969	692,007	
Including: Interest expenses	20	1,002,256	843,307	
Interest income	21	335,650	139,677	
Net exchange loss("-" for net proceeds)	22	47,577	-11,881	
Other costs and expenses	23			
Other income	24			
Investment income("-" for loss)	25	3,130,465	734,697	XIII.3
Including: Investment income from associates and joint ventures	26	195,736	36,138	XIII.3
☆Income from derecognition of financial assets at amortized cost	27			
△Gain on foreign exchange("-" for loss)	28			
☆Net exposure to hedging gains("-" for loss)	29			
Gain from fair-value changes("-" for loss)	30			
☆Credit losses("-" for loss)	31			
Impairment on assets("-" for loss)	32	-278,576	-11	
Proceeds from asset disposal("-" for loss)	33			
III. Operating profits("-" for loss)	34	1,994,647	8,450	
Add:non-operating income	35	20,839	39	
Government grants	36	20,245		
Less: Non-operating expenses	37	6,521	27	
IV. Profit before tax("-" for loss)	38	2,008,965	8,462	
Less: Income tax expense	39	68,219	-170,548	
V. Net profit("-" for net loss)	40	1,940,746	179,010	
By ownership	41	—	—	
Net profit attributable to parent company	42	1,940,746	179,010	
Profit/loss attributable to minority share-holders	43			
By going concern basis	44	—	—	
Continuous operating profit and loss	45	1,940,746	179,010	
Termination of the business profit and loss	46			
VI. Other comprehensive income after tax	47	-55,492	10,152	
Other comprehensive income after tax attributable to parent company	48	-55,492	10,152	
Comprehensive income not to be reclassified as profit or loss	49			
Changes in remeasured defined benefit obligations	50			
Share of other comprehensive income of an associate	51			
☆Net gain on equity instruments at fair value through other comprehensive income	52			
☆Fair value changes in enterprise's own credit risk	53			
Others	54			
Other comprehensive income to be reclassified as profit or loss	55	-55,492	10,152	
Share of other comprehensive income of an associate	56	-55,492	10,152	
☆Net gain on debt instruments at fair value through other comprehensive income	57			
Gain or loss from fair value changes of available-for-sale financial assets	58			
☆The amount of financial assets reclassified into other comprehensive income	59			
Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets	60			
☆Other debt investment credit impairment provision	61			
Reserve for cash flow hedging(Effective part for cash flow hedging profit and loss	62			
Currency translation reserve	63			
Other profit or loss to be reclassified	64			
*Other comprehensive income after tax attributable to minority share-holders	65			
VII. Total comprehensive income	66	1,885,254	189,162	
Total comprehensive income attributable to parent company	67	1,885,254	189,162	
*Total comprehensive income attributable to minority share-holders	68			
VIII. Earnings per share:	69	—	—	
Basic earnings per share	70			
Diluted earnings per share	71			

Legal Representative: Wan Min Chief Accountant: Ma Wangjun Person in charge of the accounting Department: Zeng Rongsheng

Statement of Cash Flows

Prepared by: China Tourism Group Corporation Limited　　Year of 2020　　t: Thousand yuan

Item	Lines	Current Period	Prior Period	Note No.
I. Cash flows from operating activities:	1	—	—	
Cash received from sales and services	2	100	100	
△Net increase in deposits and placements from financial institutions	3			
△Net increase in due to central banks	4			
△Net increase in placement from financial institutions	5			
△Cash received from premiums of original insurance contracts	6			
△Net amount of reinsurance business	7			
△Net increase in insured's deposits and investments	8			
△Net increase in disposal of financial assets at fair value through profit and loss	9			
△Cash received from interests, fees and commissions	10			
△Net increase of placement from banks and other financial institutions	11			
△Net increase in repurchasing	12			
△Net cash received from agent sales of securities	13			
Taxes and surcharges refunds	14			
Other cash receipts related to operating activities	15	144,544	67,895	
(Total cash inflows from operating activities)	16	144,644	67,995	
Cash paid for goods and services	17	964	75	
△Net increase in loans and advances	18			
△Net increase in deposits with central banks and other financial institutions	19			
△Cash paid for claim settlements on original insurance contracts	20			
△ Net increase of due from banks and other financial institutions	21			
△Cash paid for interest, fees and commissions	22			
△Cash paid for policy dividends	23			
Cash paid to and for employees	24	30,247	3,017	
Taxes and surcharges cash payments	25	13,656	8,781	
Other cash payments related to operating activities	26	213,108	338,072	
(Total cash outflows from operating activities)	27	257,975	349,945	
(Net cash flows from operating activities)	28	-113,331	-281,950	XIII.4
II. Cash flows from investing activities:	29	—	—	
Cash received from withdraw of investments	30	26,827,082	16,365,126	
Cash received from investment income	31	961,206	698,559	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32			
Net cash received from disposal of subsidiaries and other business units	33			
Other cash receipts related to investing activities	34	11,914,409	8,193,749	
(Total cash inflows from investing activities)	35	39,702,697	25,257,434	
Cash paid for fixed assets, intangible assets and other long-term assets	36	993	719	
Cash payments for investments	37	29,235,270	17,643,349	
△Net increase in pledged loans	38			
Net cash paid for acquiring subsidiaries and other business units	39			
Other cash payments related to investing activities	40	13,322,209	8,450,500	
(Total cash outflows from investing activities)	41	42,558,472	26,094,568	
(Net cash flows from investing activities)	42	-2,855,775	-837,134	
III. Cash flows from financing activities:	43	—	—	
Cash received from investments by others	44		200,000	
Including: Cash received by subsidiaries from minority shareholders' investments	45			
Cash received from borrowings	46	29,505,075	15,500,000	
Other cash receipts related to other financing activities	47			
(Total cash inflows from financing activities)	48	29,505,075	15,700,000	
Cash repayments for debts	49	19,830,000	13,599,000	
Cash payments for distribution of dividends, profit and interest expenses	50	1,106,421	990,318	
Including: Dividends or profit paid by subsidiaries to minority shareholders	51			
Other cash payments related to financing activities	52			
(Total cash outflows from financing activities)	53	20,936,421	14,589,318	
(Net cash flows from financing activities)	54	8,568,654	1,110,682	
IV. Effect of foreign exchange rate changes on cash and cash equivalents	55			
V. Net increase in cash and cash equivalents	56	5,599,548	-8,402	XIII.4
Add: Beginning balance of cash and cash equivalents	57	1,325,416	1,333,818	XIII.4
VI. Ending balance of cash and cash equivalents	58	6,924,964	1,325,416	XIII.4

Legal Representative: Wan Min　　Chief Accountant: Ma Wangjun　　Person in charge of the accounting Department: Zeng Rongsheng

Statement of Changes in Owner's Equity

Prepared by: China Tourism Group Corporation Limited

Year of 2020

Unit: Thousand yuan

Item	Lines	Amount for the Current Year													
		Owner's Equity attributable to the Owners of Parent Company												Minority interests	Total owner's equity
		Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk provision	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	other										
Column No.	—	1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Ending balance of last year	1	15,896,577				413,022		10,152				-7,800,424	8,519,327		8,519,327
Add: Increase/decrease due to changes in accounting policies	2														
Increase/decrease due to corrections of errors in Prior Period	3														
Others	4														
II. Beginning balance of current year)	5	15,896,577				413,022		10,152				-7,800,424	8,519,327		8,519,327
III. Increase/decrease for current year("-" for decrease)	6							-55,492				1,673,377	1,617,885		1,617,885
(I) Total comprehensive income	7							-55,492				1,940,746	1,885,254		1,885,254
(II) Owner's contributions and withdrawals of capital	8														
1. Capital contributed by share holders	9														
2. Capital contributed by other equity instruments holders	10														
3. Share-based payment recorded in owner's equity	11														
4. Others	12														
(III)Accrual and utilization of specialized reserve	13														
1. Accrual of specialized reserve	14														
2. Utilization of specialized reserve	15														
(4) Profits distribution	16											-267,369	-267,369		-267,369
1. Appropriation of surplus reserve	17														
Including: Statutory surplus reserve	18														
Discretionary surplus reserve	19														
#Reserve fund	20														
#Corporate development fund	21														
#Return of investment	22														
2. Accrual of general risk reserve	23														
3. Distribution to owner/shareholder	24											-267,369	-267,369		-267,369
4. Others	25														
(5) Transfer within owner's equity	26														
1. Capital reserve transferred to paid-in capital	27														
2. Surplus reserve transferred to paid-in capital	28														
3. Recover of loss by surplus reserve	29														
4. Defined benefit plan changes carried forward to retained earnings	30														
☆5. Other comprehensive income carried forward to retained earnings	31														
6. Others	32														
IV. Ending balance of current year	33	15,896,577				413,022		-45,340				-6,127,047	10,137,212		10,137,212

Legal Representative: Wan Min   Chief Accountant: Ma Wangjun   Person in charge of the accounting Department: Zeng Rongsheng

Statement of Changes in Owner's Equity (continued)

Prepared by: China Tourism Group Corporation Limited

Year of 2020

Unit: Thousand yuan

Item	Lines	Amount for the Previous Year													
		Owner's Equity attributable to the Owners of Parent Company												Minority interests	Total owner's equity
		Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	△General risk provision	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	other										
Column No.	—	15	16	17	18	19	20	21	22	23	24	25	26	27	28
I. Ending balance of last year	1	15,696,577				413,022						-7,739,770	8,369,829		8,369,829
Add: Increase/decrease due to changes in accounting policies	2														
Increase/decrease due to corrections of errors in Prior Period	3														
Others	4														
II. Beginning balance of current year)	5	15,696,577				413,022						-7,739,770	8,369,829		8,369,829
III. Increase/decrease for current year("-" for decrease)	6	200,000						10,152				-60,654	149,498		149,498
(I) Total comprehensive income	7							10,152				179,010	189,162		189,162
(II) Owner's contributions and withdrawals of capital	8	200,000											200,000		200,000
1. Capital contributed by share holders	9	200,000											200,000		200,000
2. Capital contributed by other equity instruments holders	10														
3. Share-based payment recorded in owner's equity	11														
4. Others	12														
(III)Accrual and utilization of specialized reserve	13														
1. Accrual of specialized reserve	14														
2. Utilization of specialized reserve	15														
(4) Profits distribution	16											-239,664	-239,664		-239,664
1. Appropriation of surplus reserve	17														
Including: Statutory surplus reserve	18														
Discretionary surplus reserve	19														
#Reserve fund	20														
#Corporate development fund	21														
#Return of investment	22														
2. Accrual of general risk reserve	23														
3. Distribution to owner/shareholder	24											-183,167	-183,167		-183,167
4. Others	25											-56,497	-56,497		-56,497
(5) Transfer within owner's equity	26														
1. Capital reserve transferred to paid-in capital	27														
2. Surplus reserve transferred to paid-in capital	28														
3. Recover of loss by surplus reserve	29														
4. Defined benefit plan changes carried forward to retained earnings	30														
☆5. Other comprehensive income carried forward to retained earnings	31														
6. Others	32														
IV. Ending balance of current year	33	15,896,577				413,022		10,152				-7,800,424	8,519,327		8,519,327

Legal Representative: Wan Min Chief Accountant: Ma Wangjun Person in charge of the accounting Department: Zeng Rongsheng

Assets Impairment Provisions Statement

Prepared by: China Tourism Group Corporation Limited | Dec-31-20 | Unit: Thousand yuan

Item	Lines	Opening Balance	Increase in current year				Decrease in current year					Closing Balance	Items	Lines	Amount
			Accrued	Mergers and Acquisitions	Others	Total	Reversal	Written off	Mergers and Acquisitions	Others	Total				
Columns	-	1	2	3	4	5	6	7	8	9	10	11	Column No.	-	12
I. Provision for bad debts	1	339,328	6			6						339,334	**Supplementary :**	21	
II. Provision of inventories	2												**I. Credit of hidden loss due to policy reasons**	22	
III. Provision for contractual asset	3												**II. Current year disposal of previous year losses and credit**	23	
IV. Provision for held-for-sale assets	4												Including:Disposal in current year profit and loss	24	
V. Provision for debt investment	5													25	
VI. Provision for available-for-sale financial assets	6	18,673										18,673		26	
VII. Provision for held-to-maturity investments	7													27	
VIII. Provision for long-term equity investments	8	44,967	278,570			278,570						323,537		28	
IX. Provision for investment properties	9													29	
X. Provision for fixed assets	10													30	
XI. Provision for constructions in progress	11													31	
XII. Provision for productive biological assets	12													32	
XIII. Provision for oil and gas assets	13													33	
Provision for The right-of-use assets	14													34	
XV. Provision for intangible assets	15													35	
XVI. Provision for goodwill	16													36	
XVII. Provision for contract acquisition cost	17													37	
XVIII. Provision for contract performance cost	18													38	
XIX. Others	19													39	
Total	20	402,968	278,576			278,576						681,544		40	

Legal Representative: Wan Min Chief Accountant: Ma Wangjun Person in charge of the accounting Department: Zeng Rongsheng

China Tourism Group Corporation Limited

Notes to Financial Statements for The Year Ended December 31, 2020

(Unless otherwise stated, all amounts are denominated in RMB thousand)

I. Corporate Introduction

(I) Registered location, Organization structures, Address

China Tourism Group Corporation Limited (hereinafter referred to as the "Group", collectively with its subsidiaries as "China Tourism Group") and CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED (hereinafter referred to as "HKCTS") are important state-owned enterprises directly managed by the central government and one of the three central enterprises headquartered in Hong Kong. Group is formerly known as China National Travel Service Group Corporation Limited (hereinafter referred to as "CNTS"), whose predecessor, China Merchants International Travel Management Co., Ltd. (hereinafter referred to as "China Merchants Travel") was founded on January 3, 1987.

On December 12, 2005, the State-owned Assets Supervision and Administration Commission of the State Council (hereinafter referred to as "SASAC") approved the free transfer of the ownership of China Merchants Travel from CHINA MERCHANTS GROUP LIMITED to HKCTS.

On August 15, 2006, according to SASAC's provisions on the notices that straightening out of CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED's Management system related issues (assets reform (2006) no. 1015), China Merchants Travel changed its name to CNTS, and HKCTS became CNTS's owned subsidiary. The paid-in registered capital of CNTS prior to the above-mentioned restructuring was RMB 92,705 thousand. With the restructuring, the registered capital of CNTS was increased accordingly to the total amount of HKCTS's audited owner's equity at the end of 2005, and the paid-in capital and registered capital was increased by RMB 2,597,750 thousand.

On June 20, 2007 and July 19, 2016, with the approval of SASAC, China Travel Service Group and China International Travel Service Group Corporation were incorporated into CNTS. Beijing Administration of Industry and Commerce granted CNTS with the Business License on July 27, 2016, and its uniform social credit code is 91110000100005554U.

In November 2017, with the approval of SASAC, CNTS was restructured from an enterprise owned by the whole people to a wholly state-owned enterprise. After the restructuring, the registered capital was changed from RMB 15,696,577 thousand to

15,800,000 thousand, and the company name was changed to China Tourism Group Corporation Limited.

On September 12, 2018, the group changed its registration place to 217 international business center, cross-border e-commerce industrial park, Haikou comprehensive bonded zone, Hainan province, and obtained the business license issued by Hainan market regulatory administration.

(II) Nature of Business and Principal Operating Activities

The Group is operating in service industry and it is a comprehensive group company engaged in tourism and investment management, including six part, Business, Travel services, Tourism investment and operations, Tourism retail, tourism finance, Hotel operations and strategic innovation incubation.

(III) Actual Controller of the Group

The actual controller of the Group is the State-owned Assets Supervision and Administration Commission of the State Council.

(IV) Approver and Approve Date of the Financial Report

The financial report was approved to be issued by the Board of Directors on April 20, 2021.

II. Basis of Preparation for Financial Statements

The Financial Statements are prepared on a going concern basis, and prepared according to the transactions actually occurred, and the Group has adopted the Accounting Standards for Business Enterprises (ASBE), newly issued by the Ministry of Finance of PRC and supplementary regulations, and financial statements are prepared on the basis of the significant accounting policies and accounting estimates stated below.

III. Statements on Compliance with ASBE

The financial statements of the Group have been prepared according to Accounting Standard for Business Enterprises (ASBE) newly issued by the Ministry of Finance of PRC, and present truly and completely, the Group’s financial position, the Group's results of operations and cash flows for the year then ended as well as other relevant information.

IV. Significant Accounting Policies and Accounting Estimates

(I) Accounting Period

The Group adopts the calendar year as its accounting year from 1 January to 31 December.

(II) Functional Currency

The Group uses Renminbi (RMB) as its functional currency; the currency used in the main economic environment in which each subsidiary operates is used as the functional currency of such subsidiary; and RMB is used in the preparation of the financial statements.

(III) Accounting Basis and Pricing Principle

The Group bases its accounting on an accrual basis. The Group uses historical costs in measuring accounting elements. It gives special notes if the measurement is made in other attributes as required by standards, such as replacement value, net realizable value, present value or fair value.

(IV) Business Combinations

1. If the business combination is achieved in stages through multiple transactions and the terms and conditions as well as economic impacts of such transactions meet any one or more of following conditions, such transactions are accounted for as a package deal:

(1) These transactions are concluded simultaneously or after considering the mutual consequences of each transaction;

(2) These transactions need to be considered as a whole to achieve a deal in a commercial sense;

(3) The occurrence of an individual transaction depends on the occurrence of one or more individual transaction(s) in the series;

(4) The result of an individual transaction is not economical, but it would be economical after considering other transactions as a whole.

2. Business combination under common control

Assets and liabilities acquired by the Group from the business combination are measured based on the book value of the combined party's assets and liabilities (including goodwill arising from the acquisition of the combined party by the ultimate controller) presented in the consolidated financial statements of the ultimate controller on the date of combination. Difference between the book value of net assets acquired in business combination and the book value of the consideration paid for such combination (or, aggregate par value of issued shares) is adjusted against the share capital in capital reserve; where the share capital premium is insufficient for offset, any excess is adjusted against retained earnings.

In case of any contingent consideration exists and any estimated liability or asset required to be recognized, the difference between the amount of such liability or asset and subsequent settlement amount of such contingent consideration is adjusted against the capital reserve (capital premium or share capital premium). Where the capital reserve is insufficient for offset, any excess is adjusted against retained earnings.

For a business combination under common control realized by two or more transactions, which are classified as “a package deal”, all transactions are deemed as one transaction to acquire control for accounting treatment. When such transactions are not classified as “a package deal”, the difference between the initial investment costs of long-term equity investment and the sum of the book value of the long-term equity investment prior to such combination and the book value of the consideration newly paid for further acquiring share on the date of combination are adjusted against the capital reserve. Where the capital reserve is insufficient for offset, any excess is adjusted against retained earnings. For equity investments held prior to the date of combination, other comprehensive income recognized through equity method or pursuant to standards for recognition and measurement of financial instrument are not accounted for until the disposal of the investment, when such other comprehensive income are accounted for on the same basis on which the investee disposes relevant assets or liabilities directly. For other changes in owners’ equity other than net gains and losses, other comprehensive income and profit distribution of the net assets of the investees recognized through equity method of accounting, no accounting treatment is made until the disposal, when the investment is transferred into current profits or losses.

3. Business combination not under common control

Assets paid, liabilities incurred or assumed by the Group as the consideration for business combination on the date of acquisition are measured by fair value, and the difference between the fair value and its book value is recognized in current profits or losses.

Positive balance between the combination costs and the fair value of the acquiree's identifiable net assets acquired from the combination is recognized as goodwill by the Group while the negative balance between the combination costs and the fair value of the acquiree's identifiable net assets acquired from the combination is included in current profits or losses upon being reviewed.

For a business combination under common control realized by two or more transactions which are classified as “a package deal”, all transactions are deemed as one transaction to acquire control for the purpose of accounting. When such transactions are not classified as “a package deal”, for equity investment held prior to the date of combination and recognized by equity method, the initial investment costs of such investment is the sum of the book value of the acquiree's equity investment held prior to the date of acquisition and the additional investment costs made on the date of acquisition; other comprehensive income recognized as a result of the accounting of equity investment held prior to the date of acquisition by equity method are accounted for upon the disposal of such investment on the same basis on which the investee disposes relevant assets or liabilities directly. For equity investment held prior to the date of combination which are accounted for pursuant to standards for recognition and measurement of financial instrument, the initial investment costs of such equity investment on the data of combination is the sum of its fair value on such date and its additional investment costs. The difference between the fair value and the book value of the equity held previously and the accumulated changes in fair value originally included in other comprehensive income is transferred into investment income for the period to the date of combination.

4. Expenses incurred for combination

Intermediate costs for audit, legal service and evaluation & consultation as well as other directly related expenses incurred for business combination are included in current profits or losses when incurred; transaction fees of equity securities issued for business combination are deducted from equity if they can be directly attributable to the equity transaction.

(V) Preparation Method of Consolidated Financial Statements

1. Scope of consolidation

Consolidation scope for consolidated financial statement is determined based on concept of control; all the subsidiaries (including individual entities under the control of the Group) are included in consolidated financial statements.

2. Procedures for consolidation

The consolidated financial statements are prepared by the Group, which is based on its own financial statement and financial statement of each subsidiary as well as other related materials. In preparing the consolidated financial statements, the whole group is considered as a single accounting entity. The consolidated financial statements are prepared in accordance with requirements on relevant Accounting Standards for Business Enterprises on recognition, measurement and presentation and the uniform accounting policies to present the overall financial condition, operating results and cash flow of the Group.

Accounting policies and accounting periods adopted by subsidiaries included in the consolidation scope of consolidated financial statements are as the same as those of the Group; otherwise, reasonable adjustment is made based on the accounting policies and accounting periods of the Group in the preparation of consolidated financial statements.

Influences of internal transactions between the Group and various subsidiaries and among the subsidiaries on consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owner's equity are offset upon the consolidation. When the recognition for the same transaction in consolidated financial statements of the Group is different from that made by the Group or the subsidiary, an adjustment is made against the transaction for the prospective of the Group.

The portion of owners' equity, net profits or losses and comprehensive income of subsidiaries for current period, which are attributable to minorities are separately presented as "owner's equity" under consolidated balance sheet, "net profit" and "total comprehensive income" under consolidated income statement. If the loss for the period shared by minority shareholders of a subsidiary exceeds the share enjoyed by minority shareholders in the subsidiary's owner's equity at the beginning of the period, the balance is written down with the minority equity.

For subsidiaries acquired through business combination under common control, their financial statements are adjusted based on the fair value of their assets and liabilities (including goodwill arising from the acquisition of such subsidiary by the ultimate controller) in financial statements of the ultimate controller.

For subsidiaries obtained as a result of the business combination under non-identical control, their financial statements are adjusted in accordance with the fair value of identifiable net assets on the date of the purchase.

(1) Increase in subsidiary or business

If additional subsidiary or business is acquired during the reporting period through business combination under common control, opening balance in consolidated balance sheet is adjusted; income, costs and profits of the subsidiary or business from the opening of the period for combination to the end of the reporting period are included in consolidated income statement; cash flows of the subsidiary or business from the opening of the period for combination to the end of the reporting period are included in consolidated cash flow statement. Relevant items in comparative statement are adjusted as if the reporting entity formed after the combination have existed since the time point acquiring control by the ultimate controller.

If the control over the investee under common control was acquired through additional investment or similar reasons, adjustment is made as if parties in combination have existed in current status since the time point when the ultimate controller acquires control. For equity investment held prior to acquire the control over the combined party, profits or losses, other comprehensive income and other change in net assets recognized for the period from the date acquiring original equity or the date on which the combining party and the combined party are under common control, whichever is later, to the date of combination, are written down respectively against the opening retained earnings or current profits or losses of the period of comparative statement.

During the reporting period, if additional subsidiary or business is acquired through business combination not under common control, opening balance of consolidated balance sheet is not adjusted. Income, costs and profits of the subsidiary or the business from the date of combination to the end of the reporting are included in consolidated income statement; cash flows of the subsidiary or the business from the date of combination to the end of the reporting are included in consolidated cash flow statement.

If the control over the investee not under common control was acquired through additional investment or similar reasons, equity held in acquiree prior to the date of acquisition are re-measured at fair value such equity on the date of acquisition and difference between the fair value and the book value is included in investment income for current period. For equity held prior to the date of acquisition involving other comprehensive income accounted for by equity method and other changes in owners' equity other than net profits or losses, other comprehensive income and profit distribution, such other comprehensive income and other changes in owners' equity are converted into investment income of the period of the date of acquisition, excluding other comprehensive income arising from changes from re-measuring net liabilities or net assets of defined benefit plans by investee.

(2) Disposal of subsidiary or business

1) General method for disposal

When disposing a subsidiary or business during the reporting period, income, costs and profits from the opening of the period to the disposing date are included in consolidated income statement; cash flows thereof for the same period are included in consolidated cash flow statement.

When the Group lost control over the investee due to disposing partial equity investment or other reasons, the Group re-measures residual equity investment after disposing at its fair value on the date of losing control. The difference from the sum of consideration from equity disposal and the fair value of residual equity minus the sum of the net assets shared in original subsidiary calculated based on original shareholding ratio from the date of acquisition or combination and the goodwill is included in the investment income of the period losing control. Other comprehensive income or other changes in owners' equity other than net profits or losses, other comprehensive income and profit distribution related to the equity investment in original subsidiary are converted into investment income of the period losing control, excluding other comprehensive income arising from changes from re-measuring net liabilities or net assets of defined benefit plans by investee.

2) Disposal of subsidiary by stages

If the Group lost the control over a subsidiary through disposal of equity investment in such subsidiary by stages in multiple transactions and the terms and conditions as well as economic impacts of such transactions meet any one or more of following conditions, then it indicates that such transactions shall be accounted for as a package deal:

A. These transactions are concluded simultaneously or after considering the mutual consequences of each individual transaction;

B. These transactions need to be considered as a whole in order to achieve a deal in commercial sense;

C. The occurrence of an individual transaction depends on the occurrence of one or more individual transaction(s) in the series;

D. The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions as a whole.

As to transactions for disposal of equity investment in a subsidiary through multiple transactions which leads to loss of control, when such transactions constitute a package deal, the Group accounted such transactions as one transaction in relation to disposal of the subsidiary leading to loss of control; however, the difference between the consideration received from the disposal and the share of net assets of the subsidiary disposed in each individual transaction prior to the loss of control is recognized as other comprehensive income in the consolidated financial statements and transferred to the profit or loss for the period when control is lost.

As to transactions for disposal of equity investment in a subsidiary through multiple transactions which leads to loss of control, when such transactions do not constitute a package deal, the Group accounts for the transactions prior to the loss of control in accordance with policies for the disposal of equity investment in subsidiary without loss of control; thereafter, the Group accounts for the transactions based on general method to disposal a subsidiary.

(3) Acquisition of minority equity in a subsidiary

The difference between the long-term equity investment acquired through the acquisition of minority equity interest and the share of net assets in the subsidiary as calculated continuously commencing from the date of acquisition (or combination) and based on the newly increased percentage of shareholding is adjusted against the share capital premium in capital reserve in consolidated balance sheet; where the share capital premium is insufficient for offset, any excess is adjusted against retained earnings.

(4) Disposal of equity investment in a subsidiary without the loss of control

The difference of consideration for disposal of long-term equity investments in a subsidiary in partial without the loss of control and the shares of net assets in the subsidiary as calculated continuously commencing from the date of acquisition (or combination) for disposed long-term equity investment is adjusted against the share capital premium in capital reserve in consolidated balance sheet; where the share capital premium is insufficient for offset, any excess is adjusted against retained earnings.

(VI) Joint Arrangements

1. Classification of joint arrangements

The joint arrangements are divided into joint operations and joint ventures by the Group based on its structure, legal form and terms agreed in such joint arrangement, other related facts and situations.

A joint arrangement that is not structured through a separate vehicle is a joint operation; a joint arrangement that is structured through a separate vehicle is a joint operation; if a joint arrangement with conclusive evidence proving that any one of the following conditions as well as relevant laws and regulations is met is a joint operation:

(1) The legal form of the joint arrangement indicates that the joint parties enjoy rights and assume obligations in respect of assets and liabilities in such arrangement.

(2) The contractual terms of the joint arrangement indicate that the joint parties respectively enjoy rights and assume obligations in respect of assets and liabilities in such arrangement.

(3) Other facts and situations indicate that the joint parties enjoy rights and assume obligations in respect of assets and liabilities in such arrangement; for example, the joint parties enjoy almost all of output relating to the joint arrangement and the settlement of liabilities in such arrangement is continuously depending on the support of the joint parties.

2. Accounting treatment method of joint operations

The Group recognizes following items related to it in share of benefits in the joint operation and accounts for them in accordance with relevant accounting standards for business enterprises:

(1) Solely held assets, as well as jointly held assets according to its share;

(2) Solely assumed liabilities, as well as jointly assumed liabilities according to its share;

(3) Income derived from its entitled share of production of the joint operation;

(4) Income derived from the sales of production of the joint operation according to its share;

(5) Solely incurred expenses, as well as expenses incurred by the joint operation according to its share.

Where the Group invests or sells assets (excluding assets constituting a business) to joint operations, only profits or losses attributable to other parties in the joint operation from the transaction is recognized prior to the sale of such assets by the joint operation to third parties. If any impairment loss incurred for the asset invested or sold which is in compliance with provisions such as the Accounting Standards for Business Enterprises No.8 - Assets Impairment, the Group recognizes the loss in full.

Where the Group purchases assets (excluding assets constituting a business) from joint operations, only profits or losses attributable to other parties in the joint operation from the transaction is recognized prior to the sale of such assets to third parties. If any impairment loss incurred for the asset acquired which is in compliance with provisions such as the Accounting Standards for Business Enterprises No.8 - Assets Impairment, the Group recognizes the loss based on the share it assumed.

The Group does not jointly control the joint operations; if the Group enjoys assets and assumes liabilities related to the joint operation, the accounting is made based on aforesaid principles; otherwise, the accounting is made in accordance with relevant accounting standards for business enterprises.

(VII) Standards for Recognition of Cash and Cash Equivalents

In preparing the cash flow statement, cash on hand and deposits readily available for payment are recognized as cash. Investments held by the Group which are short in term (generally referring to those expiring within 3 months from the date of acquisition), high in liquidity, readily convertible to known amount of cash and subject to an insignificant risk of change in value.

(VIII) Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

1. Foreign currency transactions

Foreign currency transactions are recorded on initial recognition in RMB, by applying to the foreign currency amount the spot exchange rate prevailing on the transaction dates.

On the balance sheet date, foreign currency monetary items are translated into RMB at spot exchange rate of such date; and translation difference arising from which is directly recorded into current profits or losses, except that exchange balances resulting from specific borrowings in foreign currency for purchasing and constructing assets eligible for capitalization, and such exchange balances are treated as per the principles of capitalization of borrowing costs. Foreign currency non-monetary items measured at historical costs are translated at the spot exchange rate prevailing at the transaction date and the amount denominated in the functional currency is not changed

Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate prevailing on the valuation date. The exchange difference arising from the above translation is recognized as changes in fair value and included in current profits or losses. If it is a foreign currency non-monetary item available for sale, the exchange difference from the translation is included in other comprehensive income.

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet; the owners' equity items other than "undistributed profits" are translated at the spot exchange rate at the time of transaction. Income and expense items in the income statement are translated at the spot exchange rate on the transaction date. Difference from above translation of foreign currency financial statements is included in other comprehensive income.

For disposal of overseas operation, difference from translation of foreign currency financial statements relating to overseas operation under other comprehensive incomes in the balance sheet, is transferred in the profits or losses for the current period from other comprehensive incomes; for partially disposal of equity investment or where the proportion of equity held in overseas operation decreased without losing control over such overseas operation, the differences from translation of foreign currency financial statements relating to the disposed part of such operation are attributed to minority equity without being transferred into current profits or losses. When an overseas operation disposed constitutes a part of equity in an associate or a joint venture, difference from translation of foreign currency financial statements related to such oversea operation are transferred into current profits or losses based on the proportion of such oversea operation disposed.

(IX) Financial Instruments

Financial Instruments of The Group includes monetary funds, bond investment, equity investment, other than long term equity investments, accounts receivables, accounts payable, loans, bonds payable and paid-in-capital, etc.

1. CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries, Hong Kong New Travel Investments Ltd., CHINA TRAVEL FINANCIAL HOLDINGS CO., LIMITED and its subsidiary of PRIMECREDIT LIMITED have implemented

new accounting standard of financial instruments since January 1, 2018, and China Tourism Group Duty Free Corporation Limited has implemented new accounting standard of financial instruments since January 1, 2019 (hereinafter “applicable companies”) ,useing the following specific policies

(1) Classification of Financial Assets

Applicable companies classify financial assets at initial recognition by the management of the business model of financial assets and the contractual cash flow characteristics of financial assets: financial instruments reported at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Unless applicable companies change the business model for managing financial assets, in which case affected related financial assets are reclassified on the first day of the first reporting period after the change in the business model, the financial assets shall not be reclassified after the initial confirmation.

Applicable companies would simultaneously match the following conditions and not designated as a financial assets measured at fair value and its changes are included in the current profit and loss, classified as financial instruments reported at amortized cost:

1) The model of applicable companies for managing the financial asset is to collect contract cash flow;

2) The terms of the contract of the financial assets stipulate that the cash flow generated on a special date is only the payment of principal and interest based on the amount of outstanding principal.

Applicable companies would classify assets as financial assets at fair value through other comprehensive income when the assets simultaneously match the following two conditions and are not designated as financial assets at fair value through profit or loss:

1) The business model of applicable companies of managing thefinancial assets is to collect the contract cash flow and sell the financial asset;

2) The terms of the contract of the financial assets stipulate that the cash flow generated on a special date is only the payment of principal and interest based on the amount of outstanding principal.

For non-tradable equity instrument investment, the applicable companies can irrevocably designate financial assets as financial assets at fair value through other comprehensive income at the initial recognition. This designation is made on the basis of individual investment that, from the perspective of the issuers, satisfies the definition of an equity instrument.

In addition to the above financial instruments reported at amortized cost and financial assets at fair value through other comprehensive income, the applicable companies classify all the remaining financial assets as financial assets at fair value through profit or loss. At the initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the applicable companies could irrevocably designate financial instruments reported at amortized cost or financial assets at fair value through other comprehensive income as financial assets at fair value through profit or loss.

The business model of managing financial assets refers to how the applicable companies manages financial assets to generate cash flow. The business model determines whether the source of cash flow of financial assets managed by applicable companies is collect contract cash flow, sell financial assets or both. Applicable companies determine the business model of financial assets management based on objective facts and the specific operation objective of financial assets management determines by key managers.

Applicable companies assesse the characteristics of the contract cash flow of financial assets to determine whether the contract cash flow generated by the relevant financial assets on a specific date is only the payment of principal and interest based on the amount of outstanding principal. The principal refers to the fair value of the financial assets at the initial recognition; interests includes consideration of the time value of money, credit risk associated with the amount of principal outstanding in a particular period, and other basic lending risks, costs, and profits. In addition, the applicable companies may lead to the financial asset contract cash flow time distribution or the amount of charges in the terms of contract to evaluate whether it meet the requirements of the above contract cash flow characteristics.

(2) The Subsequent Measurement of Financial Assets

1) Financial assets at fair value through profit or loss

After the initial recognition, the subsequent measurement of such financial assets at the fair value will result in the profit and loss (which includes interests and dividend incomes) will be recorded into the current profit and loss statement, unless the financial assets are part of the relationship of hedging.

2) Financial instruments reported at amortized cost

After the initial recognition, the real interest rate method id adopted to measure the amortized cost for such financial assets. Profits and losses arising from financial assets measured at amortized costs and not part of any hedging relationship shall be recorded into current profits and loss when they are recognized and amortized or recognized as impairment in accordance with the effective interest rate method.

3) Debt investment measured at fair value through other comprehensive income

After initial recognition, the fair value of such financial assets will be sued for subsequent measurement. The interest, impairment loss or gain and exchange gain calculated by the effective interest rate method are included in the current profit and loss, and other gain or losses are included in other comprehensive income. When the recognition is terminated, the accumulated gains or losses previously included in other comprehensive incomes shall be transferred out from other comprehensive income and recorded into current profits and losses.

4) Equity instrument investment measured at fair value through other comprehensive income

After initial confirmation, the fair value of such financial assets will be used for subsequent measurement income from dividends is included in profit and loss, and other gains or losses are included in other comprehensive income. When the recognition is terminated, the accumulated gains or losses previously included in other comprehensive incomes shall be transferred out from other comprehensive incomes and recorded into retained earnings.

(3) Classification and Subsequent Measurement of Financial Liabilities

PRIMECREDIT LIMITED classified financial liabilities measured at fair value through profit or loss and financial liabilities reported at amortized cost; CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries classify financial liabilities as at amortized cost.

1) Financial liability at fair value through profit or loss

Such financial liabilities include trading financial liabilities (concludes of derivatives) and financial liabilities specified as measured at fair value through profit or loss.

After the initial recognition, the fair value of such financial liabilities is used for subsequent measurement, and the profits or losses (includes interest expenses) generated, except those related to hedge accounting, are included in the current profits and losses.

2) Financial liabilities reported at amortized cost

After the initial recognition, the effective interest rate method is adopted to measure amortized cost for other financial liabilities.

(4) Offset

Financial assets and financial liabilities are shown separately in the balance sheet without offsetting each other. However, if the following conditions are satisfied at the same time, they should be shown in the balance sheet with the net amount after offsetting:

1) Applicable companies have the legal right to offset the confirmed amount, and the legal right is currently enforceable;

2) Applicable companies plan to settle on a net basis, or simultaneously realize the financial assets any pay off the financial liabilities.

(5) Termination of recognition of financial assets and financial liabilities

1) When one of the following conditions is met, applicable companies shall terminate the recognition of the financial assets:

A. The termination of the contractual right to receive the cash flow of the financial asset.

B. The financial assets have been transferred, and applicable companies transfer of almost all risks and rewards in the ownership of the financial asset to the transferee;

C. The financial asset has been transferred, although applicable companies neither transfers nor retains nearly all risks and rewards in the ownership of the financial asset, but does not retain the control over the financial assets.

2) If the financial asset transfer as a whole meets the conditions for the termination of recognition, the applicable companies should record the difference between the following two amounts into the current profits and losses;

A. The carrying amount of the transferred financial asset on the date of termination of recognition;

B. The consideration received as a result of the transfer of financial assets shall be the sum of the amount of termination recognition portion in the accumulative amount of changes in the fair value directly booked into other comprehensive income (the financial assets involved in the transfer shall be debt investment measured at fair value through other comprehensive income).

3) If the current obligation of the financial liability (or part thereof) has been discharged, the applicable companies shall terminate the recognition of the financial liability (or part thereof) according to the new standard.

(6) Impairment

Applicable companies perform impairment accounting treatment based on expected credit losses and recognize impairment provisions on following items:

1) Financial instruments reported at amortized cost;

2) Debt investment measured at fair value through other comprehensive income;

3) Rental receivables.

Applicable companies other at fair value measurement of financial assets held by the credit losses shall not apply to the expected model, including debt investment or equity instrument investment measured at fair value through profit or loss, designated as equity instrument investment measured at fair value through other comprehensive income, as well as the derivative financial assets.

1) Measurement of expected credit loss

Expected credit losses refer to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss is the difference between all contract cash flow discounted by the original actual interest rate and all cash flow expected to collect, namely the present value of all cash shortage.

In the measurement of expected credit losses, the maximum period for the applicable companies to be considered is the maximum contract period (including the extension option) for the enterprise to face credit risks.

The term "expected credit loss for the entire duration" refers to the expected credit loss caused by all possible default events in the entire expected duration of the financial instrument.

The term "expected credit loss in the next 12 months" refers to the expected credit loss caused by the possible default of financial instruments within 12 months after the balance sheet date (if the expected duration of financial instruments is less than 12 months, it is the expected duration), and it is a part of the expected credit loss in the whole duration.

For the issuance of loans and advances, the applicable companies at all time in accordance with the amount equivalent to the entire duration of the expected credit loss measurement of its loss provisions.

Applying the new criteria, the applicable companies calculate the expected credit loss of the above financial assets based on the historical credit loss experience, which is adjusted according to the specific factors of the borrower on the balance sheet date, as well as the assessment of the current situation and the forecast of the future economic situation.

In addition to the issuance of loans and advances, the applicable companies's loss provision for financial instruments that meet the following conditions:

A. The financial instrument only has low credit risk at the balance sheet date;

B. Or the credit risk of the financial instrument has not increased significantly since the initial recognition.

2) Low credit risk

If the financial tools, the lower the risk of default in the borrowers in the short term to fulfill its obligations of the contractual cash flow ability is very strong, and even the economic situation and business environment in a long term adverse change but not necessarily must reduce the borrower's ability to fulfill its obligations to the contractual cash flow, the financial instruments been seen as a lower credit risk.

3) Credit risk increases significantly

By comparing the risk of default of financial instruments on the balance sheet date with the risk of default on the initial recognition date, the applicable companies determine the relative change of default risk in the expected duration of financial instruments, so as to evaluate whether the credit risk of financial instruments has increased significantly since the initial recognition.

In determining whether credit risk has increased significantly since the initial recognition, the applicable companies to consider reasonable and evidence-based information, including forward-looking information that can be obtained without unnecessary additional cost or effort. The information applicable companies need to consider includes:

A. Failure of the debtor to pay the principal and interest on the due date of the contract;

B. A serious deterioration, if any, of the external or internal credit ratings of an existing or anticipated financial instrument;

C. A serious deterioration of the debtor's operating results that has occurred or is expected.

Existing or anticipated changes in the technical, market, economic or legal environment will have a material adverse effect on the ability of the debtor to repay the applicable companies. According to the nature of financial instruments the applicable companies assessing whether credit risk has increased significantly on the basis of a single financial instrument or a combination of financial instruments. When evaluating on the basis of the portfolio of financial instruments, applicable companies can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk rating.

4) Financial assets with credit impairment

At the balance sheet date, applicable companies assess financial instruments reported at amortized cost and debt investment measured at fair value through other comprehensive income has occurred credit impairment. When one or more events have adverse effects on the expected future cash flow of financial asset, the financial asset becomes the financial asset with credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

A. The issuer or debtor has major financial difficulties;

B. Breach of contract by the debtor, such as default or overdue payment of interest or principal;

C. The application of the new standards for applicable companies out of economic or contractual considerations related to the financial difficulties of the debtor, the debtor will not make concessions in any other circumstances;

D. The debtor is likely to go bankrupt or undergo other financial restructuring;

E. The financial difficulties of the issuer or debtor cause the active market of the financial asset to disappear.

5) Presentation of provisions for overdue credit losses

In order to reflect the change of the credit risk of financial instruments since the initial recognition, applicable companies shall re-measure the expected credit loss on each balance sheet date according to the new standards, and the increased or retracted amount of the loss reserve thus formed shall be recorded into the current profits and losses as impairment loss or gain. For financial instruments reported at amortized cost, the loss provision is used to offset the carrying amount of the financial asset shown in the balance sheet; For debt investment measured at fair value through other comprehensive income, applicable companies's recognition of its loss reserve in other comprehensive income, which is not offset by the book value of the financial asset.

6) Write-off

If applicable companies no longer reasonably expect that the contract cash flow of financial assets can be fully or partially recovered by applying the new standards, the book balance of the financial assets will be directly written down. Such write-downs constitute a termination of recognition of the relevant financial asset. This usually occurs when applicable companies determine that the debtor has no assets or source of income to generate sufficient cash flow to repay the amount to be written down. However, the write-down of financial assets may still be affected by applicable companies when the collection of payments due.

If the financial asset which has been written down is recovered later, it shall be taken back as the impairment loss and recorded into the profit and loss of the current period.

(7) Equity instruments

The consideration received by the Group in issuing equity instruments shall be included in shareholders' equity after deducting transaction expenses. To reduce shareholder equity by repurchasing the consideration and transaction costs paid by the Group's equity instruments.

When repurchasing the shares of the Group, the repurchased shares shall be managed as inventory shares, and all expenses incurred for the repurchased shares shall be converted into inventory shares costs, which shall be recorded for future reference at the same time. Inventory shares do not participate in the distribution of profits and are shown as a provision for shareholders' equity in the balance sheet.

When an inventory stock is written off, the share capital shall be reduced according to the total face value of the cancelled stock. The portion of the cost of the inventory stock exceeding the total face value shall be written off as capital reserve (equity premium), surplus reserve and undistributed profit in turn; If the cost of the stock is less than the total face value, the amount less than the total face value will increase the capital reserve (equity premium).

When the stock is transfered, the transfer income is higher than the cost of the stock, increase the capital reserve (equity premium); The portion below the cost of the inventory shares is, in turn, written off as capital reserve (equity premium), surplus reserves, and undistributed profits.

2. Companies that have not adopted the new standards for financial instruments apply the following policies

Financial Instruments include financial assets, financial liabilities and equity instruments.

(1) Classification of the Financial Assets

In accordance with the contractual terms of financial instruments issued and the economic essence reflected by such financial instruments but not only their legal forms and based on the purposes of acquisition and holding of financial assets and of the financial liabilities committed, the management divides the financial assets and financial liabilities into following categories: financial assets (or financial liabilities) measured at fair value through profit or loss; held-to-maturity investments; entrusted loans; financial assets available-for-sale; other financial liabilities, etc.

(2) Recognition basis and measurement method of financial instruments

1) Financial assets (financial liabilities) measured at fair value through profit or loss

Financial assets (financial liabilities) measured at fair value through profit or loss includes financial assets (financial liabilities) held for trading, financial assets or financial liabilities directly designated as measured at fair value through profit or loss.

Financial assets or financial liabilities held for trading refers to financial assets or financial liabilities meeting one of the following conditions:

A. The purpose for acquisition of such financial asset or financial liability is to sell, repurchase or redeem within a short term;

B. The financial asset is a part of a portfolio of identifiable financial instruments under collective management, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;

C. It is a derivative other than derivatives designated as effective hedging instruments, derivatives under financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity investment (without a quoted price from an active market) whose fair value cannot be reliably measured.

Only upon the satisfaction of one of the following conditions, financial assets and financial liabilities may be recognized as being designated financial assets or financial liabilities measured at fair value through profit or loss at initial recognition:

A. The designation may eliminate or significant decrease the inconsistence in recognition or measurement of relevant gains or losses due to the adoption of different basis for measurement of financial assets or financial liabilities;

B. Formal written documents concerning risk management or investment strategy set out that such financial asset portfolio, such financial liability portfolio or such portfolio of financial assets and liabilities is managed, evaluated and reported to key management at fair value;

C. It is a hybrid instrument containing one or more embedded derivatives, unless no significant change in the cash flow of such hybrid instrument is caused by such embedded derivatives or it is clearly that such embedded derivatives shall not be split up from such hybrid instrument;

D. It is a hybrid instrument containing embedded derivatives which have to be split up and is unavailable for individual measurement upon acquisition or on following balance sheet date.

For financial assets or financial liabilities measured at fair value through profit or loss, the fair value at acquisition (deducting declared but undistributed cash dividends or mature but un-yielded bond interests) is recognized as the initial recognition amount with relevant transaction fees included in current profits or losses. The interests or cash dividends obtained during the holding period are recognized as investment income; change in fair value is included in current profits or losses at the end of the period. The difference between its fair value and initial recording amount is recognized as investment income upon disposal with adjustment made against change in fair value.

2) Receivables

The credit receivable of the Group due to the sale of goods or provision of services and credits over the debt instruments held in other enterprises and without quotation on an active market, including accounts receivable and other receivables, are recognized using the consideration as stated in the contract or agreement due from the purchaser as initial recognition amount; those of a financing nature are recognized initially at current value.

The difference between the consideration for recovery or disposal and its book value is included in current profits or losses upon the recovery or disposal of the receivables.

3) Entrusted loans

Method for pricing and income recognition of entrusted loans: the actual entrusted loan amount to financial institutions is recorded as actual costs and accrued interest is calculated in accrual basis principle; in case of the unavailable recovery of interests as provided when falling due, the Group ceases the provision of interest and writes back the interest that has been provided.

Entrusted loans are measured at the end of the period at its book value or recoverable amount, whichever is lower:

A. Recognition criteria of the impairment provisions of entrusted loans: the principal of the entrusted loan is higher than its recoverable amount.

B. Method for accrual of impairment provisions for entrusted loans: at the end of each half year or year, impairment provision is provided at the negative balance of the recoverable amount of a single entrusted loan and its book value.

4) Investment held-to-maturity

Investment held-to-maturity refers to non-derivative financial assets with fixed maturity date, fixed or fixable recovery amount with which the Group has clear attention and ability to hold to maturity.

The Group takes the sum of fair value of investment held-to-maturity (deducting mature but un-yielded bond interests) and relevant transaction charges as initial recognition amounts of such investment. The interest income is recognized at amortized cost according to effective rate method and included in current profits or losses during the period of holding. Effective rate is determined at acquisition and remained the same during the anticipated period of existence or a shorter period applicable. The difference between the consideration for acquisition and the book value of the investment is recognized as investment income upon the disposal of investment held-to-maturity.

In case the amount of investment held-to-maturity disposed or re-classified as other financial assets is relatively large compared with aggregate investments held-to-maturity held by the Group prior to such disposal or reclassification, then upon such disposal or reclassification, remaining investments held-to-maturity shall be reclassified as financial assets available-for-sale; on the date of reclassification, the difference between the book value of such asset and its fair value is included in other comprehensive income, which is transferred out upon the impairment or de-recognition of such financial assets available-for-sale and included in current profits or losses, except in following cases:

A. The date of sale or reclassification is not far from the date of maturity or redemption of such investment (e.g. it will be mature within three months) and changes in market interest rate have no significant influence on its fair value.

B. In accordance with the repayment method provided in contract, the entity has recovered almost its entire original principal.

C. The sale or reclassification is caused by a separate event beyond the control of the entity, which is not expected to be repeated and hard to be anticipated reasonably.

5) Available-for-sale financial asset

Available-for-sale financial asset are non-derivative financial assets that are designated in this category at initial recognition and financial assets other than those classified in any of the other categories.

The Group takes the sum of the fair value thereof (deducting declared but undistributed cash dividends or mature but un-yielded bond interests) and relevant transaction charges as the initial recognition amounts of such financial assets available-for-sale. Interests or cash dividends obtained are recognized as investment income during the period of holding. Gains or losses from changes in fair value of financial assets available-for-sale, other than impairment loss and exchange gains or losses from foreign currency monetary financial assets, are directly included in other comprehensive income. The difference between the consideration acquired and the book value of the financial asset is included in profit and loss on investments upon disposal; meanwhile, the corresponding disposed amount in accumulated changes in fair value which are originally recognized in other comprehensive incomes is transferred out and included in profit and loss on investments.

(3) Method for recognition and measurement of transfer of financial assets

For financial asset transfer, when the Group has transferred substantially all of the risks and rewards on the ownership of financial asset to the transferee, the financial asset is derecognized; if the Group has retained substantially all of the risks and rewards on the ownership of the financial asset, no de-recognition is made.

The principle of substance over form is adopted in determining if the financial asset transfer meets the de-recognition conditions set forth above. The Group divides the transfer of financial assets into two categories: entire transfer and partial transfer of financial assets. When the entire transfer of a financial asset satisfies the de-recognition conditions, the difference between the two amounts below is included in current profits or losses:

1) Book value of the transferred financial asset;

2) The sum of the consideration received for transfer and accumulative amount of change in fair value originally included in owner's equity (when the financial asset transferred is a financial asset available-for-sale).

When the partial transfer of financial asset meets the de-recognition conditions, the book value of the financial asset transferred is amortized according to the respective fair value between the derecognized portion and the non-derecognized portion and the difference between the two amounts below is recognized in current profits or losses:

1) Book value of the derecognized portion;

2) The sum of the consideration received from the derecognized portion and the accumulated change in fair value of the corresponding derecognized portion originally recognized directly in owners' equity (when the financial asset transferred is a financial asset available-for-sale)

Where transfer of financial assets does not meet derecognizing conditions, the financial asset shall be recognized continually, and the consideration received shall be recognized as a financial liability.

(4) De-recognition conditions of financial liabilities

When the current obligation under a financial liability is discharged in whole or in part, the whole or relevant portion of the liability is derecognized. If the Group enters into an agreement with a creditor to replace the existing financial liabilities by assuming new financial liabilities, and the contractual terms of such new financial liabilities and existing financial liabilities are materially different, then existing financial liabilities are derecognized and new financial liabilities are recognized.

If material amendments have been made to all or part of contract terms of current financial liability, the recognition of all or part of current financial liability shall be terminated, and the financial liability with amended terms shall be recognized as a new financial liability.

As the termination of recognition for all or part of a financial liability, the balance between book value and the payment consideration (including non-cash assets which have been transferred out or the new financial liability it assumed) of the financial liability which has been terminated the recognition shall be counted into current profits or losses.

Where the Group repurchases part of its financial liabilities, the book value of the whole financial liabilities is allocated according to the relative fair value between the continually recognized portion and derecognized portion on the repurchase date. The difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred or new financial liability assumed) is included in current profits or losses.

(5) Method for determination of fair value of financial assets and financial liabilities

For financial assets or financial liabilities measured at fair value with an active market, the fair value is determined as per the quotation on the active market. For financial assets initially acquired or derived or financial liabilities assumed, the fair value is determined based on their market transaction price. For those without an active market, estimation techniques are used to determine their fair value. In estimation, the Group uses the estimation techniques currently applicable with sufficient available data and other information for support, chooses the input values in consistent with the features of assets or liabilities considered by market participants in transactions relating to such assets and liabilities and gives priority in use of observable input values. In case the observable input values are not available or it is impractical to obtain such values, then unobservable input values are used.

(6) Provision of impairment provisions for financial assets (excluding receivables)

The Group examines the book value of financial assets other than financial assets measured at fair value through profit or loss on the balance sheet date and if there is objective evidence indicating the impairment of such financial asset, provides Impairment provisions for such asset.

The objective evidences indicating the impairment of financial assets include (but not limited to):

1) The issuer or debtor suffers significant financial difficulties;

2) The debtor breaches contractual terms, such as default in or delay of interest or principal repayment;

3) The creditor makes concession to the debtor with financial difficulties due to the consideration of economic or legal factors;

4) It becoming probable that the debtor will enter bankruptcy or conducts other financial restructuring;

5) The financial asset could not be traded in an active market due to the significant financial difficulties of the issuer;

6) It is unable to identify whether or not the cash flow of a financial asset in a financial asset portfolio has been decreased, provided, however, that the overall evaluation on it based on the public data indicates that, the future cash flow of the financial assets after initial recognition has been decreased and the decrease is measurable, such as the payment ability of the debtor of such financial asset portfolio has gradually exacerbated, or the unemployment rate of the country or area the debtor is located in is increased, the price of collateral in such area has dramatic declined and the industry the debtor is operating in is in a depressed economy;

7) The issuer of equity instruments probably cannot recover the cost of investment due to the material adverse change in technical, market, economic or legal conditions in which the creditor is operating;

8) The fair value of equity instrument investment suffers serious or non-temporary decline;

Specific methods applicable for impairment of financial assets are as follows:

1) Impairment provision for financial assets available-for-sale:

The Group estimates the impairment loss of each financial asset available-for-sale by specific identification method, in which, objective evidences indicating the impairment of investments in equity instrument available-for-sale include a significant or non-temporary decline in fair value of investments in equity instruments, in such case, the fair value of the financial asset available-for-sale is impaired.

In case of impairment of financial assets available-for-sale, the Group transfers the accumulative loss arising from decrease of fair value and originally included in other comprehensive income out and includes it in current profits or losses even though the financial asset has not been derecognized. Such accumulative loss transferred is the balance of the initial acquisition cost of the financial asset available-for-sale minus the recovered principal, the amortized amount, current fair value and the impairment losses originally included in profits or losses.

For debt instrument available-for-sale of which the impairment loss being recognized, if its fair value is increased in subsequent accounting period and such increase is objectively relating to events incurred after the original recognition of impairment loss, the impairment loss originally recognized is reversed and included in current profits or losses; impairment loss of investment in equity instruments available-for-sale is reversed through equity upon the increase of the value of such equity instrument; provided that impairment loss of investment in equity instrument which is not quoted on an active market and of which the fair value cat not be measured reliably, and impairment loss of derivative financial assets linked with such equity instrument and has to be settled through the delivery of such equity instrument may not be reversed.

2) Impairment provision for investment held-to-maturity

For investment held-to-maturity with objective evidence indicating that impairment loss is incurred, the difference between the book value of such investment and its current value of expected future cash flow is recognized as impairment loss. When evidence indicates that its value has been recovered after such provision, reversing the impairment loss originally recognized and including it in current profits or losses, if the reversed book value shall not exceed the amortized cost incurred for such financial asset on the date of reversion in case no Impairment provision is provided.

(7) Set-off of financial assets and financial liabilities

Financial assets and financial liabilities are presented in balance sheet respectively without offset. Provided that, net amount after offset is presented in the balance sheet upon the satisfaction of following two conditions simultaneously:

1) The Group has the legal right to set off the recognized amount and such right is exercisable currently;

2) The Group intends to conduct netting settlement or realize the financial asset as well as pay off the financial liability.

(X) Receivables

1. Receivables that are individually significant and provisioned for bad debt separately:

Recognition criteria of receivables that are individually significant and provisioned separately:

Standard for individual significance: an amount over RMB 10 million (inclusive).

Method for providing bad debt provision for receivables that are individually significant:

Impairment test is conducted separately, and the bad debt provision is provided at the negative balance of the current value of expected future cash flow and its book value and is included in current profits or losses.

2. Receivables that are provisioned for bad debt based on credit risks featured portfolios

(1) Basis for determination of credit risk featured portfolios

The Group conducts the test separately when objective evidences indicate that it cannot recover the receivables in accordance with its original terms. In addition, for receivables with significant single amount, the bad debt reserve is provided according to the actual loss rate of the receivable portfolios with similar credit risk features in previous years as well as taking into the account of current circumstances.

(2) Method for accrual determined based on credit risk featured portfolio

Those with bad debt reserves provided by age analysis method:

Analysis on collectability	Age	Proportion of accrual (%)	
		Accounts receivable	Other receivables
Receivables from enterprises in mainland China	Within 1 year	0	0
	1-2 years	50	50
	2-3 years	100	100
	Above 3 years	100	100
Receivables from overseas enterprises	Within 1 year	0	0
	Above 1 year	100	100

3. Receivables that are individually insignificant but provisioned for bad debt separately

Reason for separate provision: objective evidences prove that the Group cannot recover the receivables in accordance with its original terms.

Method of bad debt provision: bad debt provision is provided at the negative balance of the current value of expected future cash flow of the receivables and its book value.

For notes receivables, prepayments, interest receivables, dividend receivables and other receivables, the bad debt provision is provided at the negative balances between the current value of expected future cash flow and relevant book value.

(XI) Inventories

1. Classification of inventories

Inventories refer to the finished products or good held for sale by the Group in daily operations, goods in process, consumables and materials used in production or service supply, mainly including (but not limited to) raw materials, revolving materials, materials processed on commission, goods in process, semi-finished goods, finished goods (merchandise inventory) and goods in transit.

Inventories of real estate enterprises of the Group also include the finished products or good held for sale in daily operations, goods in process, consumables and materials used in production or service supply, mainly including (but not limited to) development costs, land proposed to be developed, products developed, lease of products developed, relocation housing, merchandise inventory and others.

Development costs refer to properties in construction, which are held for sale; land proposed to be developed refers to land that has been purchased and with the decision to develop to finished product; products developed refer to properties constructed and held for sale. Land proposed to be developed is transferred into development costs in the overall development of project; while the project is developed by stages, land used for development is transferred into development costs by stages and undeveloped land is retained as land proposed to be developed.

The undeveloped land reserve refers to the land assets reserved for the development of real estate projects, including land transfer fees, transaction fees, land deed taxes and fees for handling land certificates paid by enterprises to acquire land, which are listed in "other"; Construction and development costs refer to all inputs and related apportionment costs that have not yet been completed and constitute the conditions for the sale of real estate commodities. Completed product development refers to has completed all the process of development and construction, and has set up a qualified, in line with the national construction standards and design requirements, can be ordered according to the provisions of the contract of transfer units, or as a foreign sales, rental products, including land (construction site), housing, public facilities, in the "stock goods (finished goods)" presentation.

2. Pricing method of inventories

When inventory is acquired, it is initially measured at cost, including procurement cost, processing cost and other costs. Inventories are priced on a first-in, first-out basis at the time of shipment or on a weighted average basis at actual cost.

3. Inventory system of inventory

The perpetual inventory system is adopted.

4. Method of amortization for low-value consumables and packaging materials

(1) Low-value consumption goods are amortized in the one-off amortization method.

(2) Packaging materials are amortized in the one-off amortization method.

(3) Other revolving materials are amortized in the one-off amortization method.

5. Basis for the determination of net realizable value of inventories and the method for providing inventory falling price reserve

Inventory falling price reserve is provided or adjusted subject to the lower cost and net realizable value of inventory after completely checking inventories at the end of the period. As to inventories sold directly, such as finished goods, merchandise inventory and materials for sale, the net realizable value is determined on the basis of the result of estimated selling price less estimated selling cost and relevant taxes in the ordinary production and operation course. As to raw material inventories needed be processed, the net realizable value is determined on the basis of the result of estimated selling price for finished products less estimated costs upon completion, estimated selling cost and relevant taxes in the ordinary production and operation course. As to inventory held for performance of a sales contract or service contract, the net realizable value is determined on the basis of contract price; Where the quantity of inventories held is more than the ordered quantity under a sales contract, the net realizable value of excessive inventories is determined on the basis of general selling prices.

The inventory falling price reserve is provided according to single inventory item at the end of the period; however, as to inventories with large quantity and low unit price, the inventory falling price reserve is provided according to inventory category. For items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, the inventory falling price reserve is provided on an aggregate basis.

Should the factors causing any write-down of the inventories do not exist anymore; the amount of write-down will be recovered and be reversed from the inventory falling price reserve provided originally. The reversed amount will be included in the current profits or losses.

6. Accounting of land for development

For simple land development projects, their costs and expenses are recognized as costs for land developments separately.

For those land projects developed jointly with the real estate development, costs that can be allocated to specific items are generally amortized based on actual area and included in costs of commercial residential building.

7. Accounting of costs for public supporting facilities

Public supporting facilities that cannot be transferred with compensation: costs are allocated and included in costs of commercial residential building according to the standard to determining the benefit proportion.

Public supporting facilities that can be transferred with compensation: each item of supporting facilities is considered as the object of the cost accounting for cost accumulation.

8. Accounting of maintenance funds

In accordance with the regulations in the location of the development project, maintenance funds are collected from the purchasers upon the sale (pre-sale) of developed products or provided and included in the development cost of relevant developed products and jointly paid to the authority governing the maintenance funds.

9. Accounting method of quality bond

Quality bond is reserved from the project fund of the unit in charge of construction in accordance with the construction contract. Maintenance cost arising in the warranty period of developed product is written down against the quality bond; upon the expiration of the warranty period provided for developed product, the balance of quality bond will be returned to the unit in charge of construction.

(XII) Held-for-sale

The Group classifies assets as assets held-for-sale based on the satisfaction of following conditions: (1) with the practice of selling such assets or disposal groups in the similar transactions, those assets can be sold immediately under current condition; (2) the sale is considered to be highly probable, which means a resolution to sell is adopted and a guaranteed purchase commitment is received (a guaranteed purchase commitment means that the Group has concluded a purchase agreement with legal binding with others. The agreement contains material terms and conditions such as transaction price, date and severe-enough punishment for default to minimize the likelihood of material adjustment or cancellation), the sale is expected to be completed within one year; and approvals required in accordance with relevant regulations are granted by competent authorities or regulatory authorities.

The Group adjusts the estimated net residual value of asset held-for-sale to reflect the net amount from its fair value less cost to sell, which shall not be in excess of the original book value of such asset; positive balance of original book value higher than the estimated net residual value adjusted is recognized as asset impairment loss and included in current profits or losses and impairment loss is provided for such asset held-for-sale. Asset impairment loss recognized for a disposal group held-for-sale is deducted against the book value of the goodwill in such disposal group and then with its book value pro rata based on the proportion of book value of each non-current asset in such disposal group to which the measurement standards provided herein is applicable.

In case the net amount from the fair value of non-current asset held-for-sale on subsequent balance sheet date less cost to sell is increased, amount written off in previous period is recovered and reversal of the asset impairment loss recognized upon being classified as asset held-for-sale and the amount reversed is included in current profits or losses. Asset impairment loss recognized prior to the asset being classified as held for sale is not reversed. In case the net amount from the fair value of a disposal group held-for-sale on subsequent balance sheet date less the cost to sell is increased, amount written off in previous period is recovered and reversal of the asset impairment loss recognized for non-current asset to which the measurement standards provided herein is applicable upon being classified as asset held-for-sale and the amount reversed is included in current profits or losses. The book value of goodwill deducted and asset impairment loss recognized for non-current asset to which the measurement standards provided herein is applicable prior to the asset being classified as held for sale are not reversed. For amount reversed subsequently upon the asset impairment loss recognized for a disposal group held-for-sale, the book value of such disposal group is increased pro rata based on the proportion of book value of each non-current asset other than goodwill in such disposal group to which the measurement standards provided herein is applicable.

If the entity loses the control over a subsidiary as a result of selling investments in such subsidiary, then regardless of any equity investment retained by the entity upon such sale, it shall, upon the satisfaction of classification of conditions for assets held-for-sale under the investment in the subsidiary proposed to be sold, classify such investment in a subsidiary as a whole to be recognized as held for sale assets in individual financial statement of the parent company, and shall classify all assets and liabilities of such subsidiary as held for sale in consolidated financial statements.

(XIII) Discontinued Operation

Discontinued operation refers to a portion of the entity which is meeting any of the following conditions and clearly distinguishable from the remainder of the entity and which has been disposed or has been classified as held for sale:

1. It represents a separate major line of business or geographical area of operations;

2. It is part of a single coordinated plan for disposal a separate major line of business or geographical area of operations;

3. It is a subsidiary acquired exclusively with a view to re-sale.

The Group presents the profits or losses from continuing and discontinued operation in income statement respectively. For non-current assets or disposal group held for sale not meeting the definition of discontinued operation, its impairment loss and reversed amount and gains or losses on disposal are presented as profits or losses from continued operation. The impairment loss and reversed amount as well as other gains or losses on operation and gains or losses on disposal for discontinued operation are presented as profits or losses from discontinued operation.

(XIV) Long-term Equity Investment

1. Determination of investment costs

(1) For specific accounting policies of long-term equity investment from business combination, please refer to the accounting treatment method set forth in Note IV (IV) for details.

(2) Long-term equity investments acquired by other means

For a long-term equity investment acquired by cash payment, the initial investment cost is the acquisition price actually paid. Initial investment costs include expenses, taxes and other necessary expenses relating to the acquisition of the long-term equity investment.

For long-term equity investments acquired through issuing equity securities, the initial investment cost is the fair value of the equity securities issued; the transaction fee, which is incurred in issuing or acquiring its own equity instruments and is directly attributable to equity transactions, which is deducted from the equity.

On the condition that the exchange of non-monetary assets has commercial substances and the fair value of the offered or received assets can be measured reliably, the initial cost of a long-term investment obtained by the exchange of non-monetary assets shall be recognized based on the fair value of exchanged-out assets, unless there is conclusive evidence shows that the fair value of exchanged-in assets is more reliable; if the exchange of non-monetary assets cannot meet the requirements aforesaid, the initial cost of a long-term investment obtained by the exchange of non-monetary assets shall be the book value of the exchanged-out asset and relevant payable taxes.

As to a long-term equity investment acquired by debt restructuring, the initial cost of it is determined based on the fair value.

2. Subsequent measurement and recognition of profits or losses

(1) Cost method

The long-term equity investment through which the Group can control the investee is accounted for with the cost method and priced as per initial investment cost and the cost of the long-term equity investment is adjusted for additional or recovered investment.

Except for the price actually paid for acquiring the investment or the declared but not distributed cash dividends or profits in consideration, the Group recognizes the cash dividends or profits declared for distribution shared in investee as the investment income for current period.

(2) Equity method

The Group uses the equity method to account for its long-term equity investments in joint ventures and associates, in which, the equity investments in associates indirectly held through venture capital institutions, mutual funds, trust companies or similar entities including unit linked insurance are measured at fair value and change in fair value is included in profits or losses.

Where the initial investment cost of a long-term equity investment exceeds the interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made against the initial investment cost the long-term equity investment; the initial investment cost is less than the interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is included in current profits or losses.

The Group recognizes its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income after the acquisition of the long-term equity investments, and adjusts the book value of the investment accordingly; the share for entitlement is calculated pursuant to profits or cash dividends declared by the investee and the book value of the long-term equity investment is decreased accordingly; as to changes in owner's equity of the investee other than net profits or losses, other comprehensive income and profit distribution, the book value of the long-term equity investment are adjusted and included in owners' equity.

In recognizing the net profits or losses of the investee for entitlement, such profits or losses are recognized subject to the adjustment of the net profit of investee based on the fair value of each identifiable asset of the investee at the time of acquiring the investment. Profits or losses from unrealized internal transactions between the Group and joint ventures as well as associates, which are attributable to the Group and calculated based on the share ratio, are offset and the investment profits or losses are recognized thereby.

In recognizing losses of the investee to be assumed by the Group, the accounting is made based on follow procedures: the first step is to write down the book value of a long-term equity investment. Secondly, if the book value of a long-term equity investment is insufficient to write down, the investment loss is recognized within the book value of long-term equity, which substantially constitutes net investment in investee, and writing down the book value of long-term accounts receivable and other applicable items. Finally, after the aforesaid procedures, if the Group has to assume additional obligations in accordance with investment contract or agreement, the accrued liabilities is recognized subject to the obligations estimated to be assumed and included in current investment losses.

If the investee achieves profitability in the subsequent periods, upon deducting unrecognized share in losses, the Group will write down the book value of the accrued liabilities recognized, recover the book value of the long-term equity, which substantially constitutes net investment in investee and the book value of long-term equity investment, and recover the recognition of investment profits.

3. Basis for determination of control, joint control over and significant influence upon investee

If the Group has the power against the investee, by which the Group may enjoy a variable return through the engagement in relevant activities of the investee and be able to affect the amount of such return with the use of its power against the investee, then the Group is considered as have control over such investee.

If the Group jointly control certain arrangements with other participant(s) in accordance with relevant agreement and decision with significant influence on the return of such arrangement may be made only under the unanimous agreement with participants sharing the control right jointly, then the Group is considered as control such arrangement jointly with other participant(s) and such arrangement is a joint arrangement.

In case a joint arrangement is structured through a separate vehicle and the Group enjoys rights to the net assets of such separate vehicle in accordance with relevant agreement, then such separate vehicle is a joint venture and the investment is accounted for by equity method. If the Group does not enjoy rights to the net assets of such separate vehicle in accordance with relevant agreement, then such separate vehicle is a joint operation; the Group recognizes items related to share of equity in such joint operation and accounting is made in accordance with relevant accounting standards for business enterprise.

Significant influence refers to that the investee has the power to participate in the financial and operating policy decisions but cannot control or jointly control with other parties over the formulation of those policies. The Group determines whether there is a significant influence on investee based on one or more of following conditions, taking account into all relevant facts and situations:(1) it sends representatives to the Board of Directors or similar organs of authorities of the investee; (2) it participates in formulating financial and operation policies of the investee; (3) it concludes important transactions with the investee; (4) it sends management personnel to the investee; and (5) it provides critical technical information to the investee.

4. Conversion of accounting method of long-term equity investment

(1) The movement from measurement at fair value to equity accounting

For equity investments which are held by the Group originally without control, joint control over and significant influence upon investee and are accounted for in accordance with standards for recognition and measurement of financial instruments, and able to impose significant influence on or jointly control over the investee but not constitute a control over it due to additional investment and similar reasons, the sum of the fair value of such equity investment determined in accordance with the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and the cost of such additional investment is the initial investment cost calculated by equity method.

For equity investment originally held and classified as financial asset available-for-sale, the difference between the fair value and the book value and the accumulated changes in fair value originally included in other comprehensive income is transferred into current profits or losses calculated by equity method.

The book value of long-term equity investment is adjusted against the negative balance from the initial investment cost accounted for by equity method and the share of fair value of identifiable net assets in investee on the date of additional investment which is calculated and determined subject to the new shareholding ratio upon the additional investment, and such balance is included in non-operating income of the period.

(2) The movement from measurement at fair value or equity accounting to cost accounting

In preparing the individual financial statements, for equity investments which are held by the Group originally without control, joint control over and significant influence upon investee or long-term equity investment originally held in associates or joint ventures, which are able to impose joint control over the investee not under common control due to additional investment or similar reasons, the book value of the equity investment originally held and the cost of such additional investment is the initial investment cost calculated by cost method.

Other comprehensive income from equity investment held prior to the date of acquisition and recognized by the equity method is subject to the accounting treatment on the same basis as that adopted by the investee for directly handling related assets or liabilities when such investment is disposed.

For equity investments held prior to the date of acquisition and accounted for in accordance with the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, the accumulated changes in fair value originally included in other comprehensive income is transferred into current profits or losses calculated by cost method.

(3) The movement from equity accounting to measurement at fair value

When the Group lost the joint control over or significant influence on the investee due to disposal of partial equity investment, the residual equity after disposal is accounted for as per *the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, and the difference between the fair value and book value of such residual equity on the date when losing the joint control or significant influence is included into the current profits or losses.

For other comprehensive income from original equity investment recognized by the equity method it is subject to the accounting treatment on the same basis as that adopted by the invested unit for directly handling related assets or liabilities when the equity method is not used anymore.

(4) The movement from cost method to equity method

When the Group lost the control over the investee due to disposal of partial equity investment, in preparing the individual financial statements, residual equity that is able to impose a joint control over or significant influence on investee are accounted for by equity method and such equity is deemed as adjusted based on equity method upon acquisition.

(5) The movement from cost method to measurement at fair value

When the Group lost the control over or significant influence on the investee due to disposal of partial equity investment, the residual equity that is not able to impose a joint control over or significant influence on investee is accounted for as per *the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, and the difference between the fair value and book value of such residual equity on the date when losing the control is included into the current profits or losses.

5. Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the actual acquisition price is included in current profits or losses. For the long-term equity investment accounted for by equity method, on disposal, the part originally included in other comprehensive incomes is proportionally accounted for on the same basis as the investee directly disposes of the related assets or liabilities.

Where the terms and conditions as well as economic impacts of transactions for disposal of equity investment in a subsidiary meet any one or more of following conditions, such transactions are accounted for as a package deal:

(1) These transactions are concluded simultaneously or after considering the mutual consequences of each individual transaction;

(2) These transactions need to be considered as a whole in order to achieve a deal in commercial sense;

(3) The occurrence of an individual transaction depends on the occurrence of one or more individual transaction(s) in the series;

(4) The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions as a whole.

Where the entity lost the control over an original subsidiary due to the disposal of partial equity investment or for other reasons and such disposal is not a package deal, accounting treatment is made separately for individual financial statement and consolidated financial statements:

(1) In individual financial statements, for equity disposed, the difference between its book value and the price actually received is recognized in the current profits or losses. Where the residual equity after such disposal can impose a joint control over or significant influence on investee, is changed to the equity method for calculation, such residual equity is accounted for by equity method and is adjusted as if the same were accounted for by equity method on acquisition; the residual equity after disposal, if unable to impose a joint control over or significant influence on investee, is accounted for in accordance with the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, and the difference between the fair value and book value of such residual equity on the date when losing the control is included into the current profits or losses.

(2) In consolidated financial statements and for transactions occurred prior to the loss of control over a subsidiary, the difference between the price for disposal of a long-term equity investment and the share of net assets enjoyed and calculated as of the date of acquisition or combination due to such disposal is adjusted against the capital reserve (share capital premium); where the capital reserve is insufficient for offset, any excess is adjusted against retained earnings; residual equity upon the loss of control over such subsidiary is re-measured at the fair value on the date of the loss of control. The balance of the sum of the consideration for disposing equity investment and the fair value of residual equity minus the share of net assets in such subsidiary calculated based on the original shareholding ratio continuously from the date of acquisition is included in the investment income of the period the Group loses control and the goodwill is written down accordingly. Other comprehensive income in relation to the equity investments in original subsidiaries is transferred to current investment income when the Group loses control.

In case the transactions for disposal of equity investment in a subsidiary which lead to the loss of control is a package deal, the Group accounts for these transactions as if it is a transaction to dispose the equity investment in subsidiary which leads to the loss of control and the accounting treatment is made separately in individual financial statements and in consolidated financial statements:

(1) In individual financial statements and prior to the loss of control, the difference between each of disposal price and the book value of long-term equity investment of the corresponding disposed equity is recognized as other comprehensive income, it wholly transferred into the current profit and loss when losing control.

(2) In consolidated financial statements and prior to the loss of control, the difference between each of disposal prices and the share of net assets in such subsidiary

corresponding to disposed investment is recognized as other comprehensive income, and then it wholly transferred into the current profit and loss when losing control.

6. Method for impairment test and impairment provision

On the balance sheet date, where the book value of the long-term equity investment is higher than the book value of the owners' equity in investee or in similar cases, impairment test is conducted against the long-term equity investment in accordance with the *Accounting Standards for Business Enterprises No.8 - Asset Impairment* and impairment provision is provided in case the recoverable amount is less than the book value of such long-term equity investment. The recoverable amount of the long-term equity investment is determined on the basis of the net amount from the fair value of the individual long-term equity investment less the disposal expenses, or the current value of expected future cash flow of the long-term equity investment, whichever is higher. When the recoverable amount of the long-term equity investment is less than the book value, the book value of assets is written down to the recoverable amount, and the amount written down is recognized as the asset impairment loss, which is included in the current profits or losses; meanwhile, the corresponding asset impairment provision is provided.

Once recognized, the impairment losses of long-term equity investment may not be reversed.

(XV) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property includes a land use right that is leased out and a building that is leased out. In addition, vacant buildings held for operation and lease by the Group of which the board of director expressly indicates in a written resolution to use for operation and lease and such purpose for holding will not change in a short term is also presented as investment properties.

Investment properties are initially measured at costs. The expenses relating to an investment property are included in the costs of such property when the economic interests relating to it probably flow into the Group and the cost can be reliably measured. Otherwise, subsequent costs are recognized in profit or loss for the period in which they are incurred.

The Group uses the fair value model for subsequent measurement of its investment property. Changes in fair value are included in current profits or losses. Where there is an active trading market for properties in the place the investment property is located in, the Group can obtain the market price and other related information for the same of similar type of property from such trading market and estimate the fair value of the investment property.

The Group does not provide impairment provision for or amortize the investment property, but adjusts the fair value of such property on the balance sheet date based on its fair value and includes the balance between the fair value and the original book value in current profits or losses.

In determining the fair value of an investment property, reference is made to the prevailing market price of properties with the same or similar type on an active market; if such price is not available, reference is made to the latest trading price of properties with the same or similar type on an active market, taking into account of the condition of the asset, location, trading information and trading date, so as to reasonably estimate the fair value of the investment property; or the Group determines its fair value based on the current value of the rental expected to be received in future and related cash flow.

In case the Group has a conclusive evidence indicating the change in usage of an investment property, when such investment property is converted to a property for self-use, its fair value on the date of such conversion is the book value of the property for self-use and the difference between the fair value and the original book value is included in current profits or losses. In case a property for self-use or inventory is converted to the investment property measured by fair value model, such investment property is priced at the fair value on the date of conversion; where such fair value is less than its original book value, the difference is included in current profits or losses; where such fair value is higher than its original book value, the difference is included in other comprehensive income.

If an investment property is disposed, or if it withdraws permanently from use and no economic benefit is expected to be obtained from the disposal, the Group will derecognize such investment property. The balances from the disposal incomes from sale, transfer, write-off or destruction of an investment property less its book value and relevant taxes and expenses is included in current profits or losses.

When an investment property is acquired for the first time (or the usage of an existing property is changed to investment property for the first time after the construction or development or the change in usage) and its fair value is not available constantly and reliably, the Group measures the investment property by cost model under the assumption of zero residual value unless and until its disposal.

(XVI) Fixed Assets

1. Conditions for recognition of fixed assets

Fixed assets refer to tangible assets with a service life of more than a fiscal year that are held for the production of goods, service supply, rental or operating management. Fixed assets are recognized when all of the following conditions are met:

(1) It is probable that future economic benefits that are associated with the fixed asset will flow into the entity;

(2) The cost of the fixed asset can be measured reliably.

2. Initial measurement of fixed assets

Fixed assets of the Group are initially measured at cost. The cost of purchased fixed assets includes purchasing price, import tariff, and other relevant taxes, as well as any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed fixed assets is composed by necessary expenditures for construction of this asset before reaching working condition for its intended use. The value provided in an investment contract or agreement for a fixed asset invested by an investor is the book value of such asset, but if such value is not fair, then its fair value will be used for recording. Where the payment of purchase price for fixed assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of fixed assets is determined on the basis of the current value of the purchase price. The difference between the price paid actually and the current value of the purchase price, excluding the amount, which shall be capitalized, is included in current profits or losses during the credit period.

3. Subsequent measurement and disposal of fixed assets

(1) Fixed assets depreciation

Except for fixed assets with sufficient impairment provision provided but still in service and land, which is priced and recorded separately, fixed-asset impairment provision is provided by classification by straight-line method. Depreciation rate is determined based on the classification, the estimated service life and the estimated net residual value.

For fixed assets formed through expending of the special reserve, the special reserve is written down against the cost to form such fixed asset and the same amount is recognized as accumulated depreciation. No impairment provision is provided in subsequent periods for such fixed asset.

The Group determines the service life and the estimated net residual value of the fixed asset based on the characters and service condition of it. The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year-end, and make adjustments in case of any difference arising from original estimated value.

The depreciation life and annual depreciation rate of various types of fixed assets are as follows:

Category	Depreciation life (year)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	5-75	0.00-10.00	1.20-20.00
Mechanical equipment	5-15	0.00-10.00	6.00-20.00
Transportation facilities	3-10	0.00-10.00	9.00-33.33
Office equipment	3-10	0.00-10.00	9.00-33.33
Furniture for hotel industry	3-15	0.00-10.00	6.00-33.33
Electronic equipment	3-10	0.00-10.00	9.00-33.33
Others	3-15	0.00-10.00	6.00-33.33

(2) Subsequent expenditures of fixed assets

Subsequent expenditures related to fixed assets that meet the recognition conditions for fixed assets are included in cost of fixed assets; otherwise, the subsequent expenditures are included in current profits or losses when incurred.

(3) Disposal of fixed assets

A fixed asset is derecognized in case that it is disposed of or no economic benefits are expected to be obtained from use or disposal. The balance from the disposal income from sale, transfer, write-off or destruction of fixed assets less its book value and relevant taxes and expense is included in current profits or losses.

4. Methods of impairment test for fixed assets and of providing impairment provisions

The Group determines whether there is any likelihood indicating the impairment of fixed asset at the end of the period.

The recoverable amount is estimated for fixed assets with impairment indications. The recoverable amount is determined subject to the net amount from the fair value of the fixed asset minus the disposal cost or the current value of the estimated future cash flow of the fixed asset, whichever is higher.

Where the recoverable amount of the fixed asset is lower than its book value, the book value is written down to such recoverable amount, and the written-down amount is recognized as impairment losses of the fixed asset and included in current profits or losses, and correspondent impairment provision of fixed assets is provided.

Upon the recognition of impairment loss of the fixed asset, the depreciation of the impaired fixed assets shall be adjusted correspondingly in the future periods to allocate systematically the book value (deducting the net residual value) of the fixed asset in its residual life.

Once recognized, the impairment losses may not be reversed in subsequent fiscal year.

In case there is any indication for the impairment of a fixed asset, the Group estimates the recoverable amount based on a single fixed asset. In case the Group suffers difficulty in estimating the recoverable amount of a single fixed asset, it determines the recoverable amount of the asset group, which the fixed asset belongs to.

5. Recognition basis, pricing and depreciation methods for fixed assets acquired under finance lease

Fixed assets leased by the Group which meet any one or more of following standards are recognized as fixed assets acquired under finance lease:

(1) The title of the leased assets is transferred to the lessee when the term of lease expires;

(2) The Group has the option to buy the leased assets at a price, which is expected to be far lower than the fair value of the leased assets at the date when the option becomes exercisable. Therefore, it can be reasonably determined on the lease beginning date that the option will be exercised;

(3) The lease term takes substantially the most of the service life of the leased asset even if no transfer of the title of the asset;

(4) The current value of the minimum lease payment paid by the Group on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date;

(5) The leased assets are of a specialized nature that only the Group can use them without making major modifications.

The Group records the lower one of the fair value of the leased asset and the present value of the minimum lease payments as the entering value in an account for fixed assets under financial lease. The minimum lease payment is the recording value of long-term payables and the difference is the unrecognized financing charge. Initial direct costs, such as handling Charges, attorney fees, travel expenses and stamp duty, which are incurred during the process of lease negotiation and lease contract execution and which are attributable to the lease items directly, are recognized as the value of the leased asset. The unrecognized financing charge is amortized by effective interest method in periods of the lease term.

For fixed assets acquired under finance lease, depreciation policies for leased assets shall be similar to that applied to self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be obtained at the end of the lease term, it is depreciated over its service life; otherwise, the lease asset is depreciated over the shorter period of the lease term and its service life.

(XVII) Construction in progress

1. Classification of construction in progress

Construction in progress developed by the Group itself is priced at actual cost. The actual cost is composed by necessary expenditures for its construction before reaching working condition for its intended use, which includes cost for construction materials, labor cost, taxes and charges paid, borrowing cost to be capitalized and indirect expenses to be allocated. Constructions in progress of the Group are accounted for by classification.

2. The standards and time point for the transfer of construction in progress into fixed assets

All of expenditures incurred from bringing the assets to the expected conditions for use are the recording value of fixed assets. Where the construction in progress is ready for intended use while the final accounts for it has not been completed, it is carried forward to fixed assets on the date being ready for intended use at its estimated value determined based on its budget, construction cost or actual cost, and impairment provision is provided for such fixed asset in accordance with the policy of the Group for providing impairment provision for fixed assets. The original estimated value is adjusted subject to actual costs upon the completion of final account, while impairment provision originally provided is not adjusted.

3. Methods for impairment test of construction in progress and for transfer of impairment provision

The Group determines whether there is any likelihood indicating the impairment of construction in progress at the end of the period.

In case there is any indication for the impairment of a construction in progress, the Group estimates the recoverable amount based on an individual construction in progress. In case the Group suffers difficulty in estimating the recoverable amount of a single construction in progress, it determines the recoverable amount of the asset group, to which the construction in progress belongs. The recoverable amount shall be recognized based on the net amount of fair value of the intangible asset minus disposal costs or par value of the anticipated cash flows of the intangible asset (the higher amount of the two).

If the recoverable amount of the construction in progress is lower than its book value, the book value of the construction in progress shall be reduced to recoverable amount. The amount reduced shall be determined as impairment loses of the construction in progress and counted in the current profits or losses, and corresponding impairment provision of the construction in progress shall be allocated simultaneously. Once recognized, the impairment losses may not be transferred in subsequent fiscal year.

(XVIII) Borrowing Costs

1. Principles on recognition of capitalization of borrowing costs

Borrowing costs incurred by the Group which are directly attributable to the acquisition and construction or production of assets eligible for capitalization are capitalized upon meeting conditions for capitalization and included in the costs of relevant assets. Other borrowing costs are recognized as costs upon incurred based on the amount and included in current profits or losses.

The assets eligible for capitalization refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

(1) Expenditures for the asset are being incurred, including the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities to enable the assets eligible for capitalization;

(2) Borrowing costs have already been incurred;

(3) The acquisition and construction or production activities, which are necessary to prepare the asset for its intended use or sale, have already been started.

2. Period for capitalization of borrowing costs

The term "period of capitalization" refers to the period from the beginning time point of capitalization to the end time point of capitalization, excluding the suspending period of capitalization of borrowing costs.

When assets acquired and constructed or produced and eligible for capitalization are up to the expected conditions for use or sale, the capitalization of borrowing costs shall be ceased.

When part of the acquisition and construction or production of assets eligible for capitalization are completed respectively and can be used separately, the capitalization of borrowing costs of such assets shall be terminated.

If each part of acquisition and construction or production of assets has completed respectively but shall be up to use or external sale only after the whole is completed, the capitalization is terminated when such asset is completed as a whole.

3. Period of suspending capitalization

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended. If such interruption is necessary procedures to enable the assets acquired and constructed or produced and eligible for capitalization up to the expected conditions for use or sale, the capitalization of the borrowing costs shall be continued. The borrowing costs incurred during the interruption period shall be recognized as current profits or losses, the capitalization of the borrowing costs shall be continued when the acquisition and construction or production of assets restart.

4. Method for calculation of capitalization of borrowing costs

Interest amount of specific-purpose borrowings (deducting any temporary deposit interest or investment income earned on funds of such borrowings, which are placed in bank) and supporting expenses are capitalized prior to the assets acquired and constructed or produced and eligible for capitalization is up to the expected conditions for use or sale.

Where funds are borrowed for a general purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate is calculated and determined in light of the weighted average interest rate of the general borrowing.

Where borrowing existing discounts or premiums, the discounting or premium amount shall be amortized of each fiscal period shall be recognized based on method of effective interests and the amount of interests in each period shall be adjusted.

(XIX) Intangible Assets

Intangible assets refer to identifiable non-monetary assets without physical substance owned or controlled by the Group, including land use right, software and copyright.

1. Initial recognition of intangible assets

Costs for purchasing intangible assets include purchase price, relevant taxes and other expenditures incurred directly from making the assets to be ready for intended use. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets is determined on the basis of the current value of the purchase price.

The recording value of intangible assets used for mortgage debenture by debtor through debt restructuring is determined based on its fair value, the difference between the book value of the restructured debt and fair value of the intangible asset mortgaged is included in current profits or losses.

The recording value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the book value of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.

For intangible asset obtained through business absorption or combination of entities under common control, the recording value is determined by the book value of the combined party; for intangible asset obtained through business absorption or merger of entities not under common control, the recording value is determined by the fair value of the intangible asset.

The costs of intangible assets developed internally by the Group include: materials, labor costs, registration fee paid for developing the intangible assets, amortization of other patents franchise used during development, interest fee that meets capitalization conditions and other direct costs incurred making the intangible asset qualified for intended use.

2. Subsequent measurement of intangible assets

The Group determines the service life of intangible asset upon acquisition and divides its intangible assets into intangible assets with a finite service life and those with an indefinite service life.

(1) Intangible assets with a finite service life

Intangible assets with a finite service life are amortized within the period bringing economic benefit to the entity by straight-line method. Intangible assets with a finite service life include:

Category	Service life	Amortization method	Remarks
Software	5 years	Straight-line method	
Non-permanent land use rights	20-999 years	Straight-line method	
Permanent land use rights	Indefinite	No amortization	
Patents	Amortized in benefit period of the right	Straight-line method	

For an intangible asset with a finite service life, the Group reviews the service life and amortization method at each year-end and makes adjustment in case of any difference arising from original estimated value.

Upon review, the service life and amortization method of intangible assets at the end of current period is as the same as that in previous periods.

(2) The intangible assets with an indefinite service life.

In case that when any economic benefit that is brought by the intangible assets to the entity is unforeseeable, then such assets are intangible assets with an indefinite service life. The Group reviews the service life of an intangible asset with an indefinite service life in each accounting period, and where there is conclusive evidence indicating that it has a finite service, then estimates its service life and amortize such intangible asset with straight-line method.

On the balance sheet date, the Group measured an intangible asset at its book value or recoverable amount, whichever is lower, provides impairment provision for such intangible asset at the negative balance from the recoverable amount and the book value, and includes such asset impairment loss in current profits or losses. Once recognized, the impairment loss of an intangible asset may not be reversed in subsequent accounting period.

3. Provision of impairment provision for intangible assets

Intangible assets with determinate service life, given clear indication of depreciation, shall be tested for impairment at the end of the period.

Intangible assets with indeterminate service life shall be tested for impairment at the end of each period.

Recoverable amount shall be measured for the intangible assets that shall be tested for impairment. The recoverable amount shall be recognized based on the net amount of fair value of the intangible asset minus disposal costs or par value of the anticipated cash flows of the intangible asset (the higher amount of the two).

If the recoverable amount of the intangible asset is lower than its book value, the book value of the intangible asset is written down to the recoverable amount. The written-down amount is recognized as impairment loss of the intangible asset and included in the current profits or losses, and corresponding impairment provision of the intangible asset is provided simultaneously.

Upon the recognition of impairment loss of the intangible asset, depreciation or amortization costs of such intangible asset is adjusted correspondingly in the future period to amortize the book value (deducting the anticipated net residual value) of the intangible asset systematically during its remaining service life.

Once recognized, the impairment losses may not be reversed in subsequent accounting period.

If there is indication showing a probable impairment of an intangible asset, the Group measures the recoverable amount of the intangible asset based on a single intangible asset. For single asset whose recoverable amount is difficult to be estimated, the Group recognizes the recoverable amount of the intangible asset group to which such intangible asset belongs.

4. Specific criteria for division of research phase and development phase for internal research and development projects

Research stage: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially improved materials, devices, products, etc.

Expenditure on research stage for internal R&D projects is included in current profits or losses when incurred.

5. Specific criteria for the expenditure in development phase qualified for capitalization

Development expenditures are recognized as intangible assets when the following conditions are met:

(1) It is technically feasible to complete the intangible assets so that it will be available for use or for sale;

(2) There is intention to complete the intangible asset for use or sale;

(3) The intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;

(4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;

(5) The expenditures attributable to the development stage of the intangible asset can be measured reliably

Expenditures in development stage that do not meet the above conditions are included in current profits or losses. Expenditures that had been included in profits or losses in previous periods are not re-recognized as an asset in subsequent periods. The capitalized expenditures in the development stage are presented as development expenditures on the balance sheet and are transferred into intangible assets from the date when the project meets the expected conditions for use.

(XX) Long-term Deferred Expenses

1. Amortization method

Long-term deferred expenses refer to various costs that have incurred and to be allocated in present and subsequent periods with an amortization period over 1 year. Long-term deferred expenses are amortized by straight-line method within the benefit period.

2. Amortization period

Category **Depreciation period (year)** **Estimated net residual value rate**	**Service life**
Renovation costs	5 years
Farming land occupation tax	2 years
Land/office building rental	2-30 years
Power, telecommunications costs and capacity-supplementing fee for pipeline gas	20 years
Air conditioning costs	9 years
Fees for municipal drainage supporting facilities and others	20 years

(XXI) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees or for the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term remuneration

Short-term remuneration refers to staff remuneration required to be paid within twelve months from the end of the annual reporting period in which the staff provides services to the Group, except for post-employment benefits and dismissal welfare. The Group recognizes the short-term remuneration actually incurred as liability and records it in the current profits or losses or relevant asset costs during the accounting period when staff provides services.

2. Post-employment benefits

Post-employment benefits refer to various types of remuneration and benefits provided to staff after the retirement of staff or the termination of employment relationship for the purpose of obtaining services from such staff, except for short-term remuneration and dismissal welfare

Post-employment benefit plans of the Group are classified as the defined contribution plans and the defined benefit plans.

Defined contribution plans in post-employment benefits mainly include the participation of social basic endowment insurance and unemployment insurance, etc. organized and implemented by local labor and social security authorities. During the accounting period in which services supplied by staff to the Group, the amount payable calculated based on the defined contribution plans are recognized as liabilities and included in current profits or losses or relevant assets costs.

The Group pays aforesaid amounts regularly in accordance with the standards and pension plan of the state without any other payment obligation.

3. Dismissal benefits

Dismissal welfare refers to compensation provided to staff for terminating the labor relationship with staff before the expiration of the labor contract between the Group and the staff, or for encouraging the staff to voluntarily accept the reduction; the liabilities from compensation paid for termination of the labor relationship are recognized on the earlier of the following dates and included in current profits or losses: when the Group is unable to unilaterally withdraw the severance benefits provided under its plan to terminate working relationship with staff or redundancy plan; or when the Group recognizes costs or expenses relating to reorganization involving the payment of severance benefits.

The Group provides early retirement benefits for staff accepting the early retirement arrangement of the Group. Early retirement benefits refer to salaries and social insurance contributions paid for staff who is not reaching the retirement age provided by the state but leaves the office voluntarily with the approval of the Group's management. The Group pays early retirement benefits to early-retired staff from the date the early retirement arrangement taking effect to the date on which the staff reaches the standard retirement age. The Group accounts for early retirement benefits according to dismissal welfare; salaries and social insurance contribution to be paid for early-retired staff from the date when they cease to provide service to the normal retirement date are recognized as liabilities and included in current profits or losses as a whole upon meeting the recognition conditions for dismissal welfare. Changes in actuarial assumption of early retirement benefits and difference from the adjustment of benefits scales are included in current profits or losses upon incurred.

4. Other long-term staff benefits

Other long-term staff benefits refer to all of other staff benefits other than short-term employee benefits, post-employment benefits and dismissal welfares.

For other long-term staff benefits meeting the conditions for defined contribution plans, contributions payable are recognized as liabilities in the accounting period in which the staff provides services to the Group and included in current profits or losses or relevant asset costs. Other long-term staff benefits other than those mentioned above are under actuarial procedures conducted by an independent actuary by accrued benefit method on the balance sheet date, the benefit obligations from the defined benefit plan are attributable to the period in which the staff provides services and included in current profits or losses or relevant asset costs.

(XXII) Share-based Payment and Equity Instruments

1. Classification of share-based payment

The Group divides its share-based payment into equity-settled share-based payment and cash-settled share-based payment.

2. Method for determination of fair value of equity instruments

For equity instruments with an active market such as options, the fair value is determined based on the quotation on such active market. For equity instruments without an active market, the fair value is determined based on options pricing model and the option pricing model is selected taking into account of following factors: (1) the exercise price of option; (2) the option period; (3) prevailing price of the subject share; (4) estimated fluctuation ratio of the share price; (5) estimated dividends of the share; and (6) risk-free interest rate in the option period.

In determining the fair value of the equity instrument on the date of grant, the influences of the market conditions in vesting conditions and non-vesting conditions provided in share-based payment agreement are in consideration. In case a non-vesting condition is provided for share-based payment, the costs and expenses paid for services received are determined upon the satisfaction of the non-market conditions (such as term of service) in all vesting conditions by the staff or any other parties.

3. Basis for determination of the best estimates of equity instruments

On each balance sheet date within the vesting period, the best estimate is determined based on the latest subsequent information of change in the number of staff with options and the estimated number of vested equity instruments is amended accordingly. On the vesting date, the final estimated number of vested equity instruments is as the same as the number of the actually vested equity instruments.

4. Accounting treatment of the implementation, modification and termination of share-based payment plans

The equity-settled share-based payment is measured at the fair value of the equity instruments granted to staff. If the option may be exercised immediately after the grant, the fair value of the equity instruments is included in the relevant cost or expense on the date of the grant, and the capital reserves are increased accordingly. If the option cannot be exercised until the expiration of the vesting period or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period is, based on the best estimate of the number of vested equity instruments, included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant. After the vesting date, the Group makes no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed.

Cash-settled share-based payment is measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. If the option may be exercised immediately after the grant, the fair value of the liabilities undertaken by the Group is included in the relevant cost or expense on the date of the grant, and the liabilities are increased accordingly. As to cash-settled share-based payment, if the right cannot be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period are, based on the best estimate of the information about the exercisable right, included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Group. On each balance sheet date and on each account date prior to the settlement of the relevant liabilities, the Group re-measures the fair values of the liabilities and includes the changes in the current profits or losses.

5. In case of terms and conditions for modification, modifications made in current period and relevant accounting treatment

If the vested equity instrument is cancelled, the Group accelerates the exercise of such equity instrument canceled and includes the amount to be recognized in residual vesting period in current profits or losses while recognizing the capital reserve. For staff or other parties, which is able to but fails to satisfy the non-vesting condition, the Group cancels the equity instruments granted to such staff or party.

(XXIII) Bonds Payable

1. Straight bonds

For bonds payable measured at fair value with changes included in current profits or losses, the initial recognition amount is the fair value; relevant transaction charges are directly is included in current profits or losses and subsequent measurement is made at fair value.

For other types of bonds payable, the initial recognition amount is the sum of the fair value thereof and relevant transaction charges and subsequent measurement is made at amortized cost. The premium or discount is arising from the adjustment of interest amount in the period in which such bonds payable exist, which are amortized within such period by the effective interest method.

2. Convertible corporate bonds

For the convertible corporate bonds issued by the Group, liability component and equity component in such bonds are split up in initial recognition; liability component is recognized as bonds payable while equity component is recognized as capital reserve. To separate them from each other, the Group firstly determines the fair value of the liability component and regards it as the amount of initial recognition, then determines the amount of initial recognition of the equity component based on the issuance price of the entire financial instrument less the amount of the initial recognition of the liability component. The transaction charges incurred for the issuance of convertible corporate bonds are apportioned between the liability component and the equity component at their respective relative fair value.

(XXIV) Accrued liabilities

1. Standard for recognition of accrued liabilities

When obligations pertinent to contingencies satisfy the following conditions simultaneously, the Group might take such obligations as the liabilities of the Group;

The obligation is a present obligation of the Group;

It is probable that an outflow of economic benefits from the Group will be required to settle the obligation;

The amount of the obligation can be measured reliably.

2. Pricing method of accrued liabilities

Accrued liabilities of the Group shall be measured initially at the best estimates of expenditures required to settle related present obligation.

In determining the best estimate, the Group takes into account of risks, uncertainties of the contingency and time value of the money related to the contingency. As to time value of money with significant influences, the best estimate is determined subject to the discounted future cash outflow.

Best estimates are determined as follows:

If there is a continuous range (or interval) for costs required and the occurrence of various results in such range have the same possibility, then best estimates are recognized in accordance with the median of such range (e.g. the average amount of the bounds).

If there is no continuous range (or interval) for costs required, or there is a continuous range but the occurrence possibilities of various results in such range is different, when single item is involved in contingency, best estimates are recognized subject to the amount with the biggest occurrence possibilities; when several items are involved in contingency, best estimates shall be calculated and recognized based on various possible results and correlation probability.

If all or part of costs required by the Group for discharging accrued liabilities is expected to be compensated by the third party, the amount of compensation is recognized as asset separately when the receipt of such amount is virtually confirmed, and the recognized amount of compensation shall not be more than the book value of accrued liabilities.

(XXV) Revenue

Income is the total inflow of economic interests formed in the group's daily activities, which will lead to the increase of shareholders' equity and has nothing to do with the capital invested by shareholders.

1. CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries implement the following policies as of January 1, 2018

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiary companies have fulfilled the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, revenue is recognized.

Contract obligations contained in two or more of the performance, CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its affiliated subsidiaries beginning date of the contract, according to their respective performance obligation promised the separate price of goods or services ratio, to divide the transaction price to each individual performance obligations, in accordance with the contribution to the obligation of each single performance trading metering income.

The transaction price is the amount of consideration that CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries are expected to be entitled to collect for the transfer of goods or services to customers, excluding the amount collected on behalf of third parties.

The transaction price confirmed by CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries in Hong Kong shall not exceed the amount that will most likely not be substantially repatriated upon the elimination of the relevant uncertainty. The money expected to be returned to the customer is a liability for returns and is not included in the transaction price. If there is a material financing element in the contract, CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries shall determine the transaction price based on the amount payable in cash when the customer obtains the control of goods or services on the assumption that the contract price is determined. The difference between the transaction price and the contract consideration shall be amortized by the effective interest rate method during the contract period.

On the contract commencement date, if CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its affiliated subsidiaries expect that the interval between the customer's acquisition of control of goods or services and the payment of price by the customer is no more than one year, the significant financing elements in the contract shall not be taken into account.

If one of the following conditions is met, CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries shall fulfill the performance obligations within a certain period of time; otherwise, it shall fulfill the performance obligations at a certain point:

(1) The client obtains and consumes the economic benefits brought by the implementation of the contract of CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiary companies at the same time;

(2) The customer can control the commodities under construction during the performance of the contract of CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries in Hong Kong;

(3) The commodities produced by CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries during the performance hereof shall have irreplaceable USES, and CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries shall have the right to collect the payment for the performance hereof accumulated to date.

For performance obligations performed at a certain point, CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries recognize revenue at the point when the customer takes control of the relevant goods or services.

In determining whether a customer has acquired control of a commodity or service CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries will consider the following indications:

(1) CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries have the right to receive current payment for the goods or services;

(2) CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries have transferred the physical goods of the commodities to the customers;

(3) CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries have transferred the legal ownership or the main risks and rewards in the ownership of the commodities to the customers;

(4) The customer has accepted the goods or services, etc.

The right of CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries to collect consideration from customers unconditionally (only over time) is listed as receivables. The obligation to transfer goods or services to customers in consideration of received or receivable by CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries shall be shown as a contractual liability.

The specific accounting policies associated with the main activities that generate revenue are described below:

(1) From selling goods, CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its affiliates will be the main risks and rewards of ownership of the goods have transferred to the buyer, and CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its affiliates neither keep contact all the ministers usually continue to power, also did not carry out effective control on goods sold;

(2) Confirm the income of travel agencies and related services, hotel business and passenger transport services upon completion of the services provided;

(3) Revenue from travel services, recognized when services are provided;

(4) The revenue related to the business of the scenic spot shall be confirmed when the tickets are sold;

(5) The income from selling golf membership shall be recognized and recorded according to the straight-line method according to the membership term;

(6) Income from performing arts shall be recognized upon completion of relevant performances;

(7) Interest income is recognized according to the time when money is lent and the actual interest rate;

(8) Income from performing arts is recognized after the relevant performances are held;

(9) Dividend income is recognized when the relevant dividend distribution resolution is announced;

(10) When the following conditions are met at the same time in the sales of commercial houses, the income shall be confirmed: the commercial house sales contract has been signed; The buyer of commercial housing has paid the first installment according to the provisions of the commercial housing sales contract, and is estimated to collect the remaining money according to the provisions of the above contract; The commodity house

has passed the comprehensive acceptance by the relevant departments of the local government, obtained the comprehensive completion acceptance certificate, and delivered to the owner for use; The construction cost of commercial housing can be measured reliably.

2. The following policies apply to the group and other companies

(1) Specific judgment criteria for the recognition time of sales revenue

The group has transferred the main risks and rewards in the ownership of the commodities to the buyer; The group neither retains the right to continue management associated with the ownership nor has effective control over the goods sold; The amount of income can be measured reliably; Related economic benefits are likely to flow into the enterprise; The realization of merchandise sales revenue is recognized when the relevant costs incurred or to be incurred can be measured reliably.

1) Confirm the income of travel agencies and related services, hotel business and passenger transport services upon completion of the services provided;

2) The revenue related to the business of the scenic spot shall be confirmed when the tickets are sold;

3) The income from selling golf membership shall be recognized and recorded according to the straight-line method according to the membership term;

4) Performing arts income shall be recognized and recorded upon completion of relevant performances;

5) Dividend income shall be recognized as income when the shareholder establishes his right to receive the payment;

6) For the business of commodity sales, the income shall be confirmed after the sales of commodities not in charge of transportation and the delivery of goods, and the income shall be confirmed after the delivery of commodities in charge of transportation and the delivery of goods or the designated place;

The collection of contract or agreement price adopts the deferred method. If it has the nature of financing in essence, the amount of revenue from selling commodities shall be determined according to the fair value of the contract or agreement price receivable.

(2) The basis for confirming the income from the assignment of the right to the use of assets

The economic benefits related to the transaction are likely to flow into the enterprise, and when the amount of income can be measured reliably, the amount of income from the transfer of the right to the use of assets shall be determined as follows:

1) The amount of interest income shall be calculated and determined according to the time when others use the monetary fund of the Group and the actual interest rate.

2) The amount of royalty income shall be calculated and determined according to the charging time and method agreed in the relevant contract or agreement.

(3) The confirmation basis and method of labor income

If the result of the transaction of providing labor services on the balance sheet date can be estimated reliably, the income from providing labor services shall be recognized by the percentage of completed work method. The completion schedule of labor service transaction shall be determined according to the measurement of completed work.

The reliable estimation of the result of a service transaction means that the following conditions are simultaneously met:

1) The amount of income can be measured reliably;

2) Relevant economic benefits are likely to flow into the enterprise;

3) The completion schedule of the transaction can be determined reliably;

4) The costs incurred and to be incurred in the transaction can be measured reliably.

The total revenue from providing labor services shall be determined according to the contract or agreement price received or receivable, except that the contract or agreement price received or receivable is not fair. On the balance sheet date, the income from providing labor services in the current period shall be recognized according to the amount of the total income from providing labor services multiplied by the progress of completion and deducted from the accumulated income from providing labor services in the previous accounting period. At the same time, according to the estimated total cost of labor services provided multiplied by the progress of the completion of the project, the amount after deducting the accumulated confirmed labor costs in the previous accounting period shall be carried forward to the current labor costs.

Where it is impossible to reliably estimate the transaction result of labor services provided on the balance sheet date, the following situations shall be handled respectively:

1) If the labor cost already incurred is expected to be compensated, the labor income shall be recognized according to the amount of labor cost already incurred, and the labor cost shall be carried forward according to the same amount.

2) If the incurred labor costs are not expected to be compensated, the incurred labor costs shall be included into the current profits and losses, and the income from providing labor services shall not be recognized.

The contracts or agreements signed by the group with other enterprises include that when selling commodities and providing labor services, if the part of selling commodities and the part of providing labor services can be distinguished and measured separately, the part of selling commodities shall be treated as selling commodities and the part of providing labor services shall be treated as providing labor services. Where it is impossible to distinguish between the part selling commodities and the part providing Labor services, or where it is possible to distinguish but cannot be measured separately, the part selling commodities and the part providing Labor services shall all be treated as the sale of commodities.

(4) Assets transfer with repurchase conditions

Where the Group sells goods or transfers other assets while concluding an agreement on repurchasing the goods sold or assets transferred, it determines whether revenue recognition conditions are met by the sales of goods based on the terms of such agreement. In case the sales with repurchase agreement are a financing transaction, the Group does not recognize revenue upon the delivery of goods or assets. The positive balance between the price for repurchase and the price for sale, interests accrued regularly in the period of repurchase are included in financial expenses.

(XXVI) Interest Income and Expenses

Interest income and expenses are recognized at the amortized costs of relevant financial assets and liabilities in accrual basis principle and by the effective interest method. Effective interest rate means the interest rate used to translate the future cash flow of a financial asset or financial liability during its anticipated period of existence into its net book value. In case of a minor difference between the effective interest rate and contract rate, interest income and expenses may also be calculated at the contract rate.

(XXVII) Revenue from Handling Charges and Commission

Revenue from handling charges and commission is recognized in accrual basis principle upon relevant service is provided.

(XXVIII) Government Grants

1. Government grants of the Group are divided into government grants related to assets and government grants related to income.

2. Where the government grant is monetary asset, it is measured at the amount received or receivable; where the government grant is a non-monetary asset, it is measured pursuant to its fair value; if the fair value cannot be obtained reliably, then it shall be measured at its nominal amount.

3. The gross method is applied to the measurement of government grants:

(1) Government grants related to assets are recognized as deferred income and included in profits or losses by stages within the service life by a reasonable and systematic method. For assets sold, transferred, write-off or destroyed within the service life, undistributed balance of deferred income is carried forward to profits or losses of the period in which the asset is disposed.

(2) Government grants related to incomes, which may be used for covering relevant costs or losses of the Group in subsequent periods are recognized as deferred income and included in profits or losses in the period for recognition of relevant expenses. Government grants related to incomes, which may be used for covering existing expenses or losses, are included in current profits or losses directly.

4. Government grants comprising of both a component related to assets and a component related to incomes are accounted for separately based on different components; for those difficultly distinguishable one from another, the whole government grant is classified as the government grant related to incomes.

5. The Group records government grants related to its daily operations in other incomes and records those irrelative with its daily operations in non-operating income or expenditures.

6. The Group accounts for the policy-related concessional loan discounts in two classifications, which are discount interest funds granted by finance department to the lending bank and discount interest funds granted by finance department directly to the Group:

(1) Discount interest funds granted by finance department to the lending bank and provided to the Group by such lending bank as a loan at a policy-related preferential interest rate are accounted as follows:

1) The book value of borrowings is the amount actually received and relevant borrowing cost is calculated based on the principal amount of such borrowings and the policy-related preferential interest rate.

2) The fair value of borrowings is recorded as the recording value of such borrowings and borrowing cost is calculated by effective interest method. The difference between the amount actually received and the fair value of borrowings is recognized as deferred income. The deferred income is amortized by effective interest method in the period in which the borrowings exist and is written down against the borrowing costs.

(2) Discount interest funds granted by finance department directly to the Group are written down against relevant borrowing costs.

(XXIX) Deferred Tax Assets and Deferred Tax Liabilities

1. Basis for determination of deferred tax assets

The Group recognizes the deferred tax assets generated from deductible temporary differences to the extent that it is probable that the taxable income will be available to offset the deductible temporary differences.

2. Basis for determination of deferred tax liabilities

The Group recognizes taxable temporary differences payable but not paid yet both in current and previous period as deferred tax liabilities, except for the temporary balance from the transactions related to goodwill or non-business merger that cannot influence accounting profits nor taxable income.

(XXX) Leases

1. CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries, PRIMECREDIT LIMITED, Hong Kong New Travel Management Ltd. and overseas travel agency of China International Travel Service Limited, Head Office (hereinafter "applicable companies"), implement the new accounting standards of Lease since January 1, 2019, useing the following specific policies

Lease means a lessor transfers the right to use the assets to a lessee in order to obtain consideration, within a certain period of time.

On the contract commencement date, the Group evaluates whether the contract is a lease or includes a lease. A lease or inclusive lease is a contract in which a party transfers the right to control the use of one or more of the identified assets for a specified period of time in exchange for consideration.

In order to determine whether the contract transfers the right to control the use of the identified assets for a certain period of time, the group conducts the following assessment:

1) Whether the contract involves the use of the identified assets.Identified assets could explicitly specified by the contract or in recessive specifies the time when it is available for customers to use, and can distinguish the assets physically, or if a part of the capacity or other assets physically indistinguishable but essentially represents the full capacity of the asset, so that customers get generated by the use of the assets of almost all economic interests.If the supplier of the asset has a material substitution right for the asset throughout its use, the asset is not an identified asset;

2) Whether the lessee is entitled to almost all the economic benefits arising from the use of the identified assets during the use period;

3) Whether the lessee has the right to lead the use of the identified assets during the use period.

If the contract contains several separate leases at the same time, the lessee and the lessor shall divide the contract and conduct accounting treatment for each separate lease.Where the contract contains both the leased and non-leased parts, the lessee and the lessor shall separate the leased and non-leased parts.When splitting the leased and non-leased parts contained in the contract, the lessee shall share the consideration in the contract in proportion to the sum of the separate prices of each leased part and the separate prices of the non-leased part.The lessor shall apportion the consideration of the contract in accordance with the provisions of the accounting policy relating to the apportionment of the transaction price as stated in note IV. (XXV).

(1) Applicable companies as lessee

On the commencement date of the lease period, applicable companies shall recognize the right-of-use asset and the lease liabilities. Right-of-use asset are initially recorded at its cost, including the amount of initial measurement of lease liabilities, lease payment on or before lease commencement date (the amount of lease incentive already enjoyed shall be deducted), the initial direct costs incurred, and the costs that the lessee is expected to incur in order to dismantle and remove the leased asset, restore the leased asset to the site or restore the leased asset to the state agreed upon in the lease terms.

Applicable companies use the straight-line method to depreciate the right-of-use asset. Where the ownership of the leased assets can be reasonably determined at the end of the lease term, applicable companies shall accrue depreciation of the leased assets within the remaining useful life of the leased assets.Otherwise, the leased asset shall be depreciated in the short period between the lease term and the remaining useful life of the leased asset.

The lease liabilities are initially measured in terms of the present value of the unpaid lease payment at the beginning date of the lease term, and the discount rate is the inherent interest rate of the lease. If the implicit interest rate of lease cannot be determined, the incremental borrowing rate of applicable companies shall be adopted as the discount rate.

Applicable companies calculate the interest expense of the lease liabilities in each period of the lease term according to the fixed cyclical interest rate, and records it into the current profit and loss or the cost of relevant assets. The variable lease payment that is not included in the measurement of lease liability shall be recorded into the profit and loss of the current period or the cost of relevant assets when it actually occurs.

After the commencement of the lease period, if the following circumstances occur, applicable companies shall re-measure the lease liabilities according to the present value of the changed lease payments:

1) The amount expected to be payable changes according to the residual value of the guarantee;

2) Changes in the index or ratio used to determine lease payments;

3) The evaluation results of the purchase option, lease renewal option or lease termination option are changed by applicable companies, or the actual exercise of the lease renewal option or lease termination option is not consistent with the original evaluation results.

When the lease liability is remeasured, applicable companies shall adjust the book value of right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the remaining amount shall be included in the current profits and losses of applicable companies.

Applicable companies have chosen not to recognize the right-of-use asset and lease liabilities for short-term leases (leases with a lease period of no more than 12 months) and leases of low-value assets, and have included the relevant lease payments in the current profits and losses or related asset costs according to the straight-line method during each period of the lease term.

(2) Applicable companies as lessor

On the commencement date of the lease, CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED and its subsidiaries' lease is an operating lease. Operating leases refer to leases other than financial leases.

When applicable companies act as sublease lessee, applicable companies classify the sublease based on right-of-use asset generated by the original lease, rather than the underlying assets of the original lease. If the original lease is a short-term lease and applicable companies apply the simplified treatment of the short-term lease mentioned above to the original lease, applicable companies shall classify the sublease as an operating lease.

The rental receipts of operating leases are recognized as rental income by the straight-line method during the lease term. Applicable companies shall capitalize the initial direct expenses incurred in connection with the operating lease, allocate them according to the same basis as the rental income recognition within the lease term, and record them into the profits and losses of the current period by stages. The variable lease payments not included in the lease receipts are recorded into the profits and losses of the current period when they actually occur.

2. The Group and other companies

A finance lease is a lease that transfers in substance all the risks and remunerations incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

1. Accounting method of operating lease

(1) Lease fees paid by the Group for leased asset are amortized by straight-line method

in the whole lease term (including rent-free period) and are counted into current expenses. Initial direct costs related to lease transactions paid by the Group are included in current expenses.

When the lessor undertakes the expenses related to the lease that should be borne by the Group, that part of the expenses is deducted from the total rent and the deducted rental expenses are amortized over the lease term and included in current expenses

(2) Lease fees received by the Group from leased assets are amortized by straight-line method in the whole lease term (including rent-free period), and are recognized as lease income. Initial direct costs related to lease transactions and paid by the Group are included in current costs; if the amount is large; it is capitalized and included in current profits by stages in the whole lease term on the same basis as the recognition of the lease income.

If the expenses related to the lease which to be assumed by the lessee is undertaken by the Group, then that part of expenses are deducted from total lease income, and residual lease fees are allocated in the lease term.

2. Accounting method of finance lease

(1) Assets acquired under finance lease: at the commencement of lease term, the difference between the book value of the leased-in asset, which is determined based on the lower of the fair value of such leased asset as at the commencement of lease term and the present value of minimum lease payments, and the book value of long-term payables, which is determined as the minimum lease payments, is the unrecognized financing charges.

The unrecognized financing charges are amortized in the lease term subject to the effective interest method and be included in financial costs.

(2) Assets leased out under finance lease: at the commencement of lease term, the Group recognizes the difference between the sum of the amount of financing lease receivables and unsecured residual value and its present value as unrealized financing income and recognizes the rental income in each period in which rent will be received in the future. The initial direct costs incurred by the Group relating to the lease transaction are included in the initial measurement of the finance lease receivables and the amount of revenue recognized during the lease term is reduced.

(XXXI) Measurement of Fair Value

1. Financial assets not measured at fair value

Financial assets and liabilities not measured at fair value include receivables, short-term borrowings, payables, non-current liabilities due within one year and long-term borrowings, equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably.

However, the difference between the book value of aforesaid financial assets and liabilities not measured at fair value and their fair value is minor, or in accordance with the standards in the *Recognition and Measurement of Financial Instruments*, equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably are measured at costs.

2. Financial assets measured at fair value

Financial assets and liabilities measured at fair value of the Group include financial assets (or financial liabilities) measured at fair value through profit or loss, financial assets held for trading, investment properties. In a transaction for acquiring assets or undertaking liabilities, fair value refers to the price to be received for the sale of such asset or the price required to be paid for the transfer of such liability (i.e. exit price).The estimation techniques used by the Group to measure relevant assets or liabilities at fair value include the market approach, income approach and cost method.

While the fair value is classified as three levels as a whole, the basis for measurement is that each and all material input values used in the measurement at fair value are the inputs from the lowest level. The definition of the three levels is as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 2 inputs include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads; 4) input value for market validation and so on...

Level 3 inputs are unobservable inputs for the asset or liability.

(XXXII) Segment Reporting

The Group identifies operating segments based on the internal organization structure, managerial requirements and internal reporting system, identifies reportable segments based on operating segments and discloses segment information by operating segment.

An operating segment is a component of the Group that meets all the following conditions: (1) it engages in business activities from which it may earn revenues and incur expenses. (2) Its operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance; (3) the Group is able to obtain relevant accounting information such as its financial position, operating results and cash flows of such segment. If two or more segments have similar economic characteristics and meet certain conditions, then they can be aggregated into a single operating segment.

V. Description on Changes in Accounting Policies, Accounting Estimates and Correction of Errors

(I) Changes in accounting policies

No.	The ministry of finance issues revised guidelines and requirements		China Tourism Group 's performance	
	Accounting standards, application guidelines and amendments	**Execution time requirement**	**executive body**	**Start execution time**
1	*(Accounting Standard for Business Enterprises No. 14 - Revenue) (Accounting Standard for Business Enterprises No. 22 [2017]) (hereinafter referred to as the "New Revenue Standard")*	It will be implemented in stages from January 1, 2018	China Tourism Group Duty Free Corporation Limited	Implemented on January 1, 2020
2	*Interpretation of Accounting Standards for Business Enterprises No. 13 (Accounting No. [2019]21)*	Implemented from January 1, 2020	China Tourism Group	Implemented on January 1, 2020
3	*Provisions on Accounting Treatment of Rent Concession Related to COVID-19 Epidemia-related Disease (Finance & Accounting [2020] No. 10)*	Implemented from June 24, 2020 (as of January 1)	China Tourism Group	Implemented on January 1, 2020

1. The implementation impact of the new revenue standards

Statement items affected by changes in accounting policies	The impact on January 1, 2020(Increase is listed with a plus sign, decrease is listed with a minus sign)
Advances from customers	-136,301
Contract liabilities	451,471
Deferred income	-315,170

The names of units, items and adjusted amounts affected by the accounting policy change are as follows:

Affected report items	China Tourism Group Duty Free Corporation Limited	Total
Advances from customers	-136,301	-136,301
Contract liabilities	451,471	451,471
Deferred income	-315,170	-315,170

2. Interpretation of Accounting Standards for Business Enterprises No. 13 (Finance and Accounting [2019] No. 21) (" Interpretation No. 13 ")

Interpretation No. 13 revises the three elements of business composition, elaborates the judgment conditions of business, and introduces the choice of "concentration test" to the purchaser of a business merger that is not under the same control when judging whether the combination of acquired business activities or assets constitutes a business. In addition, interpretation No. 13 further clarifies that the related parties of the enterprise also include joint ventures or joint ventures of other members of the enterprise group (including the parent company and subsidiaries) to which the enterprise belongs, as well as other joint ventures or joint ventures of the investors who exercise common control over the enterprise.

Interpretation No. 13 comes into force on January 1, 2020 and does not require retroactive adjustment.

The Group's adoption of this interpretation has not had a material impact on the Group's consolidated financial position and financial position and consolidated operating results and operating results.

3. Notice on the issuance of the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Epidemia-related Diseases (Finance & Accounting [2020] No. 10)

Finance [2020] No. 10 provides a simplified approach to rent concessions directly caused by the COVID-19 epidemic that meet certain conditions. If the business chooses to adopt a simplified approach, there is no need to assess whether a lease change has occurred and no need to re-evaluate the lease classification.

Finance and Accounting [2020] No. 10 No. 10 shall come into force on June 24, 2020, and relevant rent concessions occurring between the date of implementation of this regulation on January 1, solstice, 2020 May be adjusted according to this regulation.

The Group's adoption of the above provisions has not had a significant impact on the

Group's consolidated financial position and financial position and consolidated operating results and operating results.

(II) Changes in accounting estimates

None.

(III) Correction of major accounting errors

None.

VI. Taxation

(I) Turnover tax and surcharges

Taxable item	Tax basis	tax rates
Value-added tax	General taxpayers shall calculate the output tax based on the income from sales of goods and taxable services calculated in accordance with the provisions of the tax law. Small-scale taxpayers are subject to VAT based on taxable sales multiplied by the leviable rate	According to Caishui [2019], Circular No. 39 issued jointly by the State Administration of Taxation and the General Administration of Customs, after April 1, 2019, the output tax is calculated at 3%, 5%, 6%, 9%, or 13%.
Urban maintenance and construction tax	Turnover tax actually paid	1%、5%、7%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%

(II) Enterprise income tax

Company name	Tax rates	Remarks
Subsidiaries with a registration address in Hong Kong	16.5%	
The Group and subsidiaries with a registration address in mainland China	15%、25%	
Other areas	12%-40.7%	
Land value-added	Progressive tax rate by excess rate 30%-60%	
Deed tax	3%-5%	
Tax-free commodity franchise fee (departure)	1% of sales income of duty-free products	

Company name	Tax rates	Remarks
Subsidiaries with a registration address in Hong Kong	16.5%	
Franchise fee duty-free goods (outlying islands)	4% of sales income of duty-free products	

(III) Important preferential tax policies and their basis

1. Part of the group company's subsidiaries are small companies with low profits. The statutory corporate income tax rate for these companies is 25 percent. In accordance with the *Enterprise Income Tax Law of People's Republic of China* and its implementation regulations, *Notice of the General Administration of Taxation of the Ministry of Finance on the Implementation of the Inclusive Tax Relief*, *Policy for Small and Micro Enterprises* (Finance and Taxation [2019], 13), from January 1, 2019, to December 31, 2021, the portion of the annual taxable income of these small companies with low profits that do not exceed 1 million yuan will be included in taxable income at a rate of 25% and paid corporate income tax at a rate of 20%. Meanwhile, the portion of the annual taxable income of more than 1 million yuan but not more than 3 million yuan is included in the taxable income amount at a rate of 50%, The enterprise income tax is paid at the rate of 20%.

2. CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED is one subsidiary of the Group. The statutory tax rate of CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. and CTS (Ningxia) Shapotou Cable Car Co., Ltd., as two subsidiaries of the CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED, is 25%. The tax rate of these two enterprises is implemented at the preferential rate of 15% this year (The rate was 15 percent in 2018). According to Document Ningdi Shuihan [2008] No. 157, the statutory tax rate of CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. and CTS (Ningxia) Shapotou Cable Car Co., Ltd. enjoy preferential tax rates for corporate income tax of the Western Development Corporation. China's western development strategy offers companies that operate state-encouraged production projects whose income exceeds 70% of the company's total income can be taxed at the rate of 15%.

3. Guangxi CTS Detian Waterfall Tourism Development Co., Ltd., a subsidiary of CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED 25% will be levied at a reduced rate of 15% on enterprises operating in the encouraged industries in the western region instead of 25%, the Statutory tax rate since it meets the industry's requirements in the Catalogue of Encouraging Industries in the Western Region also. (Follow industry's requirements in the Catalogue of Encouraging Industries in the Western Region, companies that operate state-encouraged production projects whose income exceeds 70% of the company's total income can be taxed at the rate of 15%.)

4. Tax incentives for restructuring and reforming. According to the Notice of the Ministry of Finance and National Administration of Taxation pertaining to Corporate Income Tax Policy on the Appraisal and Appreciation of the Value of China International Travel Service Group Corporation (Finance and taxation [2008] No. 82), with the approval by State Council, assets of China International Travel Service Group Corporation can be depreciated or amortized at certain appraisal values after evaluation, and be deducted from corporate pre-tax income, which is so as to support the overall process of reforming and pre IPO prepration.

5. According to a Notice issued jointly by the Ministry of Finance and the State Administration of Taxation (Finance and taxation [2012] No. 39) in regard to the Value Added Tax and Consumption Tax Policy for Labor Services of Exported Goods, it stipulates that the businesses that are under duty-free goods operations which have been approved by certain national guidance shall be exempt from value-added tax (VAT) going effective beginning January 1, 2011.

6. China Duty-Free Group Co., Ltd. is a subsidiary of the group corporation. Tibet Everest China Duty-Free Co., Ltd., as a subsidiary of China Duty-Free Group Co., Ltd., is subject to a preferential tax rate of 15% this year. According to the *Notice of the People's Government of the Tibet Autonomous Region on the Issue of Corporate Income Tax Rates in Our District* (Issued by the Tibetan Government [2011] No. 14), Tibet Everest China Duty Free Co., Ltd. continued to pay corporate income tax at a rate of 15% from 2011 to 2020.

VII. Business Combination and the Consolidated Financial Statements

(I) General information of major subsidiaries

No.	Name	Level	Business Type	Registration Place	Principal Place of Business	Natures of Business	Paid-in Capital	Shareholding Ratio (%)	Voting Right Entitled (%)	Investment Amount	Acquire Way
1	CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED	2	3	Hong Kong	Hong Kong	Travel service and related business	2,237,477	100.00	100.00	3,553,713	1
2	China Tourism Group Hotel Holding Co. Ltd	2	1	Beijing	Beijing	Travel service and related business	253,561	100.00	100.00	928,682	1
3	HKCTS (Shenzhen) Investment Development Co., Ltd.	2	1	Shenzhen	Shenzhen	Tourism properties and related businesses	900,000	100.00	100.00	900,000	1
4	China National Travel Service (HK) Finance Company Limited	2	2	Shenzhen	Shenzhen	Financial management and consultation	2,000,000	90.66	100.00	2,000,000	1
5	China Tourism Group Duty Free Corporation Limited	2	1	Beijing	Beijing	Travel service and related business	1,952,476	53.30	53.30	6,715,457	2

No.	Name	Level	Business Type	Registration Place	Principal Place of Business	Natures of Business	Paid-in Capital	Shareholding Ratio (%)	Voting Right Entitled (%)	Investment Amount	Acquire Way
6	CITS Group Corporation	2	1	Beijing	Beijing	Travel service and related business	1,037,158	100.00	100.00	2,847,210	2
7	China Travel Financial Holdings (Shenzhen) Co., Ltd.	2	1	Shenzhen	Shenzhen	Financial management and consultation	150,000	100.00	100.00	200,000	1
8	China Tourism Group Travel Services Corporation limited	2	1	Beijing	Beijing	Travel service and related business	408,710	100.00	100.00	2,687,264	1
9	HKCTS Investment (Shanghai) Co., Ltd.	2	1	Shanghai	Shanghai	Financial management and consultation	50,100	100.00	100.00	55,200	1
10	China Merchants Shanghai International Travel Service Co., Ltd.	2	1	Shanghai	Shanghai	Travel service and related business	1,500	100.00	100.00	1,500	2
11	China tourism group diqing shangri-la tourism investment development co. LTD	2	1	Diqing Tibetan Autonomous Prefecture	Diqing Tibetan Autonomous Prefecture	Travel service and related business	15,000	100	100	15,000	1

No.	Name	Level	Business Type	Registration Place	Principal Place of Business	Natures of Business	Paid-in Capital	Shareholding Ratio (%)	Voting Right Entitled (%)	Investment Amount	Acquire Way
12	Sunny Express Enterprise Corp	2	3	Hong Kong	Hong Kong	Travel service and related business		100.00	100.00		1
13	China travel cruise (hainan) co. LTD	2	1	Shenzhen	Shenzhen	Travel service and related business		100.00	100.00		1
14	CTS Mangocity Development (Shenzhen) Co., Ltd.	2	1	Shenzhen	Shenzhen	Travel service and related business		100.00	100.00		1

Note 1: Business type: 1. Domestic non-financial subsidiary; 2.Domestic financial subsidiary; 3. Foreign subsidiary; 4. Public institution; 5. Capital construction entity

Note 2: Method of acquisition: 1. Investment for establishment; 2. The Business combination under common control; 3. Business combination not under common control; 4. Others

(II) Reason for the control over an investee by the parent company holding less than half of its voting rights

No.	Name	Shareholding ratio (%)	Voting right entitled (%)	Registered capital	Investment amount	Level	Reasons for inclusion
1	CTS Sports Travel Service Co., Ltd.	45	45	3,080	1,246	3	1
2	Macau CTS Passenger Transport Co., Ltd.	50	50	4,131	1,908	8	2
3	China international travel service(Qingdao)co.,ltd	34	34	3,600	1,224	4	2
4	China international travel service(Yichang)co.,ltd	41	41	3,000	1,230	4	2
5	China international travel service(Wuhan)co.,ltd	41	41	5,000	2,050	4	2
6	Macau China International Travel Service Co., Ltd.	41	41	5,263	2,158	4	2
7	Nanjing China International Travel Service Co., Ltd.	34	34	6,000	2,040	4	4
8	China international travel service(jiangsu)co.,ltd	34	34	10,000	3,400	4	4
9	China international travel service(Shandong)co.,ltd	50	50	6,000	3,000	4	2
10	China Duty-Free (Macau) Co., Ltd.	50	50	5,048	2,524	6	1
11	Yantai Port CDF Shipping Service Co., Ltd.	50	50	3,000	1,500	5	4
12	Yingkou CDF Foreign Supply Port Service Co., Ltd.	40	40	3,000	1,200	5	4
13	CDF Manzhoulizhong Duty Free-Co., Ltd.	40	40	11,600	4,640	5	4
14	Suifenhe Port Duty-Free Co., Ltd.	41	41	7,000	1,640	5	4
15	Shun Tak-China Travel Shipping Investments Limited	50	100	354	552,190	5	1

Note1: Reasons for inclusion: 1. The Group enjoys the de facto control as provided in an agreement; 2. A letter of acknowledgment for concerted action is executed with another shareholder; 3. The Group acts as the first majority shareholder or is entitled to appoint and remove most members of the board of directors of the investee and enjoys the de facto control over its operations and financial affairs; 4. The Group obtains the majority in the board of directors

Note2: On March 6, 2020, Dalmore Investments Limited, a subsidiary of the Group, entered into an Equity Transfer Agreement with Interdragon Limited as the purchaser, To acquire its 21% equity stake in Shun Tak-China Travel Shipping Investments Limited (hereinafter referred to as "Shun Tak China Travel Service"). Upon completing the acquisition on July 16, 2020, the Group holds 50% of the equity of Shun Tak China Travel Service. Dalmore has control of the board of directors of Shun Tak China Travel Service, so it can form control over it.

(III) The parent company directly or indirectly through other subsidiaries owns more than half of the voting rights of the invested units but fails to control them.

No.	Name	Shareholding ratio (%)	Voting right entitled (%)	Registered capital	Investment amount	Level	Reasons not included in the consolidation scope
1	Astro Ocean International Cruise Co.Ltd.	51	51	635,407	321,824	4	Note1
2	Zhejiang CTS Xianghu Business Management Co., Ltd	51	51	30,000	7,650	4	Note2
3	hainanhai free Guanlan Lake International Shopping Center Co., Ltd.	51	51	150,000	76,500	3	Note3

Note1：The group's elite team asset enterprises Corp invests in Astro Ocean International Cruise Co.Ltd. in 2019, The articles of association stipulate that the resolution made by the general meeting (i.e., the shareholders' meeting) shall be unanimously approved by all members; Therefore, the group cannot form control over Star Travel International Cruise Co., Ltd. and exercise joint control over it with another shareholder.

Note 2: in 2020, China Tourism Group investment and Operation Co., Ltd. and Zhejiang Xianghu tourism resort investment and Development Co., Ltd. jointly established Zhejiang China Tourism Xianghu Business Management Co., Ltd., of which China Tourism Group investment and Operation Co., Ltd. holds 51%. The articles of association of Zhejiang CTS Xianghu Business Management Co., Ltd. stipulates that "the shareholders shall exercise their voting rights at the shareholders' meeting according to the proportion of capital contribution, and each resolution of the shareholders' meeting shall be passed by the shareholders representing 100% of the voting rights", so the group can not form control over Zhejiang CTS Xianghu Business Management Co., Ltd.

Note3：In December 2016, Hainan tax-free products Co., Ltd. and Hainan smart Hero Industry Co., Ltd. (hereinafter referred to as “smart hero industry”) signed a commission operation agreement with a term of 5 years, from January 1, 2017, to December 31, 2021. It is agreed in the agreement that the smart hero industry undertakes to bear all the losses arising from the actual operation during the trusteeship period and make up the losses to hainanhai free Guanlan Lake International Shopping Center Co., Ltd. (hereinafter referred to as "Guanlan Lake Shopping Center") in currency. The equity ratio of both parties shall remain unchanged. After the signing of the agreement, Hainan duty-free products Co., Ltd. has no control over Guanlan Lake Shopping Center.

(IV) Significant subsidiaries not wholly-owned

1. Minority shareholders

No.	Name	Shareholding ratio of minority (%)	Profits or losses attributable to minority	Dividend paid to minority in current period	Closing accumulative minority equity
1	China Travel International Investment Hong Kong Limited	38.47	-301,391	-6,245	6,414,725
2	Essence International Financial Holdings Limited	45.00	152,153	-95,185	1,872,792
3	China Tourism Group Duty Free Corporation Limited	46.70	4,063,929	-866,121	12,339,326
4	Wuhan Duoluokou Logistics Co., Ltd.	48.14	750		205,311

2. Major financial information

Item	Amount in the Current Period			
	China Travel International Investment Hong Kong Limited	Essence International Financial Holdings Limited	China Tourism Group Duty Free Corporation Limited	Wuhan Duoluokou Logistics Co., Ltd
Current assets	7,850,001	1,415,211	30,971,185	889,460
Non-current assets	11,249,337	8,820,796	10,948,183	395,070
Total Assets	19,099,338	10,236,007	41,919,368	1,284,530
Current liabilities	3,961,367	4,840,851	15,661,035	634,887
Non-current liabilities	1,478,622	1,207,509	79,496	235,460
Total liabilities	5,439,989	6,048,360	15,740,531	870,347
Operating revenue	1,874,775	2,006,678	52,596,838	172,775
Net profit	-364,809	360,811	7,336,516	1,681
Total comprehensive income	-637,877	85,597	6,885,113	1,681
Net cash flows from operating activities	-367,675	2,433,500	8,202,265	115,411

Continued:

Item	Amount of the last year			
	China Travel International Investment Hong Kong Limited	Essence International Financial Holdings Limited	China Tourism Group Duty Free Corporation Limited	Wuhan Duoluokou Logistics Co., Ltd.
Current assets	5,934,871	1,309,730	23,115,405	688,259
Non-current assets	11,250,851	10,781,146	8,708,750	737,382
Total Assets	17,185,722	12,090,876	31,824,155	1,425,641
Current liabilities	2,613,940	5,984,848	8,718,262	716,904
Non-current liabilities	1,211,966	1,792,456	151,631	296,767
Total liabilities	3,825,906	7,777,304	8,869,893	1,013,671
Operating revenue	4,046,262	2,181,471	48,612,288	273,255
Net profit	498,088	92,545	5,606,598	46,648
Total comprehensive income	572,553	170,650	5,676,339	46,648

Item	Amount of the last year			
	China Travel International Investment Hong Kong Limited	Essence International Financial Holdings Limited	China Tourism Group Duty Free Corporation Limited	Wuhan Duoluokou Logistics Co., Ltd.
Net cash flows from operating activities	368,258	84,605	3,121,372	89,438

(V) Entities including / excluding in the scope of consolidation in the current year

1. New Entities including in the scope of consolidation in the current year

Company name	Reason for inclusion
CTS Haiquanwan scenery (Chengdu) Real Estate Co., Ltd	Investment for establishment
China Travel Service Luzhou Laojiao Cultural Tourism Development Co., Ltd	Investment for establishment
Ningxia Shapotou Qihao Travel Bus Co., Ltd	Investment for establishment
Shun Tak-China Travel Shipping Investments Limited and its 73 subsidiaries	Cash purchasing
China travel business management (Hainan) Co., Ltd	Investment for establishment
CTS watermark (Hangzhou) health care service Co., Ltd	Investment for establishment
Guangzhou Tianchen Real Estate Development Co., Ltd	Cash purchasing
Hangzhou Lvtou Real Estate Development Co. Ltd	Investment for establishment
Mabian Fulai China Travel Service Investment Operation Co. Ltd	Investment for establishment
China travel (Xiamen) real estate co., LTD	Investment for establishment
China Travel Service (Xi Xian New Area) Real Estate Co., Ltd	Investment for establishment
China travel investment (Yunnan) co. LTD	Investment for establishment
China travel investment (Hainan) co. LTD	Investment for establishment
China travel new chuan (Chengdu) real estate co., LTD	Investment for

Company name	Reason for inclusion
	establishment
China travel investment (Sichuan) co. LTD	Investment for establishment
Hong Kin Ltd	Cash purchasing
Kai Yang Co., Ltd	Cash purchasing
Burger Association Ltd	Cash purchasing
Ghana Visa Application Services Co. Ltd	Investment for establishment
Xizang China Travel Service Co. Ltd	Investment for establishment
China Free Phoenix Airport Duty Free Co. Ltd	Investment for establishment
China Free (Shenzhen) Supply Chain Technology Co., Ltd	Investment for establishment
China Free Chengdu Tianfu Airport Duty Free Co., Ltd	Investment for establishment
China travel hotel management co., LTD	Investment for establishment
China travel (Hainan) travel transport co. LTD	Investment for establishment
China tourism group diqing shangri-la tourism investment development co. LTD	Investment for establishment
China travel service (Diqing shangri-la) co. LTD	Investment for establishment

2. Entities excluded from the scope of consolidation since current year

Company name	Reason for exclusion
Mango Net Limited (Hong Kong)	Canceled
CTS Juhao Golf Club Hong Kong Limited (Western Samoa)	Canceled
CTS Trading Co.	Canceled
Best Known Trading Limited	Canceled
Common Bond Investments Limited	Canceled
China travel service head office yichun co. LTD	Canceled
China CITS (Liaoning Jinzhou) international travel service co. LTD	Canceled
China CITS (Shiyan) international travel service co., LTD	Canceled

Company name	Reason for exclusion
China travel service (Beijing) international travel co. LTD	Canceled
Nanning China Travel International Travel Service Co. Ltd	Canceled
China Free Group Qingdao Jiaodong Airport Duty Free Co. Ltd	Canceled
Ningde China Duty Free Supply Co., Ltd	Canceled
Dalian Zhongniu Lilang Trading Co., Ltd	Canceled
China Free Fenghe (Shanghai) Trading Co., Ltd	Canceled
Beijing mango international travel agency co. LTD	Canceled
China Travel Service Head Office (Guizhou) Co., Ltd.	Canceled

(VI) Business combination not under common control

Name	Date of merger	Account book Net assets	Fair value of identifiable net assets		Transaction consideration	goodwill		Income of the acquiree from the date of purchase to the end of the period	Net profit of the acquiree from the date of purchase to the end of the period
			Amount	Determination method		Amount	Determination method		
SHUN TAK-CHINA TRAVEL SHIPPING INVESTMENTS LIMITED	2020-7-16	1,185,331	1,632,531	Estimation	854,069	37,804	notes 1	8,824	-193,446
Xieneng Investment Co., Ltd	2020-7-16	52,225	79,331	Estimation	46,595	-32,736	notes 2		1,916
Guangzhou Tianchen Real Estate Development Co., Ltd	2020-12-16	-532	437,986	Estimation	411,000	82,511	notes 3		

Note 1: On 6, March 2020, Dalmore Investments Limited, a subsidiary of the Group, entered into an Equity Transfer Agreement with Interdragon Limited as the purchaser, to acquire its 21% equity stake in Shun Tak-China Travel Shipping Investments Limited (hereinafter referred to as "Shun Tak China Travel Service"). Upon completing the acquisition on July 16, 2020, the Group holds 50% of the equity of Shun Tak China Travel Service. Dalmore has control of the board of directors of Shun Tak China Travel Service, so it can form control over it.

Note 2: on March 6, 2020, Shun Tak China Travel Service, a subsidiary of the group, as the buyer, signed an equity transfer agreement with Shun Tak Group Co., Ltd., and agreed to purchase 100% equity of Xieneng Investment Co., Ltd. with RMB 46,595 thousand yuan. The transaction was completed on July 16, 2020.

Note 3: on October 30, 2020, Hong Kong China Travel (China) Investment Co., Ltd., a subsidiary of the group, acquired 26% equity of Guangzhou Tianchen Real Estate Development Co., Ltd. (hereinafter referred to as "Guangzhou Tianchen") held by Guangzhou Wenjin Real Estate Development Co., Ltd., and paid consideration of 198,000 thousand yuan. On December 16, 2020, Hong Kong China Travel (Qingdao) Haiquanwan Co., Ltd., a subsidiary of the group, acquired 49% equity of Guangzhou Tianchen held by Guangzhou Zhujiang Industrial Development Co., Ltd., and paid consideration of 213,000 thousand yuan.

(VII) Reverse purchase in the current year

None.

(VIII) Absorption and merger in the current year

None.

VIII. Notes to Key Items in Consolidated Financial Statements

Note: The opening balance refers to January 1, 2020, and the Closing balance refers to December 31, 2020. The current period refers to the period from January to December 2020, and the previous year refers to the period from January to December 2019.

(I) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	46,281	45,242
Bank deposit	28,162,179	19,540,895
Other cash and cash equivalents	198,090	1,004,315
Total	28,406,550	20,590,452
Incl.: total amount deposited abroad	7,507,323	7,905,826

Details of restricted cash and cash equivalents are as follows:

Item	Closing balance	Opening balance
Reserves deposited in central bank	726,568	596,458
Guarantee deposits	78,134	532,076
Quality bond for travel service	34,921	123,973
Court freeze funds	28,576	34,741
Time deposits	22,908	681,500
Housing fund	15,119	13,919
Visa business deposit	10,502	9,727
Time deposit or call deposit for guarantee	9,030	9,836
Performance bonds	8,960	10,978
House rental security	4,725	4,673
Letter of credit	1,232	5,812
Bank acceptance bill deposit		99,780
Security deposit		455
Others	3,275	2,511
Total	943,950	2,126,439

(II) Transactional financial assets

Item	Closing fair value	Opening fair value
Financial assets classified as at fair value through profit or loss	435,933	50,973

Item	Closing fair value	Opening fair value
Incl.: Debt instrument investment		
Equity instrument investment		
Others	435,933	50,973
Total	435,933	50,973

Note: Other financial products purchased in this period include: RMB floating financial products purchased from domestic banks by China Travel Service (Dengfeng) Songshan Shaolin Cultural Tourism Co., Ltd., a subsidiary of the Group, with a total principal and interest of RMB 35,500 thousand. The maturity date of the financial products is within one year, and the expected year-end yield is 2.05%; The Group's subsidiary Hong Kong China Travel Service (Ningxia) Shapotou Tourism Scenic Area Co., Ltd has purchased RMB floating financial products from domestic banks with the total principal and interest of RMB 10,121 thousand. The maturity date of the financial products is within one year, and the expected return rate at the end of the year is 3.15%. Guangxi CTS Detian Waterfall Tourism Development Co., Ltd., a subsidiary of the Group, purchased RMB floating financial products from domestic banks with the total principal and interest of RMB 240,312 thousand. The maturity date of the financial products is within one year, and the expected year-end yield is 3.10%. Shenzhen Anxin Small Loan Co., Ltd, a subsidiary of the Group, purchased structured financial products from a domestic bank, entrusted by Ping An Bank with a total principal and interest of RMB 150,000 thousand.

(Ⅲ) Notes receivable

1. Notes receivable classification

Category	Closing balance			Opening balance		
	Book Balance	Bad-debt provision	Book Value	Book Balance	Bad-debt provision	Book Value
Bank acceptance	600		600	18,790		18,790
Trade Acceptance	3,102		3,102	6,842		6,842
Total	3,702		3,702	25,632		25,632

(IV) Accounts receivable

Category	Closing balance				Opening balance			
	Book balance		Bad debt reserves		Book balance		Bad debt reserves	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with the significant single amount and with bad debt reserves provided separately	61,941	5	47,599	77	68,798	3	29,138	42
Accounts receivable with bad debt reserves are subject to credit risks featured portfolios	1,140,506	85	162,179	14	1,814,608	89	158,213	9
Accounts receivable with the insignificant single amount and with bad debt reserves provided separately	125,326	9	108,248	86	140,969	7	113,022	80
With bad debt reserves provided separately	6,729	1	6,729	100	7,160	1	6,818	95
Total	1,334,502	——	324,755	——	2,031,535	——	307,191	

1. Accounts receivable with the significant single amount and with single bad debt provided at the end of the current period

Debtor	Book balance	Bad debt reserves	Age	The Proportion of provision (%)	Reason for provision
HKCTS Logistics Trading Co., Ltd.	44,220	29,878	Within 1 year,1-2 years,2-3years	68	Expected to be irrecoverable Partially
Business Department of Business Association Award of China Travel Shanghai company	17,721	17,721	Within 3-4 years	100	Expected to be irrecoverable
Total	61,941	47,599	--	--	--

2. Accounts receivable with bad debt reserves provided subject to credit risks featured portfolios

Accounts Receivable with bad debt reserves provided by age analysis method.

Age	Closing balance			Opening balance		
	Book balance		Bad debt reserve	Book balance		Bad debt reserve
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year (including 1 year)	928,951	81		1,632,548	90	
1-2 years (including 2 years)	98,753	9	49,377	47,693	3	23,846
2-3 years (including 3 years)	26,056	2	26,056	36,199	2	36,199
Above 3 years	86,746	8	86,746	98,168	5	98,168
Total	1,140,506	——	162,179	1,814,608	——	158,213

3. Accounts receivable with the insignificant single amount but with single bad debt provided at the end of the current period

Debtor	Book balance	Bad debt reserves	Age	The Proportion of provision (%)	Reason for provision
Sichuan Express sany18 automobile Tourism Investment Management Co., Ltd	7,846	7,846	Within 2-3 years, above 3 years	100	Expected to be irrecoverable
Shanghai Royal Palace Information Technology Co., Ltd.	5,005	5,005	above 3 years	100	Expected to be irrecoverable
B.S.AssociateCo.,Limited	5,000	5,000	above 3 years	100	Expected to be irrecoverable
Micro Journey (Beijing) International Tourism Co., Ltd.	3,520	3,520	above 3 years	100	Expected to be irrecoverable
Beijing Qingxinju Farm Co., Ltd.	3,431	3,431	above 3 years	100	Expected to be irrecoverable
Voyages Transasie Canada	3,244	3,244	above 3 years	100	Expected to be irrecoverable
Southern Cross	3,024	3,024	above 3 years	100	Expected to be irrecoverable
Sweden China Travel Service	3,019	3,019	above 3 years	100	Expected to be irrecoverable
Wuhan Overseas Tourism Co., Ltd.	2,776	2,776	above 3 years	100	Expected to be irrecoverable

Debtor	Book balance	Bad debt reserves	Age	The Proportion of provision (%)	Reason for provision
Internal receivables	2,579	2,579	above 3 years	100	Expected to be irrecoverable
Chongqing Xizhong International Travel Service Co., Ltd.	2,496	2,496	above 3 years	100	Expected to be irrecoverable
Xi'an Yuanhang International Aviation Passenger and Freight Agency Co., Ltd.	2,387	2,387	above 3 years	100	Expected to be irrecoverable
Historical funds	2,382	2,382	above 1 years	100	Expected to be irrecoverable
Li Hui's debt	2,270	2,270	2-3 years, above 3 years	100	Expected to be irrecoverable
Lenovo (Beijing) Co., Ltd	2,234	190	Within 1 years, 1-2 years	8	Expected to be recoverable Partially
Chinese Investment International Travel Agency Co., Ltd.	2,198	2,198	1-2 years	100	Expected to be irrecoverable
Japan China Travel Service Co., Ltd	2,131	2,131	1-2 years	100	Expected to be irrecoverable
Guangdong Huashang law firm	1,949		Within 1 years	0	Expected to be recoverable
NOBEL TOURS	1,842	1,842	above 3 years	100	Expected to be irrecoverable
Beijing Minsheng International Travel Agency Co., Ltd.	1,814	1,814	above 3 years	100	Expected to be irrecoverable
Driver's share	1,757	521	Within 1 years, 1-2 years,2-3 years, above 3 years	29	Expected to be recoverable Partially
Xi'an Yuanhang International Aviation Passenger and Freight Agency Co., Ltd.	1,684	1,684	above 3 years	100	Expected to be irrecoverable
Shanghai sanliqinye education training Co., Ltd	1,568	1,568	1-2 years	100	Expected to be irrecoverable
Wang Limin	1,529	1,529	above 3 years	100	Expected to be irrecoverable
Shanghai Dongji conference Consulting Co., Ltd	1,413	1,413	1-2 years	100	Expected to be irrecoverable
Lawrence Motor Sales Limited	1,392	1,392	above 3 years	100	Expected to be irrecoverable

Debtor	Book balance	Bad debt reserves	Age	The Proportion of provision (%)	Reason for provision
AKQUA SUN HOLIDAYS(I) PVT LTD	1,245	1,245	above 3 years	100	Expected to be irrecoverable
Japan China Travel Service Co., Ltd	1,039	136	Within 1 years	13	Expected to be recoverable partially
Total amount less than 1 million	52,552	41,606			
Total	125,326	108,248	--	--	--

4. With bad debt reserves provided separately

Inner Mongolia Darhan Tourism Culture Co., Ltd.	2,101	2,101	100	Expected to be irrecoverable
Hangzhou Haowangchenglian Food Co., Ltd.	2,048	2,048	100	Expected to be irrecoverable
Beijing Capital International airport waiting building duty free shop	1,117	1,117	100	Expected to be irrecoverable
Accounts receivable	777	777	100	Expected to be irrecoverable
Suzhou Wujiang Binhu Investment Group Co., Ltd.	560	560	100	Expected to be irrecoverable
Zhang Wei	101	101	100	Expected to be irrecoverable
Duty free goods store of Gaoming port	25	25	100	Expected to be irrecoverable
Total	6,729	6,729	——	——

5. Having implemented the new financial instrument standards disclose accounts receivable by aging

Account age	Closing balance	Opening balance
Within 1 year (including 1 year)	151,163	200,967
1-2 years	46,981	7,896
2-3 years	6,489	12,445
Above 3 years	23,318	19,613
Subtotal	227,951	240,921
Less: provision for bad debts	30,407	36,035
Total	197,544	204,886

6. Classified disclosure of accounts receivable according to the method of provision for bad debts

Item	Closing balance					Opening balance				
	Book balance		Bad debt reserves			Book balance		Bad debt reserves		
	amount	proportion (%)	amount	Expected credit loss rate (%)	book value	amount	proportion (%)	amount	Expected credit loss rate (%)	book value
With bad debt reserves provided separately	6,729	3	6,729	100		7,160	3	6,817	95	343
Receivables with bad debt reserves withdrawn by combination	221,222	97	23,678	11	197,544	233,761	97	29,218	12	204,543
Total	227,951		30,407		197,544	240,921		36,035		204,886

7. Accounts receivable actually written off during the reporting period

Debtor	Nature of payment	Write off amount	Reasons for write off	Write off of performance	Debtor
Fu Jianjun	Car share	23	Expected to be irrecoverable	Resolution of the board of directors of CTS assets	No
Total	--	23	--	--	--

8. Accounts receivable with top five closing balance collected as per borrowers

Debtor	Book balance	Percentage in total amount of accounts receivable (%)	Bad debt reserves
Hong Kong CTS Logistics Trading Co., Ltd	44,220	3	29,878
CITS Shanghai Business Association award business department	17,721	1	17,721
Sichuan Express sany18 automobile Tourism Investment Management Co., Ltd	7,846	1	7,846

Debtor	Book balance	Percentage in total amount of accounts receivable (%)	Bad debt reserves
Shanghai Yudian Information Technology Co., Ltd	5,005		5,005
B.S.AssociateCo.,Limited	5,000		5,000
Total	79,792		65,450

(V) Prepayments

1. Prepayments by age

Age	Closing balance			Opening balance		
	Book balance		Bad debt reserves	Book balance		Bad debt reserves
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year (including 1 year)	653,048	80		1,211,018	95	
1-2 years (including 2 years)	120,989	15	885	29,927	2	1,665
2-3 years (including 3 years)	19,603	2	1,885	7,673	1	2,740
Above 3 years	22,048	3	13,609	22,099	2	10,317
Total	815,688	--	16,379	1,270,717	--	14,722

2. Information of prepayment with huge amount and with age over 1 year

Creditor	Debtor	Closing balance	Age	Reasons for unbalance
Suzhou HKCTS City Construction Co., Ltd.	Suzhou Wujiang District Power Supply Branch of State Grid Jiangsu Electric Power Co., Ltd.	27,040	Above 1 year	Unsettled
HKCTS Taihuwan (Suzhou) Real Estate Co., Ltd.	Suzhou Wujiang District Power Supply Branch of State Grid Jiangsu Electric Power Co., Ltd.	23,910	Above 1 year	Unsettled
HKCTS (Zhangjiagang) Real Estate Co., Ltd.	Zhangjiagang Power Supply Branch of State Grid Jiangsu Electric Power Co., Ltd.	23,084	1-2years	Unsettled
HKCTS Taihu (Suzhou) Real Estate Co., Ltd.	Suzhou Power Supply Branch of State Grid Jiangsu Electric Power Co., Ltd.	8,926	Above 1 year	Unsettled
China Travel Service Head	Xian Yuanhang International Air	5,077	Above 1	Unsettled

Creditor	Debtor	Closing balance	Age	Reasons for unbalance
Office Northwest Limited	Passenger and Cargo Agency Co., Ltd.		year	
HKCTS Taihuwan (Suzhou) Real Estate Co., Ltd.	Suzhou Wujiang District Power Supply Branch of State Grid Jiangsu Electric Power Company	4,557	Above 1 year	Unsettled
Jiangsu China Travel Service Company Limited	Costa Cruises Shipping (Shanghai) Co., Ltd.	3,580	Above 1 year	Unsettled
CITS (Jiangsu) International Travel Service Co., Ltd.	Royal Caribbean Cruise Shipping (China) Co., Ltd.	2,352	Above 1 year	Unsettled
HKCTS Taihu (Suzhou) Real Estate Co., Ltd.	Suzhou Power Supply Branch of State Grid Jiangsu Electric Power Co., Ltd.	2,103	Above 1 year	Unsettled
Beijing Grand Metropark International Hotel Co., Ltd	Guangzhou Zhiye Energy Saving Technology Co., Ltd.	2,090	Above 1 year	Unsign an asset repurchase agreement
CITS (Wuhan) International Travel Service Co., Ltd.	Wuhan fengtai mulan tianchi travel Co., Ltd.	1,900	Above 1 year	Unsettled
Total		104,619	--	--

3. Information of the top five prepayments at the end of the balance

Debtor	Book balance	Percentage in total advance payment (%)	Bad debt reserves
Suzhou Wujiang District Power Supply Branch of State Grid Jiangsu Electric Power Co., Ltd.	56,891	7	
Saint Laurent Co., Ltd.	28,689	4	
Zhangjiagang Power Supply Branch of State Grid Jiangsu Electric Power Co., Ltd.	23,361	3	
IndustriesS.p.A	18,894	2	
Beijing Putiantaili Communication Technology Co., Ltd. Hainan Branch	13,235	2	
Total	141,070	19	

(VI) Other receivables

Item	Closing balance	Opening balance
Interests receivable	76,195	73,555
Dividends receivable	4,540	3,039
Other receivables	2,119,481	2,307,116
Total	2,200,216	2,383,710

1. Interests Receivable

Item	Closing balance	Opening balance
Time Deposits	26,624	15,258
Bonds Investment	1,590	1,590
Others	47,981	56,707
Total	76,195	73,555

Note1: Others mainly include RMB 3,200 thousand on deposit and lending interbank and central bank interest of CTS Finance Co., Ltd., RMB 25,663 thousand on interest on loans and advances CTS Finance Co., Ltd., RMB 288 thousand on the interest of loan issued by CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED, and RMB 11,395 thousand on the interest of loan issued by CHINA TRAVEL FINANCIAL HOLDINGS CO., LIMITED.

Note2: The original value of interest receivable on December 31, 2020, was RMB 80,613 thousand, and the provision for bad debts was RMB 4,418 thousand, and the net book value was RMB 76,195 thousand.

2. Dividends Receivable

Item	Closing Balance	Opening Balance	Reasons for not recovered	Whether there is any depreciation and criteria for determination
Dividends receivable age within 1 year	1,500	1		
Incl.: CDF Hainan HNA Co., Ltd.	1,500		unpaid	no
CITS (Baoding) International Travel Service Co., Ltd.		1		
Dividends receivable age over 1 year	3,040	3,038		
Incl.: Shanghai CTS International Travel Service Co., Ltd.	2,447	2,447	unpaid	no
Guangdong Gongbei Port China Travel Service Co., Ltd.	591	591	nupaid	no
CITS (Baoding) International Travel Service Co., Ltd.	2			
Total	4,540	3,039	--	--

3. Other receivables

Category	Closing balance				Opening balance			
	Book balance				Bad debt reserves			
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amount and with bad debt reserves provided separately	959,106	37	303,192	32	1,199,834	42	324,418	27
Other receivables with bad debt reserves provided subject to credit risks featured portfolios	1,125,977	43	32,269	3	1,192,081	41	98,012	8
Other receivables with insignificant single amount but with bad debt reserves provided separately	532,216	20	162,357	31	494,024	17	159,332	32
With bad debt reserves provided separately	795	0	795	100	3,827		888	23
Total	2,618,094	——	498,613		2,889,766	——	582,650	

(1) Other receivables with significant single amount and with bad debt reserves provided separately

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
Guangdong International Trust and Investment Co., Ltd.	233,454	233,454	Within 1-5 years	100	Expected to be irrecoverable
Ningbo Hangzhou Bay New District Development and Construction Management Committee	161,790		1-2 years,2-3 years		Expected to be recoverable
Park City Construction Bureau of Chengdu hi tech Industrial Development Zone	115,600		Within 1 years		Expected to be recoverable
Guangzhou Zhujiang Industrial Development Co., Ltd	60,000		Within 1 years		Expected to be recoverable
Wuhan sanheli Management Consulting Co., Ltd	52,106		Within 1 years,2-3 years		Expected to be recoverable
Suzhou Lvyou Real Estate Co., Ltd	41,650		Within 1 years		Expected to be recoverable
AVIC Xingang Guarantee Co., Ltd	37,793		Within 1 years,above 3 years		Expected to be recoverable
Suzhou real estate Guarantee Co., Ltd	33,673		Within 1 years,1-2 years		Expected to be recoverable
Hong Kong Government	33,599		Within 1 years		Expected to be recoverable
Hong Kong CITS Trading Co., Ltd	31,187	31,187	above 3 years	100.00	Expected to be irrecoverable
Hangzhou property maintenance fund management center	24,119		above 3 years		Expected to be recoverable
Chengdu Shuangliu District Finance Bureau Special Account	23,820		2-3 years		Expected to be recoverable
China Guofeng Group Co., Ltd	23,413	23,413	Within 1-5 years	100	Expected to be recoverable
Property special maintenance fund of Ningbo Jiangbei District Real Estate Management Office	21,361		Within 1 years		Expected to be recoverable
Special account for other funds of Ningbo Jiangbei District treasury collection and payment center	20,000		Within 1 years		Expected to be recoverable
BSP	12,645	12,645	2-3 years,above 3 years	100	Expected to be irrecoverable
Management Committee of Yanjiao high tech Zone	10,000		above 3 years		Expected to be recoverable

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
Jiangbei branch of Ningbo Bureau of land and resources	10,000		above 3 years		Expected to be recoverable
Others	12,896	2,493	Within 1-5 years	19	Expected to be recoverable partially
Total	959,106	303,192	--	--	--

(2) Other receivables with bad debt reserves provided subject to credit risks featured portfolios

Age	Closing balance			Opening balance		
	Book balance		Bad debt reserves	Book balance		Book balance
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year (including 1 year)	1,086,751	96		1,072,853	90	
1-2 years (including 2 years)	13,913	1	6,956	42,432	4	21,216
2-3 years (including 3 years)	7,871	1	7,871	17,443	1	17,443
Above 3 years	17,442	2	17,442	59,353	5	59,353
Total	1,125,977	——	32,269	1,192,081	——	98,012

(3) Other receivables with insignificant single amount but with single bad debt provided at the end of current period

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
Shenzhen Taizhi Eyes	8,415	8,415	Above 3 years	100	Expected to be irrecoverable
Shanghai Everbright City International Travel Service Co., Ltd.	7,626	7,626	Above 3 years	100	Expected to be irrecoverable
Jinqiang	7,500	7,500	Above 3 years	100	Expected to be irrecoverable
Owner of Qingdao Haiquanwan real estate company	7,193		Above 1 years		Expected to be recoverable
Jingluohu	6,799	6,799	Above 3 years	100	Expected to be irrecoverable
Citibank-London Branch	6,730		Above 3 years		Expected to be recoverable

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
Hong Kong CITS Federation	6,713	6,713	Above 3 years	100	Expected to be irrecoverable
Beijing Transit Station, Command of China Maritime Police	6,650	6,650	Within 2-3 years	100	Expected to be irrecoverable
Former Taiwan Special Department	6,112	6,112	Above 3 years	100	Expected to be irrecoverable
Maintenance fund	5,997		Within 1 years		Expected to be recoverable
Margin of other warrants	5,907		Within 1 years		Expected to be recoverable
China Communications First Aviation Administration Second Engineering Co., Ltd.	5,899		Above 1 years		Expected to be recoverable
Capital Airport VIP Service Management Co., Ltd.	5,700		Within 1-2 years		Expected to be recoverable
Chongqing China Merchants International Travel Co., Ltd.	5,677	5,677	Above 3 years	100	Expected to be irrecoverable
China Construction Investment Leasing Co., Ltd	5,500		Within 1 years		Expected to be recoverable
China Construction Third Engineering Bureau Co., Ltd.	5,435		Within 1 years		Expected to be recoverable
Huajing International Engineering Company	5,177	5,177	Above 3 years	100	Expected to be irrecoverable
Hubei Shengde Luwei International Travel Agency Co., Ltd	5,159	836	Within 1 years,1-2 years	16	Expected to be recoverable Partially
Jimo East Tourism Development and Construction Headquarters Office	4,800		Above 3 years		Expected to be recoverable
Shenzhen Luohu District Housing Bureau	4,775		Above 3 years		Expected to be recoverable
Zhuhai Changlong investment and Development Co., Ltd	4,696		Within 1 years		Expected to be recoverable
Guangzhou Changlong Group Co., Ltd	4,688		Within 1 years		Expected to be recoverable

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
International Far Eastern Leasing	4,625		1-2 years		Expected to be recoverable
Social security of group personnel	4,456		Within 1 years,1-2 years		Expected to be recoverable
ASTRO OCEAN INTERNATIONAL CRUISE COMPANY LIMITED	4,377		Within 2 years		Expected to be recoverable
(주)국민은행	4,332		Within 1 years		Expected to be recoverable
Futian Jian'an	4,253	4,253	Above 3 years	100	Expected to be irrecoverable
Non tax fund expert of Cicheng Finance Bureau, Jiangbei District, Ningbo	4,000		Within 1 years		Expected to be recoverable
株式会社东京テレポートセンター	3,807		Within 1 years		Expected to be recoverable
Green Mango Holdings Limited	3,764	3,764	Above 3 years	100	Expected to be irrecoverable
EMEYAIRLINES	3,499	3,499	Above 3 years	100	Expected to be irrecoverable
Collective housing fund	3,483		Within 1 years,1-2 years, above 3 years		Expected to be recoverable
Cixi natural resources and Planning Bureau	3,422		Within 1 years		Expected to be recoverable
Lijing Decoration	3,300	3,300	Above 3 years	100	Expected to be irrecoverable
Xiong Xiaoxing, Jinhui	3,289	760	Within 1 years	23	Expected to be recoverable
Collective workers	3,145		Within 1 years		Expected to be recoverable
INTERNATIONAL FINANCE CENTRE MANAGE	3,111		Within 1 years		Expected to be recoverable
Hainan Company	3,063	3,063	Above 3 years	100	Expected to be irrecoverable
Beijing Qingxinju Farm Co., Ltd.	3,047	3,047	Above 3 years	100	Expected to be irrecoverable
Overseas Chinese Affairs Office of the State Council	3,000	3,000	Above 3 years	100	Expected to be irrecoverable

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
Kunming CITS headquarters individual (virtual)	2,981	2,981	Above 3 years	100	Expected to be irrecoverable
Wuxi CTS Xincheng Travel Co., Ltd	2,911	2,911	Above 3 years	100	Expected to be irrecoverable
Shanghai Dongmei Air Travel Service Co., Ltd	2,891	2,891	Above 3 years	100	Expected to be irrecoverable
Busan HDC Co., Ltd	2,879		Within 1 years		Expected to be recoverable
Other CTI receivable	2,767		Within 1 years,1-2 years		Expected to be recoverable
CCB Industry	2,765	2,765	Above 3 years	100	Expected to be irrecoverable
Suzhou Industrial Park Housing Guarantee Co., Ltd	2,758		Within 1 years		Expected to be recoverable
Finance Bureau of Management Committee of Yanjiao high tech Industrial Development Zone	2,750		1-2 years		Expected to be recoverable
Deposit of flight position and route	2,729		Within 1 years		Expected to be recoverable
Withdrawal of income from financial products	2,722		Within 1 years		Expected to be recoverable
Qingdao China energy saving building energy Co., Ltd	2,577		2-3 years		Expected to be recoverable
Current unit housing management department	2,529	2,529	Above 3 years	100	Expected to be irrecoverable
Office of the special commissioner of the Ministry of foreign affairs of the people's Republic of China in the Hong Kong Special Administrative Region	2,525		2-3 years		Expected to be recoverable
Hangzhou Chengdong new Town Construction Investment Co., Ltd	2,500		Within 1 years		Expected to be recoverable
CTS property management (Shenzhen) Co., Ltd. CTS	2,491	2,491	Within 1 years	100	Expected to be irrecoverable

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
Garden Management Office Housing Center 905142505 housing fund	2,432		2-3 years,above 3 years		Expected to be recoverable
Hong Kong China Travel (Foshan) International Travel Agency Co., Ltd	2,282	46	Within 1 years	2	Expected to be recoverable Partially
Phase I warranty of Xiaoshan property	2,242		Within 1 years		Expected to be recoverable
Personal loan	2,220	1,007	Within 1 years	45	Expected to be recoverable Partially
Lanzhou Merchants International Travel Company	2,158		Above 3 years		Expected to be recoverable
Wuqiao acrobatics World Tourism Co., Ltd	2,107	2,107	Above 3 years	100	Expected to be irrecoverable
ACME ELITE LIMITED	2,081		Above 3 years		Expected to be recoverable
One time supplier	2,001	1,949	Above 3 years	97	Expected to be recoverable Partially
Wuhan Dongxihu District human resources and Social Security Bureau	2,000		1-2 years		Expected to be recoverable
Shanghai AoXin Business Travel Consulting Co., Ltd	2,000	1000	1-2 years	50	Expected to be recoverable Partially
Wuhan Guiyuan shiguangwai commercial operation management Co., Ltd	2,000		Within 1 years		Expected to be recoverable
Wuhan Yangtze River Cruise Co., Ltd	2,000		Within 1 years,1-2 years		Expected to be recoverable
Housing, planning and Construction Bureau of Yanjiao high tech Zone	2,000		Within 1 years		Expected to be recoverable
Total amount less than 2 million	264,797	53,489			
Total	532,216	162,357	--	--	--

(4) With bad debt reserves provided separately

Debtor	Book balance	Bad debt reserves	Age	Reason for provision
Guilin Menghuan Lijiang Performance Transmission Co.,Ltd.	724	724	Above 3 years	Expected to be irrecoverable
Lichuan County Public Resources Trading Center	16	16	Above 3 years	Expected to be irrecoverable
Sichuan Liyang bidding Agency Co., Ltd	15	15	Above 3 years	Expected to be irrecoverable
Lichuan County Public Resources Trading Center	10	10	Above 3 years	Expected to be irrecoverable
Hangzhou Haowang Chenglian Food Co., Ltd	30	30	2-3 years	Expected to be irrecoverable
Total	795	795	——	——

(5) Having implemented the new financial instrument standards disclose accounts receivable by aging

Account age	Closing balance	Opening balance
Within 1 year (including 1 year)	834,353	971,854
1-2 years	241,967	55,057
2-3 years	42,289	13,319
Above 3 years	59,564	60,763
Subtotal	1,178,173	1,100,993
Less: provision for bad debts	42,862	58,536
Total	1,135,311	1,042,457

(6) Other receivables with the top five closing balance collected as per the non-paying party

Debtor	Nature of the amount	Book balance	Age	Proportion in total other receivables (%)	Bad debt reserves
Guangdong International Trust and Investment Co., Ltd.	Current account	233,454	Within 1-5 years	9	233,454
Ningbo Hangzhou Bay New District Development and Construction Management Committee	Current account	161,790	1-2 years、2-3years	6	
Park City Construction Bureau of Chengdu hi tech Industrial Development Zone	Current account	115,600	Within 1 years	4	
Guangzhou Zhujiang Industrial Development Co., Ltd	Current account	60,000	Within 1 years	2	

Debtor	Nature of the amount	Book balance	Age	Proportion in total other receivables (%)	Bad debt reserves
Wuhan sanheli Management Consulting Co., Ltd	Current account	52,106	Within 1 years、2-3 years	2	
Total	--	622,950	--	--	233,454

(VII) Inventories

1. Classification of Inventories

Item	Closing Balance			Opening Balance		
	Book Balance	Falling Price Reserve	Book Value	Book Balance	Falling Price Reserve	Book Value
Raw Materials	155,947	522	155,425	30,983	330	30,653
Self-manufactured semi-finished products and goods in process	33,949,665	347,510	33,602,155	19,534,087	445,323	19,088,764
Incl: Ongoing development cost	33,949,665	347,510	33,602,155	19,534,087	445,323	19,088,764
Merchandise inventory (finished goods)	19,237,904	988,332	18,249,572	11,462,843	251,871	11,210,972
Incl :Completed development product	3,636,798	86,364	3,550,434	2,245,635	21,958	2,223,677
Turnover materials (packing materials and low-value consumables)	2,696		2,696	3,642	170	3,472
Others	4,933,312	246	4,933,066	9,173,583	246	9,173,337
Incl :Undeveloped land reserve	4,931,945		4,931,945	9,173,318		9,173,318
Total	58,279,524	1,336,610	56,942,914	40,205,138	697,940	39,507,198

2. Inventory related to real estate enterprises land reserves

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Area of Land reserve (m^2)	2,946,830	166,908	638,159	2,475,579
Amount of Land Reserve	9,173,318	1,247,625	5,488,998	4,931,945

(VIII) Held-for-sale assets

Item	Closing book value	Expected disposal expenses	Time arrangement
Cash and cash equivalents	40		Delivery is expected in 2021
Fixed assets	1		Delivery is expected in 2021
Total	41		

(IX) Current portion of non-current assets

Item	Ending balance	Initial balance
Long-term receivables due within one year	191,657	286,245
Total	191,657	286,245

Note: Current portion of non-current assets are financial lease receivables and unrealized financing income due within one year.

(X) Other current assets

Item	Ending balance	Initial balance
Financial products	1,225,000	1,759,671
Tax prepayments	1,417,927	1,148,182
Input tax pending deduction	755,480	479,693
Contract acquisition cost	25,399	
Others	12,557	8,809
Total	3,436,363	3,396,355

(XI) Loans and advances issued

1. Distribution of loans and advances by individuals and enterprises

Item	Closing balance	Opening balance
Loans and advances to individuals	7,229,526	8,966,046
- Credit card	1,291,067	1,356,701
- Home mortgage	31,386	147,991
- Others	5,907,073	7,461,354
Loans and advances to enterprises	55,745	122,978
- Loans	55,745	122,978
- Discounts		

Item	Closing balance	Opening balance
- Others		
Total Loans and advances	7,285,271	9,089,024
Less: Loan loss reserves	473,781	504,710
Book value of loans and advances	6,811,490	8,584,314

2. Distribution of loans and advances by industries

Type of industry	Closing balance	Percentage (%)	Opening balance	Percentage (%)
Real estate industry	53,497	1	48,200	1
Other industries	7,231,774	99	9,040,824	99
Total Loans and advances	7,285,271	100	9,089,024	100
Less: Loan loss reserves	473,781	7	504,710	6
Book value of loans and advances	6,811,490	93	8,584,314	94

3. Distribution of loans and advances by region

Region	Closing balance	Percentage (%)	Opening balance	Percentage (%)
South China	7,245,407	99	8,690,966	96
Others	39,864	1	398,058	4
Total Loans and advances	7,285,271	100	9,089,024	100
Less: Loan loss reserves	473,781	7	504,710	6
Book value of loans and advances	6,811,490	93	8,584,314	94

4. Distribution of loans and advance by guarantee type

Item	Closing balance	Opening balance
Credit loans	7,253,885	8,941,033
Guaranteed loans		
Collateral loans	31,386	147,991
Incl.: mortgage loans	31,386	147,991
Pledged loans		
Total Loans and advances	7,285,271	9,089,024
Less: Loan loss reserves	473,781	504,710
Book value of loans and advances	6,811,490	8,584,314

5. Overdue loans

Item	Closing balance				
	Overdue for 1 to 90 days (inclusive)	Overdue for 90 to 360 days (inclusive)	Overdue for 360 to 3 years (inclusive)	Over 3 years	Total
Credit loans	271,846				271,846
Guaranteed loans					
Collateral loans	2,728				2,728
Incl.: mortgage loans	2,728				2,728
Pledged loans					
Total	274,574				274,574

Continued:

Item	Opening balance				
	Overdue for 1 to 90 days (inclusive)	Overdue for 90 to 360 days (inclusive)	Overdue for 360 3 years (inclusive)	Over 3 years	Total
Credit loans	425,055				425,055
Guaranteed loans					
Collateral loans	10,894				10,894
Incl.: mortgage loans	10,894				10,894
Pledged loans					
Total	435,949				435,949

6. Loan loss reserves

Item	Current period	Prior year
Closing balance in the previous year	504,710	458,044
change of accounting policies		
Opening balance in current year	504,710	458,044
Reserves for current year	616,657	777,492
Transfer out in current year		
Write off in current year	741,609	837,261
Reversal in current year	123,950	106,925
Reversal due to other factors	-29,927	-490

Item	Current period	Prior year
Closing balance	473,781	504,710

(XII) Available-for-sale financial assets

1. Available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Book Balance	Impairment provisions	Book value	Book Balance	Impairment provisions	Book value
1. Debt instruments available-for-sale						
2.Equity instruments available-for–sale	865,496	81,831	783,665	742,658	80,712	661,946
Incl.: those calculated at fair value	359,879		359,879	374,580		374,580
Calculated as per the cost	505,617	81,831	423,786	368,078	80,712	287,366
3.Others						
Total	865,496	81,831	783,665	742,658	80,712	661,946

2. Available-for-sale financial assets measured at fair value at the end of the period

Item	Equity instruments available-for-sale	Debt instruments available-for-sale	others	Total
Cost of equity instruments cost / amortized cost of debt instruments	251,577			251,577
Fair Value	359,879			359,879
Amount of changes in fair value				
Accumulatively included in other comprehensive income	108,302			108,302
Cost of equity instruments cost / amortized cost of debt instruments				

(XIII) Held-to-maturity investments

1. Held-to-maturity investments

Item	Closing Balance			Opening Balance		
	Book Balance	Impairment provisions	Book value	Book Balance	Impairment provisions	Book value
National debt	50,367		50,367	50,433		50,433
Total	50,367		50,367	50,433		50,433

2. Significant Held-to-maturity investments at the end of the period

Item	Denomination	Nominal rate%	Effective rate of interest%	maturity
The tenth financial Bond of China Development Bank in 2016	50,000	3.18	3.02	2026-4-5
Total	50,000	--	--	--

(XIV) Long-term receivables

Item	Closing balance			Opening balance		
	Book balance	Impairment provisions	Book value	Book balance	Impairment provisions	Book value
Finance lease	217,982		217,982	223,981	1,369	222,612
Including: unrealized financing income	19,898		19,898	27,369		27,369
others	8,615	700	7,915	18,884	700	18,184
Total	226,597	700	225,897	242,865	2,069	240,796

(XV) Long-term equity investments

1. Classification of long-term equity investments

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Investment in joint ventures	283,992	158,547	160,096	282,443
Investment in associates	6,046,472	6,099,324	725,766	11,420,030
Subtotal	6,330,464	6,257,871	885,862	11,702,473
Less: Long-term equity investments Impairment	384,054	354,737	158,426	580,365

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
provisions				
Total	5,946,410	5,903,134	727,436	11,122,108

2. Details of long-term equity investments

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
Total	11,682,195	6,330,464	5,913,745	365,150	-46,401	-14,826	532	32,697	354,737	-83,194	11,702,473	580,365
I. Joint venture	538,089	283,992	151,392		-143,456	6,668		2,474	76,167	-13,679	282,443	76,167
1、Kew Green VCT (Stansted) Limited	5,321	16,462			-4,312					-463	11,687	
2、ASTRO OCEAN INTERNATIONAL CRUISE COMPANY LIMITED	321,824	207,616			-132,223	6,668			76,167	-5,894	76,167	76,167
3、Nonggang Holdings Limited	30,000	30,085			8						30,093	
4、CDF Nanjing Airport Entry Duty Free Co., Ltd.	15,300	14,048			-1,852						12,196	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
Shanghai Ocean Shipping Supply Co.,Ltd.	14,252	15,781			477			2,474			13,784	
6、Shenzhen Qinglong High-speed Passenger Shipping					-2					2		
7、Ningbo China Travel Service Cicheng Guxian Town Tourism Development Co. Ltd	94,271		94,271		-3,207					-4,101	86,963	
8、Hong Kong international airport terminal services co., LTD	21,874		21,874		-1,813					-1,063	18,998	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
9、Zhejiang China travel xianghu business management co. LTD	7,650		7,650		-79						7,571	
10、Shun Tak & CITS Travel Coash (Macao) Ltd	27,597		27,597		-453					-2,160	24,984	
II. Associates	11,144,106	6,046,472	5,762,353	365,150	97,055	-21,494	532	30,223	278,570	-69,515	11,420,030	504,198
1、HKCTS (Shenyang) Real Estate Co., Ltd.	500,638	752,291			168,627						920,918	
2、Bank of China Travel Service Co., Ltd. Jiaozuo	2,528,861	2,593,809			-29,256	-55,492			278,570		2,509,061	278,570

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
3、Thailand Jetta Co., Ltd.	546	584								-35	549	548
4、Tangshan Haigelei Fine Bone Porcelain Co.,Ltd.	32,453	28,652			-10,110	339				-1,212	17,669	13,598
5、Greater Bay Area Homeland Investments Limited	262,860	287,530			32,959	1,647				-19,211	302,925	
6、All Cnina Express Limited												
7、Shun Tak - China Travel Shipping Investments Ltd.	368,087	450,231		365,020	-81,678					-3,533		

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
8、Guilin Menghuan Lijiang Performance Transmission Co.,Ltd.	1,457	188								-11	177	177
9、Huangshan Taiping Cable Car Co., Ltd.	1,720	27,640			-1,597					-143	25,900	
10、Changsha Colorful World Company Limited	17,198	102,193			4,646					143	106,982	
11、Changchun Jingyuetan Youle Co., Ltd.	8,654	9,746			44					-45	9,745	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
12、Huangshan Yuping Cable Car Company Limited	50,110	57,692			6,412					-1,454	62,650	
13、Henan Chanju International Hotel Limited	9,600	3,060								-185	2,875	2,875
14、Zhuhai Evergrande Ocean Spring Land Co., Ltd.	284,941	391,356			59,076					257	450,689	
15、Sichuan Jianyang Aviation Tourism Resort Development Co., Ltd.	17,061	16,175			-665					-22	15,488	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
16、Happy Westward Journey E-Commerce Co., Ltd.	1,500	1,720			-107					-22	1,591	
17、Ningxia Shapotou Shengdian Tourism Culture Development Co., Ltd.	20,000	16,410			-2,520					-35	13,855	
18、Hong Kong-Zhuhai-Macao Bridge Shuttle Bus (Hong Kong) Company Limited	21,773	21,785			284					-1,332	20,737	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
19、CDD International Holdings Limited	321											
20、Hong Kong & Macao International Airport Transportation Service (HK) Co. Limited	1,115	560	555		-529	-398				-14	174	
21、Hong Kong International Airport Transportation Service (Macao) Co. Limited	544	544			-446					-9	89	

			Changes in current period								
Investee	Investment cost	Opening balance	Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others	Closing balance	Closing balance of Impairment provision
22、Beijing Wentou Lidu Culture Technology Co., Ltd.	528,968	325,345			568						325,913	
23、Guangdong Gongbei Port China Travel Service Co., Ltd.	1,763	4,108			-3,612						496	
24、Oriental Art Building	31,798	103,180			-16,711						86,469	
25、Shandong China Travel Equity Investment Management Co., Ltd.	4,800	1,888		130				1,758				

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
26、Lushan Tourism Development Co., Ltd.	125,000	160,994			-275						160,719	
27、CITS Advisory & Development Co., Ltd.	200											
28、Hubei Yangtze River Splendid China Cruise Co., Ltd.	8,750											
29、Hubei Yangtze River Splendid China Cruise Co., Ltd.	86,667	112,214									112,214	112,214

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
30、Wuhan Qiaoshang Industrial Development Co., Ltd.	12,500	31,570			-1,501		532				30,601	
31、Wuhan Yangtze River Cruise Co., Ltd.	2,120	2,160			765						2,925	1,388
32、Wuqiao Acrobatics World Travel Co., Ltd.	9,209	9,209								-557	8,652	8,652
33、CDF Xi'an Xianyang International Airport Duty Free Co., Ltd.	8,512	14,047			1,051						15,098	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
34、China Overseas Tourism Investment Co., Ltd.	13,433	13,009			-97	-723					12,189	
35、CDF Dalian Friendship Foreign Supply Co., Ltd.	7,000	11,558			3,142			2,800			11,900	
36、CDF Shenzhen Co., Ltd.	19,455	24,942			1,246			9,232			16,956	
37、CDF Hainan HNA Co., Ltd.	7,563	22,951			788			3,000			20,739	
38、CDF Guangzhou China Southern Airlines Co., Ltd.	3,370	28,049			-1,247						26,802	
39、Shenzhen East Duty Free Co., Ltd.	11,523	11,443			332			817			10,958	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
40、CDF Dalian Free Trade Zone Friendship Shipping Service Co., Ltd.	25,000	18,979			504						19,483	
41、CDF Shenzhen Luohu Co., Ltd.	4,064	4,312			-726			1,368			2,218	
42、CDF Shenzhen Merchants Co., Ltd.	1,144	1,269			107			171			1,205	
43、CDF Zhuhai Co., Ltd.	15,000	39,997			17,863						57,860	
44、CDF Shanghai Eastern Airlines Co., Ltd.	11,895	38,640			-6,197						32,443	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
45、Whole China Tourism Resources and Assets Trading Center Co. Ltd	20,000	17,579			-1,131						16,448	
46、Sansha Nanhai Dream Cruise Co., Ltd.	180,000	129,302			-24,098						105,204	
47、China Travel International Cultural Media (Beijing) Co., Ltd.	2000											
48、Jinggangshan Honglv Culture Management Co., Ltd.	450	468			-218						250	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
49、China Travel Service Head Office (Weinan) Co., Ltd.	255	228			-74						154	
50、China Travel Service Head Office (Yanan) Co., Ltd.	335	348									348	
51、China Travel Service Head Office (Xianyang) Co., Ltd.	255	226			-29						197	
52、CITS Overseas Travel Co., Ltd.	3,648	1,875			-645						1,230	
53、CITS (Baoding) International Travel Service Co., Ltd.	860	893			-130						763	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
54、CITS (Beijing) Travel Service Co., Ltd.	938	1,375			-1,376						-1	
55、Jilin China International Travel Service Co., Ltd.	495	489			-157						332	
56、Xi'an China International Travel Service Group Co., Ltd.	5,775											
57、Xinjiang China International Travel Service Co., Ltd.	1,302	1,731			-1,042						689	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
58、Henan China International Travel Service Co., Ltd.	2,264	3,078			-1,018						2,060	
59、Yunnan Lijiang China International Travel Service Co., Ltd.	1,253	1,526			-900						626	
60、HONG KONG INTERNATIONAL TOURIST BUS COMPANY LIMITED	136	3,136			-856			182		-143	1,955	
61、Shun Tak & CITS Travel Coash (Macao) Ltd	1,993	47,141			-6,405			10,895		-1,920	27,921	

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
62、CITS (Beijing) Air Travel Service Co., Ltd	5,000	8,871			-1,203						7,668	
63、Hainan HDF Guanlan Lake International Shopping Center Co., Ltd.	76,500	76,500									76,500	76,500
64、SINOTONE INVESTMENT LIMITED	4,569	4,569									4,569	4,569
65、Xingning Huazhong Electric Power Co., Ltd.	5,107	5,107									5,107	5,107

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
66、China Eastern Airlines Holding Co. Ltd	5,000,000		5,000,000								5,000,000	
67、Suzhou Lvyou Real Estate Co. Ltd	687,013		687,013		-1,785	35,600				-35,600	685,228	
68、Macau China International Travel Service Co., Ltd.	48,182		48,182		-1,472					-2,476	44,234	
69、Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co. Ltd	25,166		25,166		-1,384	-1,807				-1,429	20,546	
70、CELEWORLD LIMITED	213		213		-65	-187				39		

Investee	Investment cost	Opening balance	Changes in current period								Closing balance	Closing balance of Impairment provision
			Additional investment	Investment decreased	Investment profit or loss recognized under the equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividends and profits declared to be distributed	Providing Impairment provisions	others		
71、China Ferry Terminal Services Co. Ltd	685		685		-34	-90				-561		
72、Hong Kong Airport Passenger Services (Macau) Co., Ltd	539		539		-63	-383				-5	88	

3. Main financial information of significant joint ventures

Item	Current amount	
	Astro Ocean International Cruise Co.Ltd	Nonggang Holdings Limited
Current assets	65,755	60,309
Non-current assets	621,798	2
Total Assets	687,553	60,311
Current liabilities	116,450	
Non-current liabilities	421,756	
Total liabilities	538,206	
Net assets	149,347	60,311
Shares of net assets calculated as per shareholding ratio	76,167	30,155
Adjustments	-76,167	-62
Book value of the equity investment in associates		30,093
Fair value of equity investments with public offer		
Operating revenue	28,130	
Net profit	-34,856	-10
Other comprehensive income after tax		
Total comprehensive income	-259,261	16
Dividend received by the Group from associates	1,521	
Current assets	-257,740	16
Non-current assets		

Continued:

Item	Amount of last year	
	Astro Ocean International Cruise Co.Ltd	Nonggang Holdings Limited
Current assets	316,108	60,298
Non-current assets	709,915	2
Total Assets	1,026,023	60,300
Current liabilities	129,738	6

Item	Amount of last year	
	Astro Ocean International Cruise Co.Ltd	Nonggang Holdings Limited
Non-current liabilities	489,195	
Total liabilities	618,933	6
Net assets	407,090	60,294
Shares of net assets calculated as per shareholding ratio	207,616	30,147
Adjustments		-62
Book value of the equity investment in associates	207,616	30,085
Fair value of equity investments with public offer		
Operating revenue	56,573	
Net profit	-17,279	-12
Other comprehensive income after tax		
Total comprehensive income	-220,000	-220
Dividend received by the Group from associates	-8,319	
Current assets	-228,319	-220
Non-current assets		

4. Main financial information of significant associates

Item	Current amount				
	Suzhou Lvyou Real Estate Co. Ltd	Zhuhai Evergrande Ocean Spring Land Co., Ltd.	Beijing Wentou Lidu Culture Technology Co., Ltd.	Bank of China Travel Service Co., Ltd. Jiaozuo	HKCTS (Shenyang) Real Estate Co., Ltd.
Current assets	1,489,019	1,769,733	560,839	9,590,599	3,779,136
Non-current assets	338	13,433	42	90,334,876	426
Total Assets	1,489,357	1,783,166	560,881	99,925,475	3,779,562
Current liabilities	90,931	783,160	3,164	76,543,077	1,857,279
Non-current liabilities				16,617,673	

Item	Current amount				
	Suzhou Lvyou Real Estate Co. Ltd	Zhuhai Evergrande Ocean Spring Land Co., Ltd.	Beijing Wentou Lidu Culture Technology Co., Ltd.	Bank of China Travel Service Co., Ltd. Jiaozuo	HKCTS (Shenyang) Real Estate Co., Ltd.
Total liabilities	90,931	783,160	3,164	93,160,750	1,857,279
Net assets	1,398,426	1,000,006	557,717	6,764,725	1,922,283
Shares of net assets calculated as per shareholding ratio	685,228	490,003	273,281	2,481,307	941,919
Adjustments		-39,314	52,632	-250,816	-21,000
Book value of equity investments in associates	685,228	450,689	325,913	2,230,49	920,918
Fair value of equity investments with public offer					
Operating revenue		287,685	6,412	2,150,729	2,201,034
Net profit	-3,642	87,167	1,159	-79,760	344,137
Other comprehensive income after tax				-151,287	
Total comprehensive income	-3,642	87,167	1,159	-231,047	344,137
Dividend received by the Group from associates					

Continued:

Item	Amount of last year				
	Shun Tak - China Travel Shipping Investments Ltd.	Zhuhai Evergrande Ocean Spring Land Co., Ltd.	Beijing Wentou Lidu Culture Technology Co., Ltd.	Bank of China Travel Service Co., Ltd. Jiaozuo	HKCTS (Shenyang) Real Estate Co., Ltd.
Current assets	1,148,899	1,730,326	559,838	11,129,859	3,661,503

Item	Amount of last year				
	Shun Tak - China Travel Shipping Investments Ltd.	Zhuhai Evergrande Ocean Spring Land Co., Ltd.	Beijing Wentou Lidu Culture Technology Co., Ltd.	Bank of China Travel Service Co., Ltd. Jiaozuo	HKCTS (Shenyang) Real Estate Co., Ltd.
Non-current assets	653,186	20,663	70	80,979,153	12,989
Total Assets	1,802,085	1,750,989	559,908	92,109,012	3,674,492
Current liabilities	227,680	869,022	3,350	67,857,465	2,096,346
Non-current liabilities	20,205			17,255,775	
Total liabilities	247,885	869,022	3,350	85,113,240	2,096,346
Net assets	1,554,200	881,967	556,558	6,995,772	1,578,146
Shares of net assets calculated as per shareholding ratio	450,718	432,163	272,713	2,566,055	773,291
Adjustments	-157,248	-40,807	52,632	27,754	-21,000
Book value of equity investments in associates	293,470	391,356	325,345	2,593,809	752,291
Fair value of equity investments with public offer					
Operating revenue	1,164,954	346,071	7,017	2,155,338	96,720
Net profit	-64,131	37,599	2,331	120,079	-16,136
Other comprehensive income after tax	17,063			27,675	
Total comprehensive income	-47,068	37,599	2,331	147,754	-16,136
Dividend received by the Group from associates		99,470			

5. Summarized financial information of insignificant joint ventures and associates

Item	Current amount	Amount of last year
Joint venture:	——	——
Total book value of the investment	176,183	46,291
The total number of the following items	——	——

Item	Current amount	Amount of last year
according to the shareholding ratio		
Net profit	-11,241	5,073
Other comprehensive income after tax		-7,262
Total comprehensive income	-11,241	-2,189
Associates:	——	——
Total book value of the investment	6,302,593	1,306,147
The total number of the following items according to the shareholding ratio	——	——
Net profit	-100,175	102,514
Other comprehensive income after tax	-1,602	1,193
Total comprehensive income	-101,777	103,707

(XVI) Other equity instruments

1. Other equity instruments

Item	Closing Balance	Opening Balance
Guangdong China Travel Service Co., Ltd	18,640	34,613
Alxa Zuoqi Tenggri Tonghu Grassland Tourism Co., Ltd.	2,898	4,973
Macau MRT Express Co., Ltd.	400	3,013
Macau Airport Express Co., Ltd.	1,119	1,099
Total	23,057	43,698

2. Table of other important equity instruments at the end of the term

Item	Dividend income recognized in the current period	Accumulated profits	Accumulated loss	Amount of other comprehensive income transferred to retained earnings
Guangdong China Travel Service Co., Ltd		6,981		
Alxa Zuoqi Tenggri Tonghu Grassland Tourism Co., Ltd.			961	
Total		6,981	961	

Continued：

Item	Designated as the reason for measurement at fair value and its change included in other comprehensive income	Reasons for transferring other comprehensive income into retained earnings
Guangdong China Travel Service Co., Ltd		
Alxa Zuoqi Tenggri Tonghu Grassland Tourism Co., Ltd.		
Total		

(XVII) Investment property

1. Investment properties measured at fair value

Item	Opening fair value	Increase in current period			Decrease in current period				Closing fair value
		Purchase	transfer from properties for self-use, construction in progress or inventory	Profit and loss from changes in fair value	Disposal	Translation reserve	Transfer to self-use properties	Others	
I. Total costs	4,520,098		859,507			213,300	380,988	112,893	4,672,424
Incl.: 1. house, building	4,437,024		859,507			212,046	380,988	112,893	4,590,604
2. Land use right	83,074					1,254			81,820
II. Total changes in fair value	4,976,225		677	90,407		45,150	369,946		4,652,213
Incl.: 1. house, building	4,975,930		677	89,144		45,150	369,946		4,650,655
2. Land use right	295			1,263					1,558
III. Total book value of investment properties	9,496,323		860,184	90,407		258,450	750,934	112,893	9,324,637
Incl.: 1. house, building	9,412,954		860,184	89,144		257,196	750,934	112,893	9,241,259
2. Land use right	83,369			1,263		1,254			83,378

2. Investment properties without obtaining property right certificates

Item	Book value	Reason for not yet obtaining property right certificates
Houses and buildings	1,609,636	The procedures for settlement is in process

k(XVIII) Fixed assets

Item	Closing balance	Opening balance
Fixed Assets	14,298,476	13,445,392
Disposal of fixed assets		
Total	14,298,476	13,445,392

1. Classification of fixed assets

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Total original book value	25,439,975	2,595,920	986,956	27,048,939
Incl.: house, building	19,238,738	1,679,591	599,448	20,318,881
Machines and equipment	1,216,124	115,535	35,143	1,296,516
Transportation facilities	1,112,327	306,160	76,150	1,342,337
Electronic equipment	696,905	55,313	29,093	723,125
Office equipment	372,971	63,842	30,360	406,453
Furniture for hotel industry	870,354	42,802	79,100	834,056
Others	1,932,556	332,677	137,662	2,127,571
II. Total accumulated depreciation	10,874,470	1,052,241	488,384	11,438,327
Incl.: house, building	7,054,475	456,436	158,909	7,352,002
Machines and equipment	833,036	99,102	26,377	905,761
Transportation facilities	653,262	129,104	54,631	727,735
Electronic equipment	502,263	9,039	21,445	489,857
Office equipment	251,087	38,981	47,196	242,872
Furniture for hotel industry	392,571	92,438	81,563	403,446
Others	1,187,776	227,141	98,263	1,316,654
III. Total book values of fixed assets	14,565,505	--	--	15,610,612
Incl.: house, building	12,184,263	--	--	12,966,879
Machines and equipment	383,088	--	--	390,755
Transportation facilities	459,065	--	--	614,602

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Electronic equipment	194,642	--	--	233,268
Office equipment	121,884	--	--	163,581
Furniture for hotel industry	477,783	--	--	430,610
Others	744,780	--	--	810,917
IV. Total Impairment provisions of fixed assets	1,120,113	212,635	20,612	1,312,136
Incl.: house, building	1,088,560	177,861	19,621	1,246,800
Machines and equipment	11,458	-1,004	719	9,735
Transportation facilities	16,440	35,778		52,218
Electronic equipment	206		74	132
Office equipment	104		100	4
Furniture for hotel industry	34			34
Others	3,311		98	3,213
V. Total book values of fixed assets	13,445,392	--	--	14,298,476
Incl.: house, building	11,095,703	--	--	11,720,079
Machines and equipment	371,630	--	--	381,020
Transportation facilities	442,625	--	--	562,384
Electronic equipment	194,436	--	--	233,136
Office equipment	121,780	--	--	163,577
Furniture for hotel industry	477,749	--	--	430,576
Others	741,469	--	--	807,704

2. Fixed assets that are temporarily idle

Item	Original book value	Accumulated depreciation	Impairment provisions	Book value	Notes
Houses and buildings	9,002	2,025	1,243	5,734	

3. Fixed assets without obtaining property right certificates

Item	Book value	Reason for not yet obtaining property right certificates
Houses and buildings	1,741,611	The procedures for settlement is in process

(XIX) Construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provisions	Book value	Book balance	Impairment provisions	Book value
Haikou new seaport project	1,029,914		1,029,914	181,502		181,502
Zhuhai Ocean Spring Resort 2nd Phase for Development	639,914		639,914	634,596		634,596
Sanya Haitangwan Phase ii Project	166,670	166,670		166,670	166,670	
Chengdu Ocean Spring Resort	145,469		145,469	143,961		143,961
Yingbin Garden	144,268		144,268	144,253		144,253
Songshan Tourist Distribution Center and Kung Fu Town Project	118,066		118,066	112,065		112,065
Hong Kong hung hom three storehouse hotel project	58,451		58,451	18,039		18,039
Reconstructed project in Qingdao Ocean Spring Resort	12,233		12,233	6,692		6,692
Detian night detian project	11,878		11,878	5,716		5,716
Shapotou Desert water world Project	10,526	1,645	8,881	10,373		10,373
Detian climbing moon project	10,429		10,429	1,812		1,812
Shapotou Flying island entertainment Project	7,162	1,776	5,386	5,939		5,939
Flower and wood base geothermal well Projiec	5,450	5,450		5,450	5,450	
Decorative Building Materials Market in the Great 3rd District				326,450		326,450
Star hotel project in shapotou scenic spot				25,091		25,091
Shapotou scenic guide competition ancillary equipment supporting projects				16,422		16,422
Others	96,074	4,477	91,597	132,037	1,568	130,469
Total	2,456,504	180,018	2,276,486	1,937,068	173,688	1,763,380

1. Changes in significant construction in progress in current period

Project name	Budget	Opening balance	Increase in current period	Amount transferred into fixed assets in current period	Other decrease in current period	Closing balance	Proportion of total investment in budget (%)	Construction progress (%)	Interest capitalized cumulative amount	Of which: Current amount of capitalization	Interest capitalization rate (%)	Source of fund
Haikou new seaport project	12,857,280	181,502	848,412			1,029,914	8	earlier stage of project				self funding and capital appropriated from the national treasury
Zhuhai Ocean Spring Resort 2nd Phase for Development	922,471	634,596	5,318			639,914	75	73	14,918	5,318	4	self and borrowing funding
Sanya Haitangwan Phase ii Project	1,722,393	166,670				166,670	11	earlier stage of project				self funding
Chengdu Ocean Spring Resort	766,177	143,961	1,508			145,469	19	41				self funding
Yingbin Garden	135,000	144,253	15			144,268	100	100				self funding
Songshan Tourist Distribution Center and Kung Fu Town Project	1,400,000	112,065	6,001			118,066	9	8	3,415	1,720	4	self and borrowing funding
Hong Kong hung hom three storehouse hotel project	914,879	18,039	40,412			58,451	6	6	928	852	4	self and borrowing funding
Reconstructed project in Qingdao Ocean Spring Resort	36,039	6,692	5,541			12,233	34	86				self funding
Detian night detian project	105,900	5,716	48,143	41,981		11,878	51	51	260	173	4	self and borrowing funding

Project name	Budget	Opening balance	Increase in current period	Amount transferred into fixed assets in current period	Other decrease in current period	Closing balance	Proportion of total investment in budget (%)	Construction progress (%)	Interest capitalized cumulative amount	Of which: Current amount of capitalization	Interest capitalization rate (%)	Source of fund
Shapotou Desert water world Project	12,000	10,373	153			10,526	89	86	310	153	4	self and borrowing funding
Detian climbing moon project	84,410	1,812	11,817	3,200		10,429	16	16	152	152	4	self and borrowing funding
Shapotou Flying island entertainment Project	11,000	5,939	1,223			7,162	66	64	194	104	4	self and borrowing funding
Flower and wood base geothermal well Projiec	5,500	5,450				5,450	100	100				self funding
Decorative Building Materials Market in the Great 3rd District	799,500	326,450	114,025		440,475		71	71	38,229	24,551	5-12	self and borrowing funding
Star hotel project in shapotou scenic spot	65,062	25,091	39,971	65,062			100	100	380			self and borrowing funding
Shapotou scenic guide competition ancillary equipment supporting projects	16,531	16,422	109	16,531			100	100	248			self and borrowing funding
Total	19,854,142	1,805,031	1,122,648	126,774	440,475	2,360,430	--	--	59,034	33,023	--	--

2. Provision for impairment of construction projects under construction is made in the current period

Item	current withdrawal amount	Reason for wothdrawal
Shapotou Sun Hotel Project	2,697	Project terminated
Shapotou Desert water world Project	1,645	Project terminated
Shapotou Flying island entertainment Project	1,776	Project terminated
Shapotou Magic planet Project	212	Project terminated
Total	6,330	

(XX) Right-of-use asset

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Total original book value	416,633	93,543	375	509,801
Incl.: house, building	414,350	92,181	375	506,156
Machines carry office equipment	2,283	1,362		3,645
II. Total accumulated depreciation	81,873	100,390		182,263
Incl.: house, building	81,470	99,238		180,708
Machines carry office equipment	403	1,152		1,555
III. Total book values of right-of-use asset	334,760	--	--	327,538
Incl.: house, building	332,880	--	--	325,448
Machines carry office equipment	1,880	--	--	2,090
IV. Total Impairment provisions				
Incl.: house, building				
Machines carry office equipment				
V. Total book values of right-of-use asset	334,760	--	--	327,538
Incl.: house, building	332,880	--	--	325,448
Machines carry office equipment	1,880	--	--	2,090

(XXI) Intangible assets

1. Classification of intangible assets

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Total original prices	8,141,311	239,453	1,549,054	6,831,710

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Incl.: Software	353,382	128,636	4,500	477,518
Land use right	7,418,088	106,316	1,540,480	5,983,924
Patents	37,342	2,400	2,001	37,741
Franchise	128,709	2,020		130,729
Others	203,790	81	2,073	201,798
II. Total cumulative amortization	1,483,824	235,495	55,563	1,663,756
Incl.: Software	214,785	45,011	3,194	256,602
Land use right	1,126,446	142,648	52,368	1,216,726
Patents				
Franchise	48,822	2,742		51,564
Others	93,771	45,094	1	138,864
III. Total Impairment provisions for intangible assets	1,586	3,811	149	5,248
Incl.: Software		3,811		3,811
Land use right	1,586		149	1,437
Patents				
Franchise				
Others				
IV. Total book value	6,655,901	--	--	5,162,706
Incl.: Software	138,597	--	--	217,105
Land use right	6,290,056	--	--	4,765,761
Patents	37,342	--	--	37,741
Franchise	79,887	--	--	79,165
Others	110,019	--	--	62,934

2. Intangible assets without obtaining property right certificates

Item	Book value	Reason for not yet obtaining property right certificates
Land use right	45,232	The procedures for settlement is in process

(XXII) Development disbursements

Item	Closing balance	Increase in current period		Decrease in current period			Opening balance
		Internal development disbursements	Others	recognized Intangible Assets	reclassification to current profits or losses	Others	
Expenditure on mining rights	1,693						1,693
CITS AMEX GBT IT project application&Approval Form		287					287
Total	1,693	287					1,980

(XXIII) Goodwill

1. Book value of goodwill

Name of investee Or the formation of goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
CTS International Financial Leasing Co., Limited	7,139			7,139
Trump Return Group	6,199	-287		5,912
CTS (Ningxia) Shapotou Tourist Spot Co., Ltd.	13,704	-828		12,876
CTS (Ningxia) Shapotou Cable Car Co., Ltd.	32,496	-1,964		30,532
Associated Motor Service & Repair Ltd.	2,899	-175		2,724
SHUN TAK-CHINA TRAVEL SHIPPING INVESTMENTS LIMITED		37,804		37,804
CTS Metropark Limited & its subsidiaries	975,684	-27,703		947,981
PRIMECREDIT LIMITED	1,888,753	-114,153		1,774,600
Shenzhen Prime Credit Microcredit Co., Ltd.	185,191	-11,193		173,998
Guangzhou Tianchen Real Estate Development Co., Ltd		82,511		82,511
Wuhan Duoluokou Logistics Co., Ltd.	1,311			1,311
Wuhan Huahao Agricultural Products Co., Ltd.	11			11
Yunnan HKCTS Outdoor RV Tourism Development Co., Ltd.	1,454			1,454
Sunrise Duty Free(Shanghai)Co.,Ltd.	822,460			822,460
China Tourism Industry Fund Management Co., Ltd.	3,219			3,219
Hebei China International Travel Service Co., Ltd.	339			339

Name of investee Or the formation of goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
Yunnan Panda International Travel Co.,Ltd.	1,791			1,791
Others	27,095	3,837		30,932
Total	3,969,745	-32,151		3,937,594

2. Goodwill impairment provision

Name of investee Or the formation of goodwill	Opening balance	Increase in current period	Decrease in current period	Closing balance
CTS Metropark Limited & its subsidiaries	810,772		6,917	803,855
Shenzhen Prime Credit Microcredit Co., Ltd.	185,191		11,193	173,998
Trump Return Group	2,920		1,356	1,564
Yunnan Panda International Travel Co.,Ltd.	1,791			1,791
Hebei China International Travel Service Co., Ltd.	339			339
Total	1,001,013		19,466	981,547

(XXIV) Long-term deferred expenses

Item	Opening balance	Increase in current period	Amortization in current period	Other decreases	Closing balance	Reason of other decreases
Renovation costs	709,873	294,526	226,696	9,715	767,988	Translation difference of foreign currency statement
Land and other rental fees	38,550	14,056	6,489		46,117	
Contractual compensation expenses	7,573		187		7,386	
Production and creation fees	2,057		219	115	1,723	Translation difference of foreign currency statement
Others	34,553	32,425	20,988	1,238	44,752	Translation difference of foreign currency statement
Total	792,606	341,007	254,579	11,068	867,966	——

(XXV) Deferred tax assets and deferred tax liabilities

1.Balance of deferred tax asset and liability before offsetting

Item	Closing Balance		Opening Balance	
	Deferred tax assets/ liabilities	Deductible/taxable temporary differences	Deferred tax assets/ liabilities	Deferred tax assets/ liabilities
I. Deferred tax assets	2,993,392	13,950,845	1,860,747	9,109,895
Assets Impairment provisions	679,278	4,389,036	564,107	3,894,254
Deductible losses	1,257,814	5,299,691	341,633	1,367,981
Employee benefits	18,527	73,864	51,434	211,801
Government Grants	142,142	568,569	144,855	579,421
Tax prepayment	194,244	776,967	255,740	1,022,956
Loans written off			66,521	266,084
Amortization of intangible assets	538	2,151	394	1,577
Withholding expenses	23,615	94,561	22,895	93,055
Deferred income	79,002	316,009	100,520	402,255
Unrecognized income rent	628	2,092	329	1,095
Unrealized internal gains	500,605	2,003,052	281,243	1,152,184
Costs for asset replacement			125	502
others	82,688	365,584	14,032	49,344
Impact of new leasing standards	3,012	12,077	1,768	6,624
Fixed assets depreciation	11,299	47,192	15,151	60,762
II. Deferred tax liabilities	2,139,956	11,215,682	1,742,235	9,518,035
The valuation of trading financial instruments and derivative financial instruments			1,472	8,920
Changes in fair value of financial assets available-for-sale included in other comprehensive income	36,608	146,434	47,756	191,024
Changes in Fair Value of Financial Assets Including Other Comprehensive Income (New Criteria)	633	2,532	2,372	20,358
Surplus for property re-estimation	1,215,825	6,904,081	1,066,756	6,127,211
evaluation of combined subsidiaries	321,284	1,449,837	271,029	1,382,543
Others	74,876	471,806	11,449	65,879

Item	Closing Balance		Opening Balance	
	Deferred tax assets/ liabilities	Deductible/taxable temporary differences	Deferred tax assets/ liabilities	Deferred tax assets/ liabilities
Fixed assets depreciation	313,698	1,532,866	189,103	900,656
Withholding income tax	7,312	29,247	13,266	265,318
Accrual Safety production fee in tax law is more than accounting	600	2,400	600	2,400
Income from policy relocation	169,120	676,479	138,432	553,726

2. Unconfirmed Deferred income tax asset details

Item	Closing Balance	Opening balance
deductible temporary differences	1,573,527	1,146,140
Deductible loss	4,598,046	4,078,197
Total	6,171,573	5,224,337

3. The deductible loss of an unrecognized deferred income tax asset will expire in the following year

Year	Closing Balance	Opening balance	Notes
2020		559,679	
2021	198,214	636,782	
2022	506,584	1,069,466	
2023	252,264	612,409	
2024	1,145,909	1,199,861	
2025	2,495,075		
Total	4,598,046	4,078,197	

(XXVI) Other non-current assets

Item	Closing balance	Opening balance
Land prepayments	467,153	26,469
Prepayments for long-term assets	29,688	17,516
Deposit for airport lease prepayment	24,830	495,155
Deposit for office lease	1,631	
Low-value consumables	49	
Others	556,788	65,195

Item	Closing balance	Opening balance
Total	1,080,139	604,335

(XXVII) Short-term borrowings

Item	Closing balance	Opening balance	Note
Credit loans	3,191,173	7,841,159	
Mortgage loans	40,000	55,900	
Pledge loans		93,250	Note 1
Total	3,231,173	7,990,309	

Note 1: the main situations of pledge loans are as follows:

CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. borrows RMB 40,000 thousand from China Construction Bank Co., Ltd. The loan principal is RMB 40,000, thousand and the annual interest rate is 3.85%, and the interest is paid monthly. CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. provides houses and buildings with a book value of RMB 47,565 thousand (2019: none) as a mortgage guarantee, and the loan period is from June 24, 2020, to June 23, 2021.

(XXVIII) Derivative liabilities

Item	Closing balance	Opening balance
Hedge	47,841	11,808
Total	47,841	11,808

(XXIX) Notes payable

Type	Closing balance	Opening balance
Commercial acceptance bill	100,000	61,260
Bank acceptance bill		109,780
Total	100,000	171,040

(XXX) Accounts payable

Age	Closing balance	Opening balance
Within 1 year (including 1 year)	6,006,314	6,735,942
1-2 years (including 2 years)	1,333,189	280,258

Age	Closing balance	Opening balance
2-3 years (including 3 years)	75,126	94,766
Above 3 years	508,761	416,162
Total	7,923,390	7,527,128

Significant accounts payable age over 1 year:

Creditor	Closing balance	Reasons for unpaid
Temporary supplier	26,648	Not settled
China Construction Third Bureau Group Co., Ltd.	13,768	Not settled
Historical legacy payments	11,320	Historical legacy payments
Chongqing Construction Engineering Yuyuan Building Decoration Co., Ltd.	11,194	Not settled
Total	62,930	

(XXXI) Advances from customers

Item	Closing balance	Opening balance
Within 1 year (inclusive)	15,428,034	10,988,623
Above 1 years	596,763	1,128,707
Total	16,024,797	12,117,330

Significant receipts in advance with age over 1 year

Creditor	Closing balance	Reasons for not carry forward
Golden arch (China) Co., Ltd	12,189	Not settled
Homeowner 1	5,058	House prepayment, not settled
Taiwan China Travel Service Co., Ltd	3,564	Not settled
Chen Xiangzhi	3,350	House prepayment, not settled
Homeowner 2	3,016	House prepayment, not settled
Homeowner 3	2,993	House prepayment, not settled
Homeowner 4	2,794	House prepayment, not settled
Ruan Guifang	1,548	House prepayment, not settled
Homeowner 5	1,516	House prepayment, not settled
Homeowner 6	1,496	House prepayment, not settled
Shanghai Gangzhong International Travel Agency Co., Ltd	1,494	Not settled

Creditor	Closing balance	Reasons for not carry forward
Total	39,018	

(XXXII) Contract liabilities

Item	Closing Balance	Opening Balance
Pre-acquisition	1,083,969	193,988
Bonus points for consumption	470,864	451,471
Sales of pre-sale goods	428,758	
Advance payment of travel agency business	47,427	105,812
Advance for room rental	54,132	46,481
Advance charge for scenic area tickets	25,243	27,262
Advance payment for transportation service	10,546	11,121
Advance payment for consulting services	3,806	5,449
Other	6,086	
Total	2,130,831	841,584

Note:

1. Contract liabilities mainly relate to the prepayment received by Hong Kong China Travel International Investment Co., Ltd., a subsidiary of the group, from the business contract signed by the customer. Hong Kong China Travel International Investment Co., Ltd. undertakes the obligation to transfer services to the customer regarding the prepayment.

2. China Tourism Group China exemption Co., Ltd., a group's subsidiary, uses the new income standard this year to retroactively adjust the initial consumption reward points.

(XXXIII) Deposits and placements from other financial institutions

Item	Closing balance	Opening balance
Demand deposits	38,527	31,275
1. Corporate deposits	38,527	31,275
2. Saving deposits		
Time deposits (including call deposits)		
1. Corporate deposits		
2. Saving deposits		
Other deposits (including outward remittance and remittances outstanding)		
Total	38,527	31,275

(XXXIV) Employee benefits Payable

1. Employee benefits payable

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Short-term compensation	1,732,011	5,952,795	6,453,733	1,231,073
II. Post-employment benefits - defined contribution plans.	39,054	290,819	274,571	55,302
III Dismissal welfare	22,355	29,302	37,394	14,263
IV. Other welfare due within one year	4,412	16,729	15,949	5,192
Total	1,797,832	6,289,645	6,781,647	1,305,830

2. Short-term compensation

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Wages, bonuses, allowances and subsidies	1,446,738	4,975,845	5,477,719	944,864
II. Staff welfare expense	37,427	277,260	264,739	49,948
III. Social security contributions	14,451	255,947	254,215	16,183
Incl.: 1. Medical insurance	13,034	236,090	233,988	15,136
2. Employment injury insurance	355	4,854	4,980	229
3. Maternity insurance	539	8,224	8,457	306
4. Others	523	6,779	6,790	512
IV. Housing fund	6,274	220,525	219,292	7,507
V. The union funds and employee education funds	162,258	73,209	59,791	175,676
VI. Other short-term compensation	64,863	150,009	177,977	36,895
Total	1,732,011	5,952,795	6,453,733	1,231,073

3. Defined contribution plans

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Basic endowment insurance	33,525	225,570	226,152	32,943

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
II. Unemployment insurance premiums	2,436	5,993	5,891	2,538
III. Enterprise annuity contribution	3,093	59,119	42,391	19,821
IV. Others		137	137	
Total	39,054	290,819	274,571	55,302

(XXXV) Taxes and surcharges payable

Item	Opening balance	Current payable	Current payment	Closing balance
Value-added tax	108,180	2,510,084	2,210,852	407,412
Consumption tax	2,592	531,831	428,521	105,902
Resources tax	57	826	802	81
Enterprise income tax	1,195,811	4,361,855	2,685,257	2,872,409
City maintenance and construction tax	7,538	64,694	57,415	14,817
House property tax	23,708	119,673	120,247	23,134
Land use tax	21,327	45,647	50,752	16,222
Individual income tax	31,557	267,969	250,427	49,099
Education surcharge	5,501	71,650	60,888	16,263
Other duties	1,676,715	2,020,353	1,548,568	2,148,500
Total	3,072,986	9,994,582	7,413,729	5,653,839

(XXXVI) Other payables

Item	Closing balance	Opening balance
Interest Payable	457,486	314,924
Dividends Payable	54,791	105,217
Other payables	9,684,540	6,041,316
Total	10,196,817	6,461,457

1. Interest payable

Item	Closing balance	Opening balance

Item	Closing balance	Opening balance
Interest of long-term borrowings with installment due for repayment	15,063	6,232
Interest of corporate bonds	436,594	288,859
Interest payable of short-term borrowings	3,849	8,778
Other interest	1,980	11,055
Total	457,486	314,924

2. Dividend payable

Item	Closing Balance	Opening Balance
Common stock dividend	54,791	105,217
Total	54,791	105,217

3. Other payables

(1) Details of other payables by nature

Item	Closing balance	Opening balance
Amount to be settled	5,403,447	1,936,806
Payments between related parties	860,815	685,731
Deposit	674,221	658,815
Project funds	627,761	720,699
Accrued expenses	338,280	204,060
Agency fund	279,128	270,875
Historical payables	106,747	115,732
Temporary receipts payable	97,511	148,540
Payables for exiting the golf club	75,675	216,481
Travel agency business funds	13,773	
Borrowings from non-bank financial institutions	3,385	4,928
Share purchase due to shareholders	2,538	5,984
Professional consulting fee	123	5,238
Expenses for advertising and promotion		45,624
Others	1,201,136	1,021,803
Total	9,684,540	6,041,316

(2) Significant other payables with Age over 1 year

Creditor	Closing balance	Reasons for unpaid
Hong Kong China Travel (Shenyang) Real Estate Co., Ltd	490,000	Not settled
China Guofeng Group Co., Ltd	91,597	Not settled
Tangshan Guofeng iron and Steel Co., Ltd	40,091	Not settled
Shenzhen Weibo Co., Ltd	38,775	Not settled
Beijing Huapeng Building Co., Ltd	30,212	Not settled
China bond Jinshi Asset Management Co., Ltd	22,612	Deposit
Chibi Cultural Tourism Investment Development Co., Ltd	19,981	Not settled
Chongqing Construction Engineering Yuyuan architectural decoration Co., Ltd	11,194	Not settled
Xiamen Jinlong station wagon Co., Ltd	6,669	Not settled
CITIC interior decoration Engineering Co., Ltd	6,181	Not settled
BAIC Foton Automobile Co., Ltd	6,111	Not settled
Shenzhen Wenye decoration design Engineering Co., Ltd	6,047	Not settled
Guodu construction (Group) Co., Ltd	5,341	Not settled
Huahui Yatai asset management (Beijing) Co., Ltd	5,000	Deposit
Chongqing Xingda Industry (Group) Co., Ltd	3,842	Not settled
Beijing shengdaoyuanhe Investment Co., Ltd	3,140	Deposit
Shangrao Shanglv International Travel Agency Co., Ltd	2,700	Not settled
Zhongke Soft Technology Co., Ltd	2,432	Not settled
Jiangxi Tulu International Travel Agency Co., Ltd	2,200	Not settled
Total	794,125	Not settled

(XXXVII) Held-for-sale liabilities

Item	Closing Book Value	Expected disposal expenses	Time arrangement
Employee benefits Payable	20		Delivery is expected in 2021
Other payables	188		Delivery is expected in 2021
Total	208		

Note1: This item originated from CTG Travel Services Corporation Limited Co., Ltd.

(XXXVIII) Current portion of non-current liabilities

Item	Closing balance	Opening balance
Long-term loan due within 1 year	494,020	665,767
Bonds payable due within 1 year	5,594,179	
Long-term Payables within 1 year	91,957	64,980
Other long-term liabilities due within 1 year	59,601	69,768
Total	6,239,757	800,515

(XXXIX) Other current liabilities

Item	Closing balance	Opening balance
Fund from asset securitization	4,395,433	5,462,930
Sales tax to be offset	75,488	
Others	47	
Total	4,470,968	5,462,930

(XL) Long-term borrowings

Item	Closing balance	Opening balance	Intereat rate range at the end of the period(%)	Note
Credit loans	9,476,602	2,891,469	1.20-5.70	
Mortgage loans	2,451,970	574,567	4.41-10.3	Note 1
Pledge loans	119,750	21,750	3.85-6.30	Note 2
Total	12,048,322	3,487,786		

Note 1: the main situations of mortgage loans are as follows:

1. HKCTS Cruise Finance Leasing (Shenzhen) Co., Ltd. borrows money from Shenzhen Branch of China Development Bank. Its parent company, CTS International Financial Leasing Co., Limited, pledged 100% of its stake in the HKCTS Cruise Finance Leasing (Shenzhen) Co., Ltd. and provided the guarantee, with the subject matter of sale and leaseback business, Nanhai Dream Cruise (vessel registration number 110616000002), as collateral, that HKCTS Cruise Finance Leasing (Shenzhen) Co., Ltd. as the leaseback lessor and Sansha Nanhai Dream Cruise Co., Ltd. as the leaseback lessee, at an annual rate of 4.41%, and the term of the loan is from December 23, 2016, to June 9, 2026. As of December 31, 2020, the outstanding amount is RMB 125,041 thousand, of which RMB 19,897 thousand has been shown to current portion of non-current liabilities.

2. Ningbo Hangzhou Bay New District OSR Tourism Development Co., Ltd.borrows money from Ningbo Jiangbei Sub-branch of China Construction Bank Corporation, with its

holdings of zhe (2019) of cixi (hangzhou bay) real estate 0021797 and zhe(2019) of cixi (hangzhou bay) real estate 0021798 land right of use as collateral, at an annual rate of 4. 75%, and the term of the loan is from December 13, 2019 to December 13, 2022. As of December 31, 2020, the outstanding amount is RMB 280,000 thousand.

3. Ningbo Hangzhou Bay New District OSR Tourism Development Co., Ltd. borrows money from Ningbo Jiangbei Sub-branch of China Construction Bank Corporation, with its holdings of zhe(2019) of cixi (Hangzhou bay) real estate 0004020 land right of use as collateral, at an annual rate of 4.99%. The term of the loan is from May 27, 2020, to December 31, 2022. As of December 31, 2020, the outstanding amount is RMB 30,000 thousand.

4. Hangzhou HKCTS Qianjiang City Development Co., Ltd., a subsidiary of the Group, borrowed money from Bank of China Limited Hangzhou Qianjiang New Town Sub-branch, secured by the land use rights held by it at a floating interest rate, with the maturity date of the borrowings on 26 December 2022. As at 31 December 2020, the outstanding amount is RMB76,453 thousand .

5. Hangzhou HKCTS Qianjiang City Development Co., Ltd., a subsidiary of the Group, borrowed money from Bank of China Limited Hangzhou Qianjiang New Town Sub-branch, secured by the land use rights held by it at a floating interest rate, with the maturity date of the borrowings on 26 December 2022. As at 31 December 2020, the outstanding amount is RMB76,453 thousand.

6. Guangzhou Tianchen Real Estate Development Co., Ltd., a subsidiary of the Group, borrowed money from CITIC Trust Company Limited, secured by the land use right No. 00251803 held by it in Guangdong (2018) Guangzhou Real Estate Right No. 00251803, at an interest rate of 10.3% per annum, with the maturity date of the borrowing on 1 August 2021. As of December 31, 2020, the outstanding amount is RMB1,723,590 thousand.

7. CITS (Jiangsu) International Travel Service Co., Ltd. borrows money from Ningbo Kongpu Sub-branch of Bank of China Co., Ltd., with land use right as collateral, at an annual rate of 4.7875%、4.9875%, and the term of the due date of the loan is August 11 and 12, 2023. As of December 31, 2020, the outstanding amount is RMB 160,000 thousand.

Note 2: the main situations of pledge loans are as follows:

1. CTS (Ningxia) Shapotou Tourist Spot Co., Ltd. borrows money from Agricultural Bank of China Co., Ltd., which is pledged by its right to charge tickets for Shapotou tourist attractions and a land use right with an original value of RMB 4,604 thousand at an annual interest rate of 3.85%. The term of the loan is from July 24, 2020 to July 23, 2023. As of December 31, 2020, the outstanding amount is RMB 80,000 thousand.

2. CTS International Financial Leasing Co., Limited borrows money from Shenzhen Branch of Guangdong Dongxing Bank, which is pledged by its long-term receivables at an annual interest rate of 6.3%, and the term of the loan is from April 14, 2020 to April 13, 2022.

As of December 31, 2020, the outstanding amount is RMB 65,000 thousand, of which RMB 44,000 thousand has been shown to the current portion of non-current liabilities.

3. CTS International Financial Leasing Co., Limited borrows money from China CITIC Bank International (China) Co., Ltd., which is pledged by its long-term receivables at an annual interest rate of 5.44%, and the term of the loan is from August 13, 2020 to August 13, 2022. As of December 31, 2020, the outstanding amount is RMB 43,750 thousand, of which RMB 25,000 thousand has been shown to the current portion of non-current liabilities.

(XLI) Bonds payable

1. Bonds payable

Item	Closing balance	Opening balance
700 million dollar bonds with a 10 year tenor – KING PWR N2411	4,589,853	4,860,559
Medium term note - 4 billion	3,999,646	3,999,382
600 million dollar bonds-40204.HK	3,890,528	
500 million dollar bonds with a 3 year tenor	3,250,256	3,473,447
2 billion corporate bonds in five years	1,999,657	
300 million bonds-40204.HK	1,949,529	
300 million dollar bonds with a 10 year tenor	1,931,418	2,063,016
1.5 billion bonds- MTN001	1,498,725	
1.5 billion bonds- MTN002	1,498,720	
Medium-term note - 1 billion		996,467
Medium-term note - 2.6 billion		2,588,003
Total	24,608,332	17,980,874

2. Change in bonds payable (excluding preference share, perpetual bond and other financial instruments which have been categorized as financial liabilities)

Name of bond	Par value	Date of issuance	Maturity of bond	Amount issued
700 million dollar bonds with a 10 year tenor – KING PWR N2411	4,874,246	November 03, 2014	10 years	4,251,595
Medium term note - 4 billion	4,000,000	April 16, 2019	3 years	3,999,646
600 million dollar bonds-40204.HK	3,911,431	April 24, 2020	10 years	3,889,424
500 million dollar bonds with a 3 year tenor	6,542,365	March 21, 2019	3 years	3,261,675

Name of bond	Par value	Date of issuance	Maturity of bond	Amount issued
2 billion corporate bonds in five years	2,000,000	March 26, 2020	5 years	1,999,600
300 million bonds-40204.HK	1,955,715	April 24, 2020	10 years	1,948,874
300 million dollar bonds with a 10 year tenor	3,925,419	October 23, 2019	5 years	1,937,961
1.5 billion bonds- MTN001	1,500,000	March 13, 2020	5 years	1,498,500
1.5 billion bonds- MTN002	1,500,000	March 19, 2020	5 years	1,498,500
Medium term note - 2.6 billion	2,600,000	September 10, 2014	7 years	2,595,092
Medium term note - 1 billion	1,000,000	March 19, 2014	7 years	999,285
Total	33,809,176	--	--	27,880,152

Continue:

Name of bond	Opening balance	Issuance in current period	Interest provided at par value	Amortization of premiums and discounts	Repayment in current period	Others	Closing balance
700 million dollar bonds with a 10 year tenor – KING PWR N2411	4,860,560		253,840	2,797	251,492	-273,503	4,589,854
Medium term note - 4 billion	3,999,382		147,200	264	147,200		3,999,646
600 million dollar bonds-40204.HK		3,889,424	84,045	1,104	64,561		3,890,528
500 million dollar bonds with a 3 year tenor	3,473,447		114,069	3,308	121,186	-226,499	3,250,256
2 billion corporate bonds in five years		1,999,600	53,858	57			1,999,657
300 million bonds-40204.HK		1,948,874	35,299	655	27,135		1,949,529
300 million dollar bonds with a 10 year tenor	2,063,016		58,664	2,208	62,183	-133,806	1,931,418
1.5 billion bonds-MTN001		1,498,500	40,227	225			1,498,725
1.5 billion bonds-MTN002		1,498,500	40,580	219			1,498,719
Medium term note - 2.6 billion	2,588,003		145,600	7,089	145,600	-2,595,092	

Name of bond	Opening balance	Issuance in current period	Interest provided at par value	Amortization of premiums and discounts	Repayment in current period	Others	Closing balance
Medium term note - 1 billion	996,466		59,900	2,819	59,900	-999,285	
Total	17,980,874	10,834,898	1,033,282	20,745	879,257	-4,228,185	24,608,332

(XLII) Lease liabilities

Item	Closing balance	Opening balance
lease payments	348,811	344,833
unrecognized finance charge	70	4,576
Reclassification of non-current Liabilities Due within 1 Year	70,409	69,768
Net lease liabilities	278,332	270,489

(XLIII) Long-term payable

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Long-term Payables	158,300	182,575	106,927	233,948
Special Payables	1,800			1,800
Total	160,100	182,575	106,927	235,748

1. Long-term payables

Item	Closing balance	Opening balance
Total	233,948	158,300
Incl.: 1. Fixed assets finance lease	233,486	157,824
2. Others	462	476

2. Special Payables

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Total	1,800			1,800
Financial working capital	1,800			1,800

(XLIV) Long-term employee benefits payable

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Post-employment benefits - net liabilities of defined contribution plans	35,532	2,103	1,417	36,218
II. Dismissal welfare	8,121	320	2,317	6,124
III. Others	652	610	652	610
Total	44,305	3,033	4,386	42,952

(XLV) Provisions

Item	Ending balance	Initial balance
Pending litigation	54,183	85,541
External guarantee	16,400	
Shop decoration fee		51,367
Others	2,084	4,219
Total	72,667	141,127

Note: The main lawsuits pending are: (1) Ningbo HKCTS Real Estate Co., Ltd., a subsidiary of the Group, and the owner of Lake View Garden have not reached an agreement on the compensation for the cracks in the house, and re-confirmed the provisions according to the expected compensation 1,948 thousand yuan. In 2020, the compensation will be 1,850 thousand yuan, and the estimated balance of liabilities will be 98 thousand yuan. (2) Plaintiff Guangzhou Tongzuan Investment Co., Ltd. passed the Guangzhou Haizhu District People's Court in 2017 Filed a lawsuit against CITS (Guangdong) International Travel Service Co., Ltd. (hereinafter referred to as "Guangdong International Travel Service"), claiming that Guangdong International Travel Service had outstanding advances on its behalf. According to the second-instance judgment of the court, Guangdong International Travel has accrued an estimated liability of 80,720 thousand yuan for the payment that is likely to be paid. In 2020, 28,105 thousand yuan will be paid, and the estimated balance of liabilities will be 52,615 thousand yuan. (3)In 2017, Hebei Yuanyuan Geothermal Energy Technology Co., Ltd. sued Dali Royal Shayuan tourism development company (hereinafter referred to as "Shayuan company") to the people's Court of Guangping County, Hebei Province. After trial, the court decided that Shayuan company should bear 2,781 thousand yuan of project funds. On April 8, 2018, the execution court of Guangping County People's Court of Handan City issued the execution ruling (2018) Ji 0432 Zhi No. 37-4, adding China Travel Service Northwest Co., Ltd. (hereinafter referred to as "CTS Northwest Company") as the executee to undertake: within the scope of unpaid capital contribution, CTS Northwest Company shall undertake the supplementary liquidation responsibility for the civil judgment (2017) of Guangping County People's court. As a result of this incident, three accounts of CTS Northwest Company have been frozen by Guangping county court, with 815 thousand yuan frozen.

The external guarantee mainly includes：The group's subsidiary, Hong Kong Zhongxing RV Leisure Tourism Development Co., Ltd. (52, 615 hereinafter referred to as "RV tourism") according to the letter of commitment for long-term acquisition of Hong Kong China Travel RV Leisure Tourism Development Co., Ltd. (hereinafter referred to as "Jiaozuo China Travel bank") to Jiaozuo China Travel Bank Co., Ltd., the estimated liabilities are accrued according to the agreement, namely, the overdue loan balance of Sichuan fast sany18 auto Hotel Investment Asset Management Co., Ltd. is 164 thousand yuan.

The other items are mainly: Mango has stopped business since October 2017. Due to the suspension or transfer of business, termination of customer service and early termination of contract with customers, customer complaints and compensation may be caused. Mango has withdrawn 1 thousand yuan of risk complaint fund in 2017 and included it in the estimated liabilities.

(XLVI) Deferred income

Category	Opening balance	Increase in current period	Decrease in current period	Closing balance
Government Grants	1,368,504	58,551	25,163	1,401,892
Member points	40,981	4,102	7,365	37,718
Profits or losses from unrealized leaseback	116,949	76	9,361	107,664
Subsidy payment for decoration engineering	20,624		5,113	15,511
Cost of building for renting land lessee	5,452		727	4,725
Others	11,681	9,402	9,815	11,268
Total	1,564,191	72,131	57,544	1,578,778

Government Grants:

Category	Opening balance	Grants increased in current period	Amount included in non-operating income/other Incomes in current period	Other changes	Closing balance	Asset-related/income-related
Compensation for infrastructure	1,123,727		10,814		1,112,913	Asset-related

Category	Opening balance	Grants increased in current period	Amount included in non-operating income/other Incomes in current period	Other changes	Closing balance	Asset-related/income-related
CTS Hot Spring Resort Project	159,423				159,423	Asset-related
Government return for payment made against land acquisition for Anji project	44,986	48,912	5,846		88,052	Asset-related
Subsidies for relocation for reconstruction	6,716		74		6,642	Asset-related
Subsidies for turning coal into gas	10,728	1,608	1,925		10,411	Asset-related
Others	22,924	8,031	6504		24,451	Asset-related
Total	1,368,504	58,551	25,163		1,401,892	

(XLVII) Paid-in capital

Investor	Opening balance		Increases in current period	Decreases in current period	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Total	15,896,578	100			15,896,578	100
The State-owned Assets Supervision and Administration Commission of the State Council	14,306,920	90			14,306,920	90
National Council for Social Security Fund	1,589,658	10			1,589,658	10

(XLVIII) Capital reserve

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Capital (share) premium		822,801	64,785	758,016
II. Other capital reserve	46,673	277	3,007	43,943
Total	46,673	823,078	67,792	801,959

Note:

1. During this period, the disposal of part of the equity of its subsidiary China National Travel Service (HK) Finance Company Limited (hereinafter referred to as the "Finance company") to its subsidiary China Tourism Group Duty Free Corporation Limited resulted in passive dilution of the Group's final shareholding in the finance company. The purchase of equity by minority shareholders at a premium resulted in an increase of 15,338 thousand yuan in the capital premium.

2. During this period, the disposal of the equity of the subsidiary Hainan Duty Free Co., Ltd. to the subsidiary China Tourism Group Duty Free Corporation Limited., resulted in the passive dilution of the Group's final shareholding in the company. The premium purchase of equity by minority shareholders resulted in an increase of 772,048 thousand yuan in the capital premium.

3. In January and February 2020, Hong Kong CTS (Group) Co., Ltd. purchased 32 million shares of Hong Kong CTS International Investment Co., Ltd. (accounting for 0.58%), paid a consideration of 34,818 thousand yuan, and the identifiable net assets continuously calculated by 0.58% of Hong Kong CTS (Group) Co., Ltd. on the purchase date was 70,234 thousand yuan, increasing the capital premium by 35,415 thousand yuan.

In June 2020, China Travel (Group) Co., Ltd. of Hong Kong repurchased the 40% equity of Hong Kong New Travel Investment Co., Ltd. held by Ryden Holdings Company Limited, and paid the consideration of 2,827,772 thousand yuan. On June 30, the identifiable net assets continuously calculated by 40% of Hong Kong New Travel Investment Co., Ltd. was 2,643,800 thousand yuan, reducing the capital premium by 64,785 thousand yuan.

4. The employee stock option of Hong Kong CTS International Investment Co., Ltd. was not exercised when it was due, reducing other capital reserves by 3,007 thousand yuan.

5. In this period, the subsidiary Wuhan Duoluokou Logistics Co., Ltd. invested in Wuhan Qiaoshang Industrial Development Co., Ltd. has other changes in owner's equity, and other capital reserves of 276 thousand yuan are confirmed in accordance with the shareholding ratio in this period.

(XLIX) Specialized reserve

Item	Opening balance	Current Increase	Current decrease	Closing balance	Notes
Safety production fee	2,268	1,628	600	3,296	
Total	2,268	1,628	600	3,296	--

(L) Retained earnings

Item	Current amount	Amount in previous year
Balance as of December 31, 2019	8,385,736	4,997,823
Others		
Opening balance	8,385,736	4,997,823
Increase in current period	1,538,724	3,528,863
Incl.: net profit transferred-in in current year	1,652,273	1,980,510
Other adjustment factors	-113,549	1,548,353
Decrease in current period	267,369	140,950
Incl.: appropriation of surplus reserves in current period		
Appropriation of general risk reserves		-42,217
Cash dividends distributed in current year	267,369	183,167
Dividends of common stock transferred to capital stock		
Other decreases		
Closing balance	9,657,091	8,385,736

(LI) Operating revenues and operating costs

Item	Amount for current period		Amount for previous period	
	Revenue	Costs	Revenue	Costs
1. Subtotal of primary businesses	68,860,506	42,072,554	80,234,266	47,390,561
Incl.: Travel services group	3,949,890	3,454,586	19,464,220	17,344,014
Scenic	1,508,905	1,502,588	2,172,153	1,426,432
Tourism real estate	7,506,123	4,731,210	4,631,164	3,199,987
CITS duty free	52,067,928	31,106,115	47,714,999	23,344,525
Hotel	1,156,782	596,331	2,816,665	1,102,153
Financing	2,044,615	322,967	2,190,311	370,221
CTS assets	429,682	278,169	590,183	324,801
Other travel services	196,581	80,588	654,571	278,428
2. Subtotal of other businesses	1,067,969	226,556	812,632	111,193
Incl.: Travel services group	41,190	13,333	72,007	10,236
Scenic	126,859	5,469	54,927	
Tourism real estate	193,094	111,568	166,282	46,896
CITS duty free	528,599	96,186	424,348	45,849
Hotel			11,300	7,610

Item	Amount for current period		Amount for previous period	
	Revenue	Costs	Revenue	Costs
Financing			5	
CTS assets			7	
Other travel services	178,227		83,756	602
Total	69,928,475	42,299,110	81,046,898	47,501,754

Note: operating revenue and operating costs of financial enterprises include the net interest income (LII) and the net income from fees and commissions (LII).

(LII) Net interest incomes

Item	Amount for current period	Amount for previous period
Interest incomes	2,016,042	2,135,117
- Deposits from banks and other financial institutions	113,460	51,093
- Deposits from central bank	9,175	9,010
- Loans to Banks and other Financial Institutions	100	
- Issue the loans and advances	1,890,299	2,073,282
Incl.: Loans and advances to individuals	1,887,852	2,071,301
Loans and advances to corporate	2,447	1,981
Discounted bills		
- Financial assets purchased under resale agreements	1,483	205
- Bond investments	1,525	1,527
- Others		
Interest Expenses	216,265	287,709
- Deposits from interbanks	216,034	281,181
- Taking from banks and other financial institutions		
- Deposits from customers	175	380
- Financial assets sold under repurchase agreements		20
- Others	56	6,128
Net interest incomes	1,799,777	1,847,408

(LIII) Net Fee and commission income

Item	Amount for current period	Amount for previous period
Fee and commission income	112,225	110,113

Item	Amount for current period	Amount for previous period
- Settlement and clearing fees		
- Agency fees		
- Credit commitment fees and commissions		
- Bank card fees		
- Advisory and consulting fee		
- Custodian and other fiduciary service commissons		
- Others	112,225	110,113
- Fee and commission expenses	92,489	83,366
- Expenses of fees	545	611
- Commission expenses	91,944	82,755
Net income from fees and commissions	19,736	26,747

(LIV) Selling expenses

Item	Amount for current period	Amount for previous period
Employee benefits	2,200,214	2,765,610
Insurance premium	15,098	17,679
Operational fund	3,013	13,397
Maintenance fee	40,128	45,024
Rental fees	6,220,497	12,406,489
Depreciation expense	122,533	57,313
Advertising fees	370,245	664,290
Transport charges	77,036	72,382
Handling charges	1,540	3,115
Packing charges	13,712	40,733
Exhibition fees	3,442	6,411
Sales and service fees	756,800	196,640
Consignment commission charge		6,808
Samples and product loss	29,661	18,884
Others	626,177	1,332,301

Item	Amount for current period	Amount for previous period
Fees for storage and custody	68,112	33,469
Total	10,548,208	17,680,545

(LV) Administrative expenses

Item	Amount for current period	Amount for previous period
Employee benefits	2,563,368	2,734,114
Depreciation expense	575,757	553,663
Rental fees	236,984	57,507
Office expenses	199,269	125,229
Amortization of intangible assets	190,474	162,913
Consulting fees	143,024	106,332
Intermediary organs	125,201	106,080
Including: annual audit fees of final accounts	9,156	10,055
advertising fee	72,533	
Maintenance fee	67,008	82,799
Energy cost	51,664	7,300
Travel expenses	35,238	73,502
Insurance premium	24,301	28,114
Meeting fee	15,263	7,508
Amortization of long-term deferred expenses	11,318	9,784
Business entertainment expenses	10,898	21,439
Legal cost	8,549	14,788
Inventories loss	4,824	815
Safety production fee	3,844	217
Labour protection fee	3,256	2
Amortization of low-value consumables	2,554	1,802
Expense of board of directors	1,024	1,568
Expenditures for Party construction	737	2,553
Heating costs	152	112
Sewage charges		69
Others	335,769	927,296

Item	Amount for current period	Amount for previous period
Total	4,683,009	5,025,506

(LVI) Finance expenses

Item	Current period	Previous period
Interest expenditures	1,649,595	1,147,525
Less: Interest income	287,396	256,646
Net exchange loss("-" for net proceeds)	-662,241	41,794
Commission for financial institutions	237,752	233,374
Others	8,355	1,834
Total	946,065	1,167,881

(LVII) Other income

Item	Amount for current period	Amount for previous period
Government Grants	492,393	137,306
Total	492,393	137,306

Government Grants:

Item	Amount for current period
Financial support	211,817
Epidemic subsidy	56,663
Post stability subsidies	54,011
value-added tax exempt	36,348
Employment insurance subsidy	31,275
Clear the Best Known Trading Limited	18,200
VAT plus deduction	10,602
Infrastructure compensation	10,852
Tax return	7,201
Subsidy for real estate development and construction	4,814
Shapotou Scenic Area Tourism Development Subsidy	3,588
Subsidy for replacing training with work	2,340
Car purchase environmental protection subsidies	2,155
Financial support funds	1,634
World window 2020 Tourism Innovation Fund	1,500

Item	Amount for current period
Subsidies for employees' vocational skills improvement	1,176
Project funds for tourism innovation funded by Shenzhen Nanshan District Economic Promotion Bureau	1,102
Subsidies for the construction of Anji Hotel and its supporting facilities	1,032
Others	36,083
Total	492,393

(LVIII) Investment income

Source of investment income	Amount for current period	Amount for previous period
Long-term equity investment income calculated by equity method	-46,401	53,478
Investment incomes from disposal of long-term equity investments	5,424	50,792
Investment income from holding trading financial assets (applicable to new financial standards)	4,583	12,009
Investment incomes from financial assets available-for-sale	129,970	65,197
Investment incomes from disposal of financial assets available-for-sale	-8,205	
Gains or losses arising from the re-measurement of shareholding at fair value after losing control	319,125	-3,183
Dividend income obtained during holding other equity instruments (applicable to the new standards)		1,948
Others	59,589	56,536
Total	464,085	236,777

(LIX) Gain from fair-value changes

Source of gains from changes in fair value	Amount for current period	Amount for previous period
Investment property measured at fair value	90,407	296,209
Total	90,407	296,209

(LX) Credit losses

Item	Amount for current period	Amount for previous period
Loss from bad debt	13,693	-4,347
Total	13,693	-4,347

(LXI) Impairment on assets

Item	Amount for current period	Amount for previous period
Loss from bad debt	6,494	-42,127
Losses from inventory falling price	-908,944	-230,190
Impairment loss on financial assets available-for-sale	-2,550	-4,200
Impairment loss on long-term equity investments	-354,737	-112,215
Impairment loss on fixed asset	-212,635	-75,932
Impairment loss on construction in progress	-6,330	-167,673
Impairment loss on intangible assets	-3,811	
Impairment loss on goodwill		-181,793
Other impairment loss	-616,658	-777,491
合计	-2,099,171	-1,591,621

(LXII) Proceeds from asset disposal

Item	Amount for current period	Amount for previous period	Amount included in current non-recurring profits or losses
I. fixed asset	-2,024	28,139	-2,024
II. intangible assets		-81	
III. construction in progress			
Total	-2,024	28,058	-2,024

(LXIII) Non-operating income

1. Details of non-operating income

Item	Amount for current period	Amount for previous period	Amount included in current non-recurring profits or losses

Item	Amount for current period	Amount for previous period	Amount included in current non-recurring profits or losses
Gains from disposal of non-current assets	458	675	458
Government grants	28,262	24,457	28,262
Donate gains	12	8	12
Penalty Incomes	1,897	768	1,897
Gains from insurance compensation	438	183	438
Proceeds of liquidated damages	8,925	3,170	8,925
Payables not required to be paid	7,502	20,736	7,502
Refund and compensation for membership transfer	120,649		120,649
Negative goodwill	32,737		32,737
Others	38,521	230,300	38,521
Total	239,401	280,297	239,401

2. Details of government grants

Item	Amount for current period	Amount for previous period
China Tourism Group Headquarters Enterprise Settlement Award	15,000	
Special fund for industry development	4,541	3,790
Funds for enterprise development supporting and reward	70	9,748
Travel rewards	126	
Others	8,525	10,919
Total	28,262	24,457

(LXIV) Non-operating expenses

Item	Amount for current period	Amount for previous period	Amount included in current non-recurring profits or losses
Liquidated damages, penalties and amercement outlay	53,487	51,714	53,487

Item	Amount for current period	Amount for previous period	Amount included in current non-recurring profits or losses
Loss from disposal of non-current liabilities	15,510	9,441	15,510
Loss from anticipated litigation pending	14,072	8,647	14,072
Late fees	815	-4,570	815
"Three for one business" expenditure	191	244	191
Others	30,630	8,834	30,630
Total	114,705	74,310	114,705

(LXV) Income tax expense

1. Table of Income tax expense

Item	Current period	Previous period
Current income tax expenses	4,141,714	2,532,951
Adjustment of deferred tax	-1,071,902	-172,928
Others		32
Total	3,069,812	2,360,055

2. Adjustment of profits and income tax expense adjustment

Item	Current period
Total profit	8,722,019
Income tax expenses calculated at the appropriate/applicable tax rate	1,308,303
different tax rates subjected to Subsidiaries	603,311
Adjust the effect of income tax on previous periods	188,679
The impact of non-taxable income	-62,542
The impact of non-deductible costs, expenses and losses	175,308
The impact of deductible losses on the use of previously unrecognized deferred income tax assets	-239,952
The effect of deductible temporary difference or deductible loss of deferred income tax assets is not recognized in the current period	673,958
Others	422,747
Total	3,069,812

(LXVI) Other comprehensive income attributable to the owners of parent company

1. Other comprehensive income by items, related income tax and reclassification to profit (loss)

Item	Amount for current period			Amount for previous period		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
I. Other comprehensive income which cannot be reclassified into profits or losses in the future	-14,513	-130	-14,383	9,805	795	9,010
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan	2,251		2,251	37		37
2. Share in other comprehensive income of the investee that will be reclassified into profit or loss under the equity method						
3. Changes in the fair value of other equity instruments	-16,764	-130	-16,634	9,768	795	8,973
4. Changes in the fair value of the enterprise's own credit risk						
5.Others						
II. Other comprehensive income to be reclassified into profit or loss in the future	405,744	135,069	270,675	-6,996	-509	-6,487
1. Share in other comprehensive income of the investee that will be reclassified into profit or loss under the equity method	-14,583		-14,583	-94,070		-94,070
Less: reclassification from other comprehensive income to current profit (loss)	2,368		2,368	56		56
Subtotal	-16,951		-16,951	-94,126		-94,126
2. Changes in the fair value of other creditor's rights investments				38,357		38,357
Less: reclassification from other comprehensive income to current profit (loss)						
Subtotal				38,357		38,357
3. Profit or loss from changes in fair value of financial assets available-for-sale	-64,717	-11,148	-53,569	3,437	-808	4,245

Item	Amount for current period			Amount for previous period		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
Less: reclassification from other comprehensive income to current profit (loss)						
Subtotal	-64,717	-11,148	-53,569	3,437	-808	4,245
4. The amount of financial assets reclassified into other comprehensive income						
Less: reclassification from other comprehensive income to current profit (loss)						
Subtotal						
5. Profit or loss from reclassification of investment held-to-maturity to financial assets available-for-sale						
Less: reclassification from other comprehensive income to current profit (loss)						
Subtotal						
6. Other credits investment credit impairment provisions						
Less: reclassification from other comprehensive income to current profit (loss)						
Subtotal						
7. Cash flow hedging reserve (Effective loss or profit from cash flow hedge)	-16,885		-16,885	-1,496		-1,496
Less: reclassification from other comprehensive income to current profit (loss)						
Adjustments of initial recognized amount transferred to hedging items						
Subtotal	-16,885		-16,885	-1,496		-1,496
8. Translation differences of financial statements dominated in foreign currency	-158,261		-158,261	45,637		45,637
Less: reclassification from other comprehensive income to current profit (loss)						

Item	Amount for current period			Amount for previous period		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
Subtotal	-158,261		-158,261	45,637		45,637
9. Others	662,558	146,217	516,341	1,195	299	896
Less: reclassification from other comprehensive income to current profit (loss)						
Subtotal	662,558	146,217	516,341	1,195	299	896
III. Total of other comprehensive income	391,231	134,939	256,292	2,809	286	2,523

2. Movement of other comprehensive income by items

Item	Changes arising from re-measurement of net liabilities or net assets of defined benefit plan	Share in other comprehensive income in the invested entity that cannot be reclassified into profit or loss under the equity method	Changes in the fair value of other equity instruments	The fair value change of the enterprise's own credit risk	Share in other comprehensive income of the investee that will be reclassified into profit or loss under the equity method	Other credits investment credit impairment provisions
I. Opening balance of last year	-1,802		3,743		5,635	-38,357
II. Changes for the previous year (decreases are presented by "-")	37		8,973		-94,126	38,357
III. Opening balance of	-1,765		12,716		-88,491	

Item	Changes arising from re-measurement of net liabilities or net assets of defined benefit plan	Share in other comprehensive income in the invested entity that cannot be reclassified into profit or loss under the equity method	Changes in the fair value of other equity instruments	The fair value change of the enterprise's own credit risk	Share in other comprehensive income of the investee that will be reclassified into profit or loss under the equity method	Other credits investment credit impairment provisions
current year						
IV. Changes for the year (decreases are presented by "-")	2,251		-16,634		-16,951	
V. Closing balance of current year	486		-3,918		-105,442	

Continued:

Item	Profit or loss from changes in fair value of available-for-sale financial assets	The amount of financial assets reclassified into other comprehensive income	Profits or losses from reclassification of investment held-to-maturity to financial assets available-for-sale	Other credits investment credit impairment provisions	Cash flow hedging reserve (Effective loss or profit from cash flow hedge)	Difference from translation of foreign currency financial statements	Others	Subtotal
I. Opening balance of last year	15,406					-1,177,050	668,505	-523,920

Item	Profit or loss from changes in fair value of available-for-sale financial assets	The amount of financial assets reclassified into other comprehensive income	Profits or losses from reclassification of investment held-to-maturity to financial assets available-for-sale	Other credits investment credit impairment provisions	Cash flow hedging reserve (Effective loss or profit from cash flow hedge)	Difference from translation of foreign currency financial statements	Others	Subtotal
II. Changes for the previous year (decreases are presented by "-")	4,245				-1,496	45,637	896	2,523
III. Opening balance of current year	19,651				-1,496	-1,131,413	669,401	-521,397
IV. Changes for the year (decreases are presented by "-")	-53,569				-16,885	-158,261	516,341	256,292
V. Closing balance of current year	-33,918				-18,381	-1,289,674	1,185,742	-265,105

(LXVII) Share-based payments

1. CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

1) General situation of share-based payments (Unit: 1,000 shares)

On May 4, 2012, CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED, a subsidiary of the Company, terminated the equity incentive plan implemented on June 3, 2002 ("2002 Equity Incentive Plan"), and began to implement a new equity incentive Plan ("2012 Equity Incentive Plan"). In order to further establish and improve the long-term incentive mechanism and fully mobilize the enthusiasm of the management personnel, the equity option plan was launched in 2016 on the basis of the 2012 equity incentive plan. The following are the share options that have not been exercised under the 2002 equity incentive plan in 2018, and the 2012 equity incentive plan granted in 2016:

Number of shares of stock options issued at the beginning of the year	43,471
Number of share options granted in the current period	
Number of stock options exercised in the current period	
Number of stock options lapsed in the current period	43,471
Number of shares cancelled in the current period	
Number of share options issued at the end of the period	
Range of exercise prices of stock options issued at the end of the period	None
Range of exercise prices of other equity instruments at the end of the period and remaining contract period	None

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED has no exercise right in 2020.

2) Equity-settled share-based payment

Determination methods of fair value of equity instruments on the grant date	Binomial distribution method
Method of determining optimum estimate of number of equity instruments vested	Based on the actual number
Reasons of material difference between estimates in current period and in Previous period	None
Accumulated capital surplus due to equity-settled share-based payment	32,613
Total expense recognized for equity-settled share-based payment	37,225

The fair values of the stock options granted in September 2016 and December 2016 were HK $ 0.53 and HK $ 0.46 per option respectively. CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED reversed its confirmed stock option fees in 2019 to RMB 28,425 thousand (2018: RMB 3,162 thousand).

3) Cash-settled share-based payment

There is no cash-settled share-based payment in the current period.

4) Modification and termination of share-based payment

There are no amendments and terminations to share payments during this period.

(LXVIII) Borrowing costs

1. The capitalized amount of borrowing costs for the current period is RMB 79,782 thousand.

2. The capitalization rate used to calculate the capitalization amount of borrowing costs in the current period

Item	Capitalization rate	Capitalization amount
Capitalized borrowing costs	——	79,782
Incl.:Capitalized borrowing costs in inventories	——	46,699
Capitalized borrowing costs in construction in progress	——	33,083

(LXIX) Translation of foreign currencies

1. Foreign exchange income included in the current profits or losses is RMB 662,241 thousand.

2. Foreign currency attributable to the Owners of Parent Company included in the current period is RMB -158,261 thousand.

(LXX) Lease

1. Finance leases of the lessee

(1) Financial leasing lessor (Apply old lease criteria)

Remaining lease term	Minimum lease payments
2Within 1 year (inclusive)	210,879
1 to 2 years (inclusive)	115,020
2 to 3 years (inclusive)	48,662

Remaining lease term	Minimum lease payments
Above 3 years	74,198
Total	448,759

(2) Financial leasing lessor (Apply new lease criteria)

None.

2. Assets leased out under operating lease

(1) Operating lease lessor (Apply old lease criteria)

Categories of operating lease	Closing book value	Opening book value
1. Housing and building	689,630	644,218
2. land use rights	8,670	8,912
3.Machinery equipment		4,183
4. Transportation facilities	4,046	
5. Investment real estate	9,324,637	7,930,554
6. Others		256
Total	10,026,983	8,588,123

(2) Operating lease lessor (Apply old lease criteria)

Item	Amount
1、Revenue	
Rental income	98,330
Income related to variable lease payments not included in lease receipts	
2、Undiscounted lease receipts to be received each year for five consecutive fiscal years after the balance sheet date	
1 year	63,218
2 year	40,752
3 year	11,095
4 year	28,102
5 year	26,990
3、Total amount of undiscounted lease receipts to be received in the remaining years	
Within 1 year (inclusive)	63,218

Item	Amount
1 to 2 years (inclusive)	40,752
2 to 3 years (inclusive)	11,095
Above 3 years	59,195

3. Finance leases of the lessee

Remaining lease term	Minimum lease payments
Within 1 year (inclusive)	2,557
1 to 2 years (inclusive)	763
2 to 3 years (inclusive)	
Above 3 years	
Total	3,320

4. Significant operating lease

Remaining lease term	Amount of the operating lease
Within 1 year (inclusive)	1,364,710
1 to 2 years (inclusive)	1,328,336
2 to 3 years (inclusive)	1,247,431
Above 3 years	3,289,447
Total	7,229,924

5. New leasing standards information disclosure of lessee

Lessee information

Item	Amount
Interest expense on lease liabilities	13,552
Short term lease expense included in current profit and loss	6,452
Low value asset lease expense	1,632
Variable lease payments not included in the measurement of lease liabilities	
Income from sublease of right to use assets	
Total cash outflow related to lease	82,994
Relevant profit and loss arising from sale and leaseback transactions	

(LXXI) Segment information

Item	Travel services									
	Subtotal of travel services		Items in travel services:							
			Travel services		Scenic		CITS duty free		Hotel	
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
I. Operating income	60,402,628	74,416,905	4,023,710	19,553,288	1,639,374	2,249,981	52,597,051	48,140,137	1,161,766	2,835,613
Incl.: income from transaction with external parties	60,184,643	74,059,136	3,991,080	19,536,227	1,635,764	2,227,080	52,596,527	48,139,347	1,156,782	2,827,965
Income from inter segment transactions	217,985	357,769	32,630	17,061	3,610	22,901	524	790	4,984	7,648
II. Investment income from associates and joint ventures	-206,597	13,433	-9,765	9,839	-25,571	58,745	15,453	58,969	-24,762	-2,748
III. Asset impairment loss	-1,235,794	-485,680	-29,403	1,300	-6,330		-908,716	-418,406	-186,723	74,730
IV. Credit losses	10,490	-4,347		33	-7,631	261	18,121	-4,641		
V. Depreciation and amortization expenditures	1,501,452	1,245,221	73,285	81,683	528,377	245,249	515,627	467,902	281,773	356,771
VI. Total profit	7,840,379	7,716,618	-797,214	200,684	-433,527	428,844	9,671,711	6,505,873	-598,501	240,282
VII. Income tax expense	2,262,492	1,990,356	-9,857	80,141	-127,828	124,397	2,335,208	1,610,097	-1,802	63,756
VIII. Net profits	5,577,886	5,726,262	-787,358	120,543	-305,698	304,447	7,336,503	4,895,776	-596,700	176,526
IX. Total assets	96,074,396	80,826,346	4,151,258	6,460,895	19,180,127	12,695,200	41,927,499	31,824,155	8,185,641	10,734,956
X. Total liabilities	47,609,393	37,643,638	3,407,429	4,763,856	5,955,049	3,054,297	15,741,740	8,869,893	5,648,331	7,737,758

Continued:

Item	Travel services				Tourism real estate		Financing	
	Items in travel services:							
	CTS assets		Other travel services					
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
I. Operating income	489,863	625,741	490,864	1,012,145	7,702,018	4,811,729	2,052,582	2,191,227
Incl.: income from transaction with external parties	429,682	590,190	374,808	738,327	7,699,217	4,797,446	2,044,615	2,190,316
Income from inter segment transactions	60,181	35,551	116,056	273,818	2,801	14,283	7,967	911
II. Investment income from associates and joint ventures	-5,631	7,596	-156,321	-118,968	146,703	-8,344		58,309
III. Asset impairment loss	-37,766	-141,379	-66,856	-1,925	36,288	-3,230	-591,535	-959,311
IV. Credit losses							1,396	
V. Depreciation and amortization expenditures	85,961	85,173	16,429	8,443	63,789	62,704	52,774	15,886
VI. Total profit	103,317	38,005	-105,407	302,930	1,478,690	528,957	543,089	208,240
VII. Income tax expense	41,483	38,400	25,288	73,565	491,457	117,979	164,460	135,185
VIII. Net profits	61,834	-395	-130,695	229,365	987,233	410,978	378,629	73,055
IX. Total assets	5,114,283	5,315,581	17,515,588	13,795,559	50,081,732	37,687,981	14,485,890	16,233,604
X. Total liabilities	1,194,026	1,392,685	15,662,818	11,825,149	44,794,069	35,620,431	6,702,177	8,399,017

Continued:

Item	Offset		Total	
	Current Period	Previous Period	Current Period	Previous Period
I. Operating income	-228,753	-372,963	69,928,475	81,046,898
Incl.: income from transaction with external parties			69,928,475	81,046,898
Income from inter segment transactions	-228,753	-372,963		
II. Investment income from associates and joint ventures	13,493	-9,920	-46,401	53,478
III. Asset impairment loss	-308,130	-143,400	-2,099,171	-1,591,621
IV. Credit losses	1,807		13,693	-4,347
V. Depreciation and amortization expenditures	-31,552	109,121	1,586,463	1,432,932
VI. Total profit	-1,140,139	-965,527	8,722,019	7,488,288
VII. Income tax expense	151,403	116,535	3,069,812	2,360,055
VIII. Net profits	-1,291,541	-1,082,062	5,652,207	5,128,233
IX. Total assets	-8,909,635	-12,075,561	151,732,383	122,672,370
X. Total liabilities	-736,574	-9,985,785	98,369,065	71,677,301

(LXXII) Consolidated cash flows statement

1. Reconciliation from net profit to cash flow from operating activities by indirect method

Supplementary information	Amount for current period	Amount for previous period
1．Reconciliation from net profit to cash flows from operating activities:		
Net profit	5,652,207	5,128,233
Add: asset Impairment provisions	2,099,171	1,591,621
Credit losses	-13,693	4,347
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	1,015,247	941,381
Depreciation of Right to use assets	103,381	81,873
Amortization of intangible assets	217,278	197,849
Amortization of long-term unamortized expenses	250,557	211,828
Losses from disposal of fixed assets, intangible assets and other long-term assets (gains are presented by “-”)	2,024	-28,058
Losses from write-off of fixed assets (gains are presented by “-”)	15,052	8,766
Losses from changes in fair value (gains are presented by “-”)	-90,407	-296,209
Financial expenses (gains are presented by “-”)	2,044,057	1,732,027
Investment losses (gains are presented by “-”)	-464,085	-236,777
Decrease in deferred tax assets (increases are presented by “-”)	-1,112,620	-272,135
Increase in deferred tax liabilities (decreases are presented by “-”)	31,148	439,960
Decreases in inventories (increases are presented by “-”)	-13,431,763	-11,968,832
Decrease in operating receivables (increase denoted with "-")	2,668,158	-7,670,989
Increase in operating payables (decrease denoted with "-")	7,928,838	9,443,092
Others	-32,737	-606
Net cash flows from operating activities	6,881,813	-692,629
2．Significant non-cash investment and financing activities:		
Conversion of debt to equity		
Convertible corporate bonds due within one year		
Fixed assets acquired under financial leasing		
3．Net change in cash and cash equivalents:		
Ending balance of cash and cash equivalents	27,462,600	18,464,013
Less: beginning balance of cash and cash equivalents	18,464,013	12,996,863
Add: closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	8,998,587	5,467,150

2. Net cash from and for acquisition or disposal of subsidiaries in current year

Item	Amount
I. Cash or cash equivalent paid at current period for business combination incurred in current period	
Less: cash and cash equivalents held by subsidiary on the date of acquisition	812,900
Add: cash or cash equivalent paid at current period for business combination incurred in previous periods.	593,982
Net cash paid for acquisition of subsidiaries	218,918
II. Cash or cash equivalents received in current year for disposal of subsidiaries in current period	
Less: cash and cash equivalents held by subsidiaries on the date losing control	4,845
Add: Cash or cash equivalents received in current year for disposal of subsidiaries in previous periods	
Net cash received for disposal of subsidiaries	-4,845

3. Composition of cash and cash equivalents

Item	Current balance	Balance in previous period
I. Cash	27,462,600	18,464,013
Incl.: cash on hand	46,281	45,242
Unrestrictive cash in bank	18,391,903	14,589,004
Other unrestrictive cash and cash equivalents	128,721	287,829
Unrestrictive deposit in Central Bank		
Deposit with other banks	8,895,695	3,541,938
Due from banks and other financial institutions		
II. Cash equivalents		
Incl.: bond investments maturing within 3 months		
III. Closing balance of cash and cash equivalent at the end of the period	27,462,600	18,464,013
Incl.: restricted cash and cash equivalents used by the parent company or subsidiaries of the Group		

(LXXIII) Foreign currency monetary items

Item	Closing balance of foreign currency	Exchange rate	Conversion exchange rate at the end of the period
Cash and cash equivalents			8,394,109

Item	Closing balance of foreign currency	Exchange rate	Conversion exchange rate at the end of the period
Incl.: USD	725,906	6.5249	4,736,464
HKD	3,692,497	0.8416	3,107,605
JPY	481,039	0.0632	30,402
EUR	25,636	8.0250	205,729
GBP	15,456	8.8903	137,408
CHF	1,286	7.4006	9,517
CAD	4,295	5.1161	21,974
AUD	2,995	5.0163	15,024
SGD	4,998	4.9314	24,647
DKK	2,605	1.0786	2,810
NOK	2,159	0.7647	1,651
MOP	47,477	0.8172	38,798
KRW	6,562,453	0.0060	39,375
PESO	106,002	0.1321	14,003
INR	815,854	0.0005	408
THB	9,432	0.2179	2,055
TRY	33	0.8837	29
GHS	513	1.1097	569
RON	439	1.6492	724
CZK	3,812	0.3061	1,167
PLN	1,817	1.7521	3,184
VND	1,888,301	0.0003	566
Accounts receivable			133,388
Incl.: USD	1,854	6.5249	12,097
HKD	110,837	0.8416	93,280
JPY	31,629	0.0632	1,999
EUR	134	8.0250	1,075
GBP	1,958	8.8903	17,407
CAD	16	5.1161	82
AUD	475	5.0163	2,383
SGD	65	4.9314	321
MOP	904	0.8172	739
NZD	422	4.7050	1,986

Item	Closing balance of foreign currency	Exchange rate	Conversion exchange rate at the end of the period
KRW	229,808	0.0060	1,379
THB	2,936	0.2179	640
Short-term Borrowings			1,641,929
Incl.: HKD	859,312	0.8416	723,197
GBP	103,341	8.8903	918,732
Long-term borrowings			1,182,078
Incl.: HKD	1,400,000	0.8416	1,178,240
JPY	30,000	0.0632	1,896
EUR	191	8.0250	1,533
GBP	46	8.8903	409
Bonds payable			15,643,024
Incl.: USD	2,397,435	6.5249	15,643,024

(LXXIV) Assets with restricted ownership or use right

Item	Closing book value	Reason for restriction
Cash and cash equivalents	943,950	Time deposits of three months or more, bank reserves, security deposit and so on
Inventories	6,674,950	The collateral of mortgage loans
Fixed assets	164,297	The collateral of mortgage loans and the court seized
Investment Properties	108,663	The collateral of mortgage loans and the court seized
Intangible assets	4,345	The pledge subject matter of pledge loans
Long-term Receivables	50,466	The pledge subject matter of pledge loans
Current portion of non-current assets	80,481	The pledge subject matter of pledge loans

IX. Contingencies

(I) Pending litigation

1. Project Contract Dispute of China Travel Service Property Management (Shenzhen) Co., Ltd

On February 10, 2017, the group's subsidiary hk property management (shenzhen) co., LTD. (hereinafter referred to as the "property management company") and shenzhen crystal palace design decoration engineering co., LTD. (hereinafter referred to as the "crystal palace design") signed the CTS escape home renovation project construction contract "to" China travel from home renovation project "design and contract them out to crystal palace.

On February 7, 2018, Jinggong design completed all the projects and handed over to the property company, and the property company accepted them and put them into use. On July 29, 2019, Crystal Design submitted the "Project Settlement Statement" to apply for the settlement of the project amount of 18,699 thousand yuan. As the property management company did not accept the design changes during the construction of the project, the two sides failed to reach an agreement on the project amount. Crystal Design filed a lawsuit and applied for financial preservation on April 19, 2020. The property management company's bank deposits of 11,551,000 yuan were frozen. The case opened on August 25, 2020, and by the date of the audit report, the first instance has not been decided.

2. Construction Contract Dispute between China Travel Service and CITIC Engineering Company

On August 8, 2014, the group's subsidiary in China CTS hotel (group) co., LTD. (hereinafter referred to as "China travel") with citic interior decoration engineering company (hereinafter referred to as "citic engineering company") signed the CTS building internal and external decoration indoor decoration engineering contract "guest room area on the third bid lots, has yet to settle. CITIC Engineering Company filed a lawsuit with the People's Court of Chaoyang District, Beijing. The People's Court of Chaoyang District, Beijing issued the civil judgment (2018) No. 6569 of Beijing 0105 on September 18, 2018, which ordered China Travel Service to pay CITIC Engineering Company 13,307,000 yuan for the project payment and liquidated damages for overdue payment. Payment of project BBB 0 1,547 thousand and penalty for late payment.

CTS refused to accept the first instance verdict and appealed to the Beijing No. 3 Intermediate People's Court. The Third Intermediate People's Court of Beijing has revoked the civil judgment of Beijing Chaoyang District People's Court (2018) No. 6569 of the People's Court of Chaoyang District of Beijing and remanded it to the People's Court of Chaoyang District of Beijing for retrial. Final results were not available as of December 31, 2020.

3. Project construction contract dispute between China Travel Service (CTS) and Guodu Construction Company (fine decoration project)

On December 5, 2014, China Travel Hotel and Guodu Construction (Group) Co., Ltd. (hereinafter referred to as "Guodu Construction") signed the Interior Decoration Construction Contract for Bid Section Ⅰ of CTS Tower Public Area, which has not yet been settled. Guodu Construction Company filed an appeal with the Chaoyang District People's Court in Beijing, seeking payment of 13,158,000 yuan for the project plus deferred interest, 3,523,000 yuan for the project delay and 1,838,000 yuan for the capital occupation.

After receiving the summons from the court on February 22, 2018, China Travel Service (CTS) has gone through nine sessions and submitted the application for project cost appraisal to the court, which has not yet entered the project appraisal procedure. It is still under trial as at 31 December 2020.

4. Project construction contract dispute between China Travel Service and Guodu Construction Company (logistics area project)

On May 15, 2015, Guodu Construction Company and Railway Construction Group Co., Ltd signed the contract of "Decoration of Logistics Auxiliary Area of China Travel Tower"; On July 11, 2016, Guodu Construction Company and China Travel Service (CTS) signed the "New Work Contract for Logistics Area of CTS Tower Internal and External Decoration and Renovation Project", both of which have not been settled yet. Guodu Construction filed an appeal with the Chaoyang District People's Court in Beijing, asking the defendants to pay 9,036 thousand yuan for the project plus delayed interest, 3,241 thousand yuan for construction delays and capital occupancy, 1,426 thousand yuan for expected revenue loss, and refund 145 thousand yuan for safety deposit. The case held a hearing on October 15, 2018 and entered the identification procedure. It is still under trial as at 31 December 2020.

(II)the risk of customer complaints caused by the closure of mango.com

Mango Online (Investment) Co., Ltd. (hereinafter referred to as "Mango Online"), a subsidiary of the Group, has basically completely ceased its business since October 2017. The termination of customer service due to the cessation or transfer of business, or the early termination of the contract with the customer may lead to contract disputes with the customer, resulting in the risk of customer complaint and compensation. In addition, the customer may not repay the arrears according to the agreement, if the legal way to recover the arrears, will produce the corresponding litigation costs, based on the above reasons, in 2017, mango net set aside an estimated liability risk complaint fund of 1,000 thousand yuan.

(III)Periodic joint and several liability guarantee

1. As of December 31, 2020, This group subsidiary hk real estate development co., LTD., hk ocean spring (Qingdao) co., LTD., hk to behave (suzhou) real estate co., LTD. (hereinafter referred to as respectively "hk real estate", "Qingdao ocean spring", "suzhou real estate") for the bank to the customer that buy a house mortgage offer joint liability assures level, The guarantee amount is RMB 53,558 thousand, RMB 203 thousand and RMB 50 thousand respectively (RMB 6,005,721 thousand as of December 31, 2019). Within this period, if the customer unable to pay mortgages that buy a house, could lead to the unit for warranty shall be jointly and severally liable guarantee for the above purchase customer advances, it cannot repay the loan to the bank, in this case, the unit can be according to the relevant provisions of the contract that buy a house, through preferential treatment of the way to take

back the generation advances relevant property. Therefore, the Group believes that the associated credit risk is very low.

2. Periodic joint and several liability guarantee

Wuhan Duoluokou Logistics Co., Ltd, a subsidiary of the Group, provides mortgage loan periodic joint liability guarantee for the buyers according to the business practice of the real estate industry. The guarantee period is from the effective date of the loan contract to the completion of the formal mortgage formalities of the houses purchased. As of December 31, 2020, Wuhan Duoluokou Logistics Co., Ltd. 's periodic joint and several liability guarantee is as follows:

担保人	项目名称	年末余额（万元）
Wuhan Duoluokou Logistics Co., Ltd.	Wuhan rudder fall mouth big market ceramic bathroom marketing headquarters base two, three commercial housing	10,537.22
Wuhan Huahao Agricultural Products Co., LTD	Home 100 - hui decoration hardware city commercial housing	3,547.57

(IV)Matters guaranteed by the performance bond

1. In 2017, the holding company of China Duty Free (Group) Co., Ltd., a wholly-owned subsidiary of China Duty Free (Group) Co., Ltd. (hereinafter referred to as "China Duty Free"), won the bid for the operation right of duty-free goods in Hong Kong Airport. In accordance with the requirements of Hong Kong Airport, China Free Ragdale Limited is required to provide a performance bond of HK $75 million issued by a financial institution in Hong Kong. As of December 31, 2020, China Free Company has provided a guarantee of HK $60,066,400 for this performance bond.

2. The company is a wholly owned subsidiary wholly owned subsidiary company of world world international co., LTD. (hereinafter referred to as the "world international") do consignment business cooperation with this supplier, the supplier request will exempt international to provide corresponding value of the bank guarantee, therefore, exempt companies to exempt international issue performance bond guarantee in the bank, guarantee amount is $5.5 million.

3. The company holding on tax exemption for youthful days (Shanghai) co., LTD. (hereinafter referred to as the "Shanghai on day"), a wholly owned subsidiary of Shanghai star international freight agency co., LTD. (hereinafter referred to as the "Shanghai day star") from supplier procurement of imported goods to bonded store state stored in bonded warehouse, goods in the outbound before customs clearance, It is necessary to issue a

certain amount of customs duty guarantee to the supervising customs to meet the supervision requirements of the customs on goods going out of the bonded area. Therefore, Shanghai Rishang Shanghai provides a guarantee for Shanghai Rishang Star to issue a customs duty guarantee in the bank, and the guarantee amount is RMB 600,000,000 Yuan.

(V)The guarantees

The company holding youthful hainan duty free co., LTD. (hereinafter referred to as the "sea no company") to the subordinate enterprise sea from mission hills hainan international shopping center co., LTD. 51% stake in the pledge to hainan bank co., LTD., as the sea from mission hills hainan international shopping center co., LTD., to meet its loan contract guarantee, the company jointly and severally liable guarantee, the maturity date of the loan contract is May 4, 2025.

(VI) Major guarantees provided to subsidiaries

As of December 31, 2020, the Group provided guarantees to subsidiaries as follows.

No.	**Guarantors**	**Guarantee**	**Guarantee Method**	**Type of guarantee**	**Guarantee amount**
1	China Tourism Group Corporation Limited	HKCTS (Qingdao) Ocean Spring Resort Co., Ltd.	Joint and several liability guarantee	Loan Guarantee	980,000
2	HK CTS Hotels Co.,Ltd.	Beijing Vantage International Hotel Co.	Joint and several liability guarantee	Loan Guarantee	420,790
3	CTS Finance & Leasing Co.	HKCTS Cruise Finance Leasing (Shenzhen) Co., Ltd.	Joint and several liability guarantee	Loan Guarantee	125,041
4	HKCTS Cruise Finance Leasing (Shenzhen) Co., Ltd.	HKCTS (Zhuhai) Ocean Spring Bay Co.	Joint and several liability guarantee	Performance Guarantee	60,100
5	HK CTS Hotels Co.,Ltd.	Chongqing Liyuan Hotel Co., Ltd.	Joint and several liability guarantee	Loan Guarantee	32,460
6	CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED	China Travel Service (Hong Kong) Limited	Joint and several liability guarantee	Performance Guarantee	9,830
7	CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED	Hotel Metropole Holdings Ltd	Joint and several liability guarantee	Performance Guarantee	957
8	Shun Tak - China Travel Shipping Investments Ltd.	Chien Chung Co.	General Guarantee	Performance Guarantee	922
9	CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED	Metrocity Hotel Limited	Joint and several liability guarantee	Performance Guarantee	523

(VII)Investment commitments

On December 20, 2017, China Free Corporation signed an investment agreement with Beijing Yichang Changfeng Commercial Co., Ltd., and established China Free Group Beijing Capital Airport Duty Free Co., Ltd. (hereinafter referred to as "Beijing Capital Airport Duty

Free"), mainly engaged in duty-free business at Terminal T2 of Beijing Capital Airport. The registered capital of the Company is RMB 200,000 thousand yuan, among which the subscribed capital of the Company is RMB 102,000 thousand yuan, accounting for 51% of the registered capital of the Company. As of December 31, 2020, China Free Company has paid the investment amount of RMB 33,150 thousand yuan, and the remaining payment period shall be subject to the investment agreement or other agreement of shareholders.

X. Events after the Balance Sheet Date

Due to the characteristics of industry operation, companies with ticketing agency business qualification need to be guaranteed by AVIC Xingang Guarantee Co., Ltd. designated by IATA in the process of ticketing agency business development. Meanwhile, shareholders of the guaranteed party provide corresponding counter guarantee for AVIC Xingang Guarantee Co., Ltd. The counter guarantee items are as follows:

Serial number	Counter guarantor	Secured party	Guarantee amount	Guarantee start date	I Maturity date of guarantee
1	China International Travel Service Limited Head Office	China Travel Express South China Air Service Co., Ltd	7,790	January 1, 2021	December 31, 2021
2	China International Travel Service Limited Head Office	Nanjing China International Travel Service Co., Ltd	13,120	January 1, 2021	December 31, 2021
3	China International Travel Service Limited Head Office	China International Travel Service (Jiangsu) Co., Ltd	8,200	January 1, 2021	December 31, 2021
4	China International Travel Service Limited Head Office	CITS (Shenzhen) e-commerce Co., Ltd	3,280	January 1, 2021	December 31, 2021
5	China International Travel Service Limited Head Office	China International Travel Service (Qingdao) Co., Ltd	2,050	January 1, 2021	December 31, 2021
6	China International Travel Service Limited Head Office	Shanghai Merchants International Business Travel Agency Co., Ltd	41,377	January 1, 2021	December 31, 2021
7	China International Travel Service Limited Head Office	Shenzhen Merchants International Travel Co., Ltd	22,960	January 1, 2021	December 31, 2021
8	China International Travel Service Limited Head Office	Guangzhou Merchants International Travel Agency Co., Ltd	24,600	January 1, 2021	December 31, 2021
9	China International Travel Service Limited Head Office	China Travel Service (Jiangsu) International Travel Agency Co., Ltd	14,760	January 1, 2021	December 31, 2021

Serial number	Counter guarantor	Secured party	Guarantee amount	Guarantee start date	I Maturity date of guarantee
10	China International Travel Service Limited Head Office	China Travel Agency Hunan Co., Ltd	4,100	January 1, 2021	December 31, 2021
11	China International Travel Service Limited Head Office	China Travel Business Travel Service Co., Ltd	4,100	January 1, 2021	December 31, 2021
12	China International Travel Service Limited Head Office	Shenzhen China Merchants International Travel Business Agency Co., Ltd	2,624	January 1, 2021	December 31, 2021
13	China International Travel Service Limited Head Office	Hong Kong China Travel International Xinjiang Travel Agency Co., Ltd	1,230	January 1, 2021	December 31, 2021
14	China International Travel Service Limited Head Office	Hong Kong China Travel International (Shandong) Travel Agency Co., Ltd	1,230	January 1, 2021	December 31, 2021
15	China International Travel Service Limited Head Office	China Travel Service northwest Co., Ltd	1,230	January 1, 2021	December 31, 2021
16	China International Travel Service Limited Head Office	China Travel Service (Shanghai) Co., Ltd	1,230	January 1, 2021	December 31, 2021
17	China International Travel Service Limited Head Office	Mango net Co., Ltd	1,230	January 1, 2021	December 31, 2021
18	China International Travel Service Limited Head Office	Fujian Tourism Co., Ltd	8,200	January 1, 2021	December 31, 2021
19	China International Travel Service Limited Head Office	CITS Group Shanghai Co., Ltd	1,640	January 1, 2021	December 31, 2021
20	China International Travel Service Limited Head Office	China Travel (Guangdong) International Travel Agency Co., Ltd	14,186	January 1, 2021	December 31, 2021
21	China International Travel Service Limited Head Office	CITS Yuntong Travel Agency Co., Ltd	34,440	January 1, 2021	December 31, 2021
22	China International Travel Service Limited Head Office	China Travel Express Air Services Limited	47,560	January 1, 2021	December 31, 2021
23	China International Travel Service (Shanxi) Co., Ltd	Taiyuan CITS Aviation Service Co., Ltd	410	January 1, 2021	December 31, 2021
24	China Tourism Group Travel Service Co., Ltd	China International Travel Service Limited Head Office	24,600	January 1, 2021	December 31, 2021
25	China Tourism Group Travel Service Co., Ltd	International Hotel ticketing center of China International	16,400	January 1, 2021	December 31, 2021

Serial number	Counter guarantor	Secured party	Guarantee amount	Guarantee start date	I Maturity date of guarantee
		Travel Service Corporation Limited			
26	China Tourism Group Travel Service Co., Ltd	Beijing ticketing center of China International Travel Agency Co., Ltd	5,740	January 1, 2021	December 31, 2021
27	China International Travel Service Limited Head Office	Guangdong Gongbei Port China Travel Service Co., Ltd	5,740	January 1, 2021	December 31, 2021

XI. Relation and Transaction with Related Parties

(I) Information of parent company of the Group

The actual controller of the Group is the State-owned Assets Supervision and Administration Commission of the State Council.

(II) Subsidiaries of the Group

Please refer to "Note VII. Business Combination and the Consolidated Financial Statements" for details of subsidiaries.

(III) Joint ventures and associates of the Group

Please refer to "Note VIII. (XIV) Long-Term Equity Investment" for details of joint ventures and asociate

(IV) Related parties

1. Transactions with related parties

Transaction type	Company name	Nature of related party relationship	Transaction amount	Proportion of transaction amount in similar transactions (%)	Amount of unsettled items	Bad debt reserve for unsettled amount	Pricing policy
Related party transactions of commodity purchase or labor services receiving							
Receiving labor services	Guangzhou China Southern Airlines duty free products Co., Ltd	Associates	3,420				Negotiated prices
Receiving labor services	Bank of China Travel Service Co., Ltd. Jiaozuo	Associates	2,450				Negotiated prices
Receiving labor services	Hainan HNA China duty free products Co., Ltd	Associates	1,986				Negotiated prices
Receiving labor services	Shanghai China Eastern Airlines duty free products Co., Ltd	Associates	1,678				Negotiated prices
Receiving labor services	Shanghai Aviation China duty free products Co., Ltd	Associates	1,399				Negotiated prices
Receiving labor services	Xi'an Xianyang International Airport Duty Free Products Co., Ltd	Associates	63				Negotiated prices
Receiving labor services	Dalian Zhongmian friendship export duty free products Co., Ltd	Associates	41				Negotiated prices
Receiving labor services	Zhongmian Group Nanjing airport import duty free products Co., Ltd	Associates	26				Negotiated prices
Receiving labor services	Dalian Free Trade Zone Zhongmian friendship Shipping Service Co., Ltd	Associates	4				Negotiated prices
Related party transactions of commodity sales and labor services supply							
Labor service supply	Zhuhai duty free products Co., Ltd	Associates	183,036				Negotiated prices

Transaction type	Company name	Nature of related party relationship	Transaction amount	Proportion of transaction amount in similar transactions (%)	Amount of unsettled items	Bad debt reserve for unsettled amount	Pricing policy
Labor service supply	Shenzhen Zhongmian duty free products Co., Ltd	Associates	52,251				Negotiated prices
Labor service supply	Dalian Zhongmian friendship export duty free products Co., Ltd	Associates	43,400				Negotiated prices
Labor service supply	Shanghai wailun Supply Co., Ltd	Joint venture	21,573				Negotiated prices
Labor service supply	Guangzhou China Southern Airlines duty free products Co., Ltd	Associates	21,454				Negotiated prices
Labor service supply	Shenzhen dongmian duty free products Co., Ltd	Associates	15,571				Negotiated prices
Labor service supply	Xi'an Xianyang International Airport Duty Free Products Co., Ltd	Associates	13,604				Negotiated prices
Labor service supply	Shenzhen Zhongmian merchants duty free products Co., Ltd	Associates	12,627				Negotiated prices
Labor service supply	Hainan HNA China duty free products Co., Ltd	Associates	12,489				Negotiated prices
Labor service supply	Zhongmian Group Nanjing airport import duty free products Co., Ltd	joint venture	12,356				Negotiated prices
Labor service supply	Sansha Nanhai Dream Cruise Co., Ltd	Associates	9,936				Negotiated prices
Labor service supply	Happy journey to the west travel e-commerce Co., Ltd	Associates	8,507				Negotiated prices
Labor service supply	Shanghai China Eastern Airlines duty free products Co., Ltd	Associates	5,185				Negotiated prices

Transaction type	Company name	Nature of related party relationship	Transaction amount	Proportion of transaction amount in similar transactions (%)	Amount of unsettled items	Bad debt reserve for unsettled amount	Pricing policy
Labor service supply	Shenzhen Luohu China duty free products Co., Ltd	Associates	2,267				Negotiated prices
Labor service supply	Guangdong Gongbei Port China Travel Service Co., Ltd	Associates	1,212				Negotiated prices
Labor service supply	Shanghai Aviation China duty free products Co., Ltd	Associates	869				Negotiated prices

2.Interest charged on the provision of funds to related parties

Company name	Relationship	Pricing policy	Amount for current period		Amount for previous period		Remarks
			Amount	Proportion of transaction amount in similar transactions (%)	Amount	Proportion of transaction amount in similar transactions (%)	
Oriental Art Building Co. Ltd	Associates	Negotiated prices	2,415	1	2,409	1	
Jiaozuo China Travel Service Bank Co. Ltd	Associates	Negotiated prices	205		3,721	1	
Zhuhai China Duty Free Products Co., Ltd	Associates	Negotiated prices			362		
Shenzhen Dongniang Duty Free Products Co. Ltd	Associates	Negotiated prices			87		
Dalian China Free Friendship Outbound Duty Free Goods Co. Ltd	Associates	Negotiated prices			28		

3. Interest paid on funds provided by related parties

Company name	Relationship	Pricing policy	Amount for current period		Amount for previous period		Remarks
			Amount	Proportion of transaction amount in similar transactions (%)	Amount	Proportion of transaction amount in similar transactions (%)	
Bank of China Travel Service Co., Ltd. Jiaozuo	Associates	Negotiated prices	10,262	1	31,968	1	

4. Assets leased to related parties

Company name	Relationship	Pricing policy	Amount for current period		Amount for previous period		Remarks
			Amount	Proportion of transaction amount in similar transactions (%)	Amount	Proportion of transaction amount in similar transactions (%)	
Cross border all day Link Limited	Associates	Negotiated prices	3,847				
Zhuhai Hengda Haiquanwan Real Estate Co., Ltd	Associates	Negotiated prices	124				
CITS group Immigration Service Co., Ltd	Associates	Negotiated prices			635		

5. Receivables from and payables to related parties

Name of related parties	Receivables	Closing balance	Balance of bad debt reserve
Oriental Art Building	Interest receivable	77	
Huangshan Yuping passenger ropeway Co., Ltd	Dividends receivable	6,505	
CDF Zhuhai Co., Ltd.	Accounts receivable	28,373	
Hainan HDF Guanlan Lake International Shopping Center Co., Ltd.	Accounts receivable	8,443	
Sichuan Express sany18 automobile Tourism Investment Management Co., Ltd	Accounts receivable	7,846	
Beijing Qingxinju Farm Co., Ltd.	Accounts receivable	3,431	
CDF Dalian Friendship Foreign Supply Co., Ltd.	Accounts receivable	2,710	
All Cnina Express Limited	Accounts receivable	2,657	
Happy Westward Journey E-Commerce Co., Ltd.	Accounts receivable	2,322	
CDF Nanjing Airport Entry Duty Free Co., Ltd.	Accounts receivable	2,275	
CDF Shenzhen Co., Ltd.	Accounts receivable	1,442	
CDF Guangzhou China Southern Airlines Co., Ltd.	Accounts receivable	1,374	
Shenzhen East Duty Free Co., Ltd.	Accounts receivable	447	
CDF Shenzhen Merchants Co., Ltd.	Accounts receivable	284	
Guangdong Gongbei Port China Travel Service Co., Ltd.	Accounts receivable	264	
Zhuhai Evergrande Ocean Spring Land Co., Ltd.	Accounts receivable	105	
All Cnina Express Limited	Prepayment	215	
Wuhan Sanheli Management Consulting Co., Ltd.	Other receivables	52,106	
CDF Dalian Free Trade Zone Friendship Shipping Service Co., Ltd.	Other receivables	12,500	
Star Travel Ocean International Cruise (Xiamen) Co., Ltd	Other receivables	6,492	
Star Travel Ocean International Cruise Co., Ltd	Other receivables	4,419	
Beijing qingxinju farm Co., Ltd	Other receivables	3,047	
Bank of China Travel Service Co., Ltd. Jiaozuo	Other receivables	780	
Guilin Menghuan Lijiang Performance Transmission Co., Ltd.	Other receivables	724	
Zhuhai Evergrande Ocean Spring Land Co., Ltd.	Other receivables	644	
All Cnina Express Limited	Other receivables	206	
Ningxia Shapotou Shengdian Tourism Culture Development Co., Ltd.	Other receivables	117	
China trade Global Logistics Co., Ltd	Other receivables	109	

Name of related parties	Receivables	Closing balance	Balance of bad debt reserve
ASTRO OCEAN INTERNATIONAL CRUISE COMPANY LIMITED	Other receivables	56	
Hong Kong CTS freight (investment) Co., Ltd	Other receivables	38	
Sansha Nanhai Dream Cruise Co., Ltd	Non current assets due within one year	22,183	
Oriental Art Building	Loans and advances	4,718	
Sansha Nanhai Dream Cruise Co., Ltd	long-term receivables	117,230	

Name of related parties	Payables	Closing balance
CDF Shanghai Eastern Airlines Co., Ltd.	Accounts payable	752
CDF Guangzhou China Southern Airlines Co., Ltd.	Accounts payable	723
CDF Hainan HNA Co., Ltd.	Accounts payable	486
Shanghai Aviation China duty free products Co., Ltd	Accounts payable	239
Xi'an China International Travel Service Group Co., Ltd.	Accounts payable	218
All Cnina Express Limited	Accounts payable	214
Xinjiang China International Travel Service Co., Ltd.	Accounts payable	34
CDF Nanjing Airport Entry Duty Free Co., Ltd.	Accounts payable	26
CDF Xi'an Xianyang International Airport Duty Free Co., Ltd.	Accounts payable	19
CDF Dalian Friendship Foreign Supply Co., Ltd.	Accounts payable	12
HKCTS (Shenyang) Real Estate Co., Ltd.	Deposit taking	1
CDF Hainan HNA Co., Ltd.	Advances from customers	2,514
Shanghai Ocean Shipping Supply Co.,Ltd.	Advances from customers	991
CDF Shanghai Eastern Airlines Co., Ltd.	Advances from customers	653
CDF Guangzhou China Southern Airlines Co., Ltd.	Advances from customers	259
CDF Xi'an Xianyang International Airport Duty Free Co., Ltd.	Advances from customers	203
All Cnina Express Limited	Advances from customers	65
Guangdong Gongbei Port China Travel Service Co., Ltd.	Advances from customers	37
Wuhan Yangtze River Cruise Co., Ltd.	Dividends payable	299
Zhejiang CTS Xianghu Business Management Co., Ltd	Interest payable	1
Zhuhai Hengda Haiquanwan Real Estate Co., Ltd	Other payables	60,235
CDF Guangzhou China Southern Airlines Co., Ltd.	Other payables	8,354
Dalian Free Trade Zone Zhongmian friendship Shipping Service Co., Ltd	Other payables	2,492

Name of related parties	Payables	Closing balance
Zhongmian Group Nanjing airport import duty free products Co., Ltd	Other payables	2,180
CDF Hainan HNA Co., Ltd.	Other payables	1,492
Xi'an Xianyang International Airport Duty Free Products Co., Ltd	Other payables	1,367
CDF Shanghai Eastern Airlines Co., Ltd.	Other payables	599
CDF Shanghai Eastern Airlines Co., Ltd.	Other payables	599
Guangdong Gongbei Port China Travel Service Co., Ltd.	Other payables	40
Star Travel Ocean International Cruise (Xiamen) Co., Ltd	Other payables	27
ASTRO OCEAN INTERNATIONAL CRUISE COMPANY LIMITED	Other payables	22
CDF Shenzhen Luohu Co., Ltd.	Other payables	5
TUI China Travel Co. Ltd.	Other payables	2
Bank of China Travel Service Co., Ltd. Jiaozuo	Non current liabilities due within one year	125,500

6. Debt guarantee in favor of related parties

Secured entity	Guarantee amount
HONG KONG INTERNATIONAL AIRPORT FERRY TERMINAL SERVICES LIMITED	48
Guangdong Gongbei Port China Travel Service Co., Ltd.	5,740
Hainan HDF Guanlan Lake International Shopping Center Co., Ltd.	76,500
Total	82,288

7. Cash and cash equivalents deposited with related parties

Name of related parties	Closing balance
Bank of China Travel Service Co., Ltd. Jiaozuo	16,826

XII. Information that helps users of financial statements evaluate the objectives, policies, and procedures of an enterprise's management capital

(I) Qualitative information on the objectives, policies and procedures of enterprise capital management

To maintain and adjust the capital structure, the group actively regularly review and management its capital structure, considering the future demand for capital, capital efficiency, current and expected profitability, the expected operating cash flow, and the expected strategic investment opportunities and so on, through the accumulation of business, direct financing and indirect financing channels, to achieve optimal capital structure and shareholder returns.

The group is not subject to external mandatory capital requirements. There is no change in the capital management objectives, policies or procedures compared with the previous year.

(II) The asset-liability ratio of the group as at the balance sheet date is as follows:

Item	Closing balance	Opening balance
Total liabilities	98,369,065	71,677,301
Total assets	151,732,383	122,672,370
asset-liability ratio	64.83%	58.43%

(III) No changes have been made to the group's capital management objectives, policies or procedures in 2019 and 2020.

XIII. Notes to Key Items of Parent's Financial Statements

(I) Other receivables

Item	Closing balance	Opening balance
Interests Receivable	2,629	2,629
Dividends Receivable	221,030	306,410
Other receivables	9,143,797	8,994,933
Total	9,367,456	9,303,972

1. Interests Receivable

Item	Closing balance	Opening balance
Others	2,629	2,629
Total	2,629	2,629

Note: Others are finance product.

2. Dividends Receivable

Item	Closing Balance	Opening Balance	Reasons for not recovered	Whether there is any depreciation and criteriafor determination
Dividends receivable age within 1 year		85,380		
China International Travel Service Group Corporation		85,380		
Dividends receivable age over 1 year	221,030	221,030		
HKCTS (Shenzhen) Investment Development Co., Ltd.	221,030	221,030	Not paid yet	NO
Total	221,030	306,410	--	--

3. Other Receivables

Category	Closing balance				Opening balance			
	Book balance		Bad debt reserves		Book balance		Bad debt reserves	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amount and with bad debt reserves provided separately	9,418,026	99	322,878	3	9,277,931	99	322,878	3
Other receivables with bad debt reserves provided subject to credit risks featured portfolios	157		22	14	22		16	73
Other receivables with insignificant single amount but with bad debt reserves provided separately	64,948	1	16,434	25	56,308	1	16,434	29
Total	9,483,131	--	339,334	--	9,334,261	--	339,328	--

(1) Other receivables with significant single amount and with bad debt reserves provided separately at the end of the period

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
HKCTS (China) Investment Co., Ltd.	5,019,782	-	Within 1 year	-	Expected to be recoverable
HKCTS (Shenzhen) Real Estate Co., Ltd.	1,263,537	-	Above 3 years	-	Expected to be recoverable
Nanjing Grand Metropark International Hotel Co., Ltd	791,377	322,878	Above 3 years	41	Expected to be partially recoverable
CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED	691,755	-	Within 1 year,1-2 years,Above 3 years	-	Expected to be recoverable
China Tourism Group Investment Corporation Limited	591,760	-	Above 3 years	-	Expected to be recoverable
HK CTS Hotels Co.,Ltd.	333,494	-	Within 1 year	-	Expected to be recoverable
HKCTS (Shenzhen) Investment Development Co., Ltd.	133,922	-	Within 1 year,1-2 years	-	Expected to be recoverable
Mangocity Co., Ltd.	195,375	-	Within 1 year、1-2years,Above 3 years	-	Expected to be recoverable
HKCTS Cruise Investment (Shenzhen) Co., Ltd.	242,817	-	Within 1 year	-	Expected to be recoverable
China International Travel Service Limited, Head Office	67,688	-	Within 1 year	-	Expected to be recoverable
China Travel Financial Holdings (Shenzhen) Co., Ltd.	35,666	-	Within 1 year, 2-3 years, Above 3 years	-	Expected to be recoverable
HKCTS (Anshan) Real Estate Co., Ltd.	28,310	-	Above 3 years	-	Expected to be recoverable
HKCTS Investment (Shanghai) Co., Ltd.	22,543	-	Within 1 year, 1-2years, Above 5 years	-	Expected to be recoverable
Total	9,418,026	322,878	--	--	--

(2) Other receivable with bad debt reserves provided subject to credit risks featured portfolios

Other receivable with bad debt reserves provided by age analysis method.

Age	Closing balance			Opening balance		
	Book balance		Bad debt reserves	Book balance		Bad debt reserves
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year (including 1 year)	135	86				
1-2 years (including 2 years)				12	55	6
2-3 years (including 3 years)	12	8	12	10	45	10
Above 3 years	10	6	10			
Total	157	100	22	22	--	16

(3) Other receivables with insignificant single amount but with single bad debt provided at the end of current period

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
Beijing Grand Metropark International Hotel Co., Ltd	8,479	-	Within 1 year	-	Expected to be recoverable
British Cultural Tours Ltd	6,738	6,738	Above 3 years	100	Expected to be irrecoverable
China Tourism Group China Free Co. Ltd	6,598		Within 1 year	-	Expected to be recoverable
Chongqing China Merchants International Travel Co., Ltd.	5,677	5,677	Above 3 years	100	Expected to be irrecoverable
Shanghai China Merchants International Business Travel Agency Co., Ltd.	4,996	-	Above 3years	-	Expected to be recoverable
Hong Kong China Travel Information Service Co., LTD	3,727	-	Within 1 year,Above3 years		Expected to be recoverable
Ganglv Business Apartment (Guangzhou) Co., Ltd.	3,267	-	Above 3years	-	Expected to be recoverable
China Tourism Group China Free Co. Ltd	3,063	3,063	Above 3 years	100	Expected to be irrecoverable
China Merchants Shanghai International Travel Service Co., Ltd.	3,062	-	Above 3years	-	Expected to be recoverable
Lanzhou China Merchants International Travel Co., Ltd.	2,158	-	Above 3 years	-	Expected to be recoverable
Guangzhou China Merchants International Travel Agency Co., Ltd.	2,131	-	Above 3 years	-	Expected to be recoverable

Debtor	Book balance	Bad debt reserves	Age	Proportion of provision (%)	Reason for provision
CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED	1,286	-	Within 1 year,1-2 years,Above 3 years	-	Expected to be recoverable
Chengdu China Merchants International Travel Co., Ltd.	956	956	Above 3 years	100	Expected to be irrecoverable
Chengdu Huning Business Management Co.,Ltd.	622	-	Within 1 year、1-2 years	-	Expected to be recoverable
Hainan HNA Property Management Co., Ltd	546	-	Within 1 year	-	Expected to be recoverable
China international technical intelligence co., LTD	268	-	Within 1 year	-	Expected to be recoverable
Great West Yunnan Working Group	260	-	Within 1 year	-	Expected to be recoverable
FAME HARVEST (HONG KONG) LIMITED	201	-	Within 1 year	-	Expected to be recoverable
Paid the company's internal personnel expenses (social security, provident fund, etc.)	9,393				Expected to be recoverable
Others(Less than 200,000)	1520				Expected to be recoverable
Total	64,948	16,434	--	--	--

(4) Other receivables with the top five closing balance collected as per the non-paying party

Debtor	Nature of the amount	Book balance	Age	Proportion in total other receivables (%)	Bad debt reserves
HKCTS (China) Investment Co., Ltd.	Related party current payment	5,019,782	Within 1 year,1-2 years	53	
HKCTS (Shenzhen) Real Estate Co., Ltd.	Related party current payment	1,263,537	2-3 years,Above 3 years	14	
CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED	Related party current payment	791,377	Within 1 year	8	

Debtor	Nature of the amount	Book balance	Age	Proportion in total other receivables (%)	Bad debt reserves
Nanjing Grand Metropark International Hotel Co., Ltd	Related party current payment	691,755	Above 3 years	7	322,878
Earn Success Investment Limited	Related party current payment	591,760	2-3 years,Above 3 years	6	
Total		8,358,211		88	322,878

(II) Long-term equity investments

1. Investment category

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Investment in subsidiaries	19,851,960	789,720	1,525,694	19,115,986
Investment in associates	3,080,862	5,224,992	84,748	8,221,106
Subtotal	22,932,822	6,014,712	1,610,442	27,337,092
Less: Long-term investment impairment provisions	44,967	278,570		323,537
Total	22,887,855	5,736,142	1,610,442	27,013,555

2. Details of long-term equity investments

Investee	Investment costs	Opening balance	Changes in current period								Closing balance	Impairment provisions Closing balance
			Additional investment	Decrease in investment	Profits or losses fromInvestment under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends or profits declared to be distributed	Provision of bad debt reserve	Others		
Total	28,115,697	22,932,822	5,789,720	1,525,694	195,736	-55,492		777,003	278,570		27,337,092	323,537
I. Subsidiary	20,086,198	19,851,960	789,720	1,525,694				777,003			19,115,986	44,967
China Travel Financial Holdings (Shenzhen) Co., Ltd.	200,000	200,000	-	-							200,000	
China Merchants Shanghai International Travel Service Co., Ltd.	1,500	1,500	-	-							1,500	1,500
Shenzhen China Merchants International Tourism Co., Ltd.	93,875	93,875	-	93,875							-	
CTG Travel Services Corporation Limited Co., Ltd.	2,687,264	2,232,389	454,875	-							2,687,264	

Investee	Investment costs	Opening balance	Changes in current period								Closing balance	Impairment provisions Closing balance
			Additional investment	Decrease in investment	Profits or losses fromInvestment under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends or profits declared to be distributed	Provision of bad debt reserve	Others		
CTS Finance Co., Ltd.	1,211,962	1,767,445		555,484							1,211,961	43,467
CHINA TRAVEL SERVICE (HOLDINGS) HONG KONG LIMITED	3,553,713	3,553,713	-	-							3,553,713	
CTG Hotel Holdings Corporation Limited	928,682	608,836	319,845					27,740			928,681	
HKCTS (Shenzhen) Investment Development Co., Ltd.	900,000	900,000	-	-							900,000	
HKCTS Investment (Shanghai) Co., Ltd.	55,200	55,200	-	-							55,200	
China International Travel Service Group Corporation	2,847,210	2,847,210	-	-							2,847,210	

Investee	Investment costs	Opening balance	Changes in current period								Closing balance	Impairment provisions Closing balance
			Additional investment	Decrease in investment	Profits or losses fromInvestment under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends or profits declared to be distributed	Provision of bad debt reserve	Others		
China Tourism Group China Free Co. Ltd	6,715,457	6,715,457						749,263			6,715,457	
Sunny Express Enterprises Corp	-	-	-	-							-	
Xinglv Yiyou Information Technology (Beijing) Co., Ltd.	361,000	361,000		361,000							-	
HK CTS Hotels Co.,Ltd.	319,845	319,845	-	319,845							-	
Hainan Duty Free Co., Ltd.	195,490	195,490		195,490							-	
China tourism group diqing shangri-la tourism investment development co. LTD	15,000		15,000								15,000	
II. associates	8,029,499	3,080,862	5,000,000		195,736	-55,492			278,570		8,221,106	278,570

Investee	Investment costs	Opening balance	Changes in current period								Closing balance	Impairment provisions Closing balance
			Additional investment	Decrease in investment	Profits or losses fromInvestment under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends or profits declared to be distributed	Provision of bad debt reserve	Others		
HKCTS (Shenyang) Real Estate Co., Ltd.	500,638	487,053			224,992						712,045	
Bank of China Travel Service Co., Ltd. Jiaozuo	2,528,861	2,593,809			-29,256	-55,492			278,570		2,509,061	278,570
China Eastern Airlines Holding Co. Ltd	5,000,000		5,000,000								5,000,000	

3. Main financial information of significant associates

Item	Current period Bank of China Travel Service Co., Ltd. Jiaozuo	Current period HKCTS (Shenyang) Real Estate Co., Ltd.
Current assets	9,590,599	3,272,647
Non-current assets	90,334,876	351
Total assets	99,925,475	3,272,998
Current liabilities	76,543,076	1,857,279
Non-current liabilities	16,617,674	
Total liabilities	93,160,750	1,857,279
Net assets	6,764,725	1,415,719
Shares of net assets calculated as per shareholding ratio	2,481,307	693,702
Adjustments	-250,816	18,343
Book value of equity investments in associates	2,230,491	712,045
Fair value of equity investments with public offer		
operating revenue	2,150,729	2,201,034
Net profit	-79,760	459,167
Other comprehensive income	-151,287	
Total comprehensive income	-231,047	459,167
Dividend received by the Group from associates		

(III) Investment income

1. Details of investment income

Source of investment income	Current period	Previous period
Long-term equity investment income calculated by cost method	777,003	657,733
Long-term equity investment income calculated by equity method	195,736	36,138
Investment incomes from disposal of long-term equity investments	2,058,902	
Investment incomes from financial assets available-for-sale	98,824	40,826
Total	3,130,465	734,697

(IV) Reconciliation from net profit to cash flow from operating activities by indirect method:

Supplementary information	Current period	previous period
1. Reconciliation from net profit to cash flows from operating activities:	-	
Net profit	1,940,746	179,010
Add: asset Impairment provisions	278,576	11
Credit losses		
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	1,422	1,249
Amortization of intangible assets		
Amortization of long-term unamortized expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets (gains are presented by "-")		
Losses from write-off of fixed assets (gains are presented by "-")		
Losses from changes in fair value (gains are presented by "-")		
Financial expenses (gains are presented by "-")	837,889	843,307
Investment losses (gains are presented by "-")	-3,130,465	-734,697
Decrease in deferred tax assets (increases are presented by "-")	68,219	-170,548
Increase in deferred tax liabilities (decreases are presented by "-")		
Decreases in inventories (increases are presented by "-")	-15	
Decrease in operating receivables (increase denoted with "-")	-189,879	-1,150,709
Increase in operating payables (decrease denoted with "-")	80,176	750,427
Others		
Net cash flows from operating activities	-113,331	-281,950
2. Significant non-cash investment and financing activities:		
Conversion of debt to equity		
Convertible corporate bonds due within one year		
Fixed assets acquired under financial leasing		
3. Net change in cash and cash equivalents:		
Closing balance of cash	6,924,964	1,325,416
Less: Opening balance of cash	1,325,416	1,333,818
Add: closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	5,599,548	-8,402

XIV. Other Information Required to be disclosed in Accordance with Related Financial and Accounting Rules

None.

统一社会信用代码

911101085923425568

营业执照

（副　本）（15-1）

扫描二维码登录"国家企业信用信息公示系统"了解更多登记、备案、许可、监管信息

名　　称　天职国际会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　邱靖之

经营范围　审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务；技术开发、技术咨询、技术服务；应用软件服务；软件开发；计算机系统服务；软件咨询；产品设计；基础软件服务；数据处理（数据处理中的银行卡中心、PUE值在1.4以上的云计算数据中心除外）；企业管理咨询；销售计算机、软件及辅助设备。（下期出资时间为2020年6月30日。市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

成立日期　2012年03月05日

合伙期限　2012年03月05日　至　长期

主要经营场所　北京市海淀区车公庄西路19号68号楼A－1和A－5区域

登记机关

北京市海淀区市场监督管理局

2020年06月05日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

会计师事务所

执业证书

名　　称：天职国际会计师事务所（特殊普通合伙）

首席合伙人：邱靖之

主任会计师：

经营场所：北京市海淀区车公庄西路19号68号楼A-1和A-5区域

组织形式：特殊普通合伙

执业证书编号：11010150

批准执业文号：京财会许可[2011]0105号

批准执业日期：2011年11月14日

天职国际会计师事务所（特殊普通合伙）与原件核对一致（1）

证书序号：0000175

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

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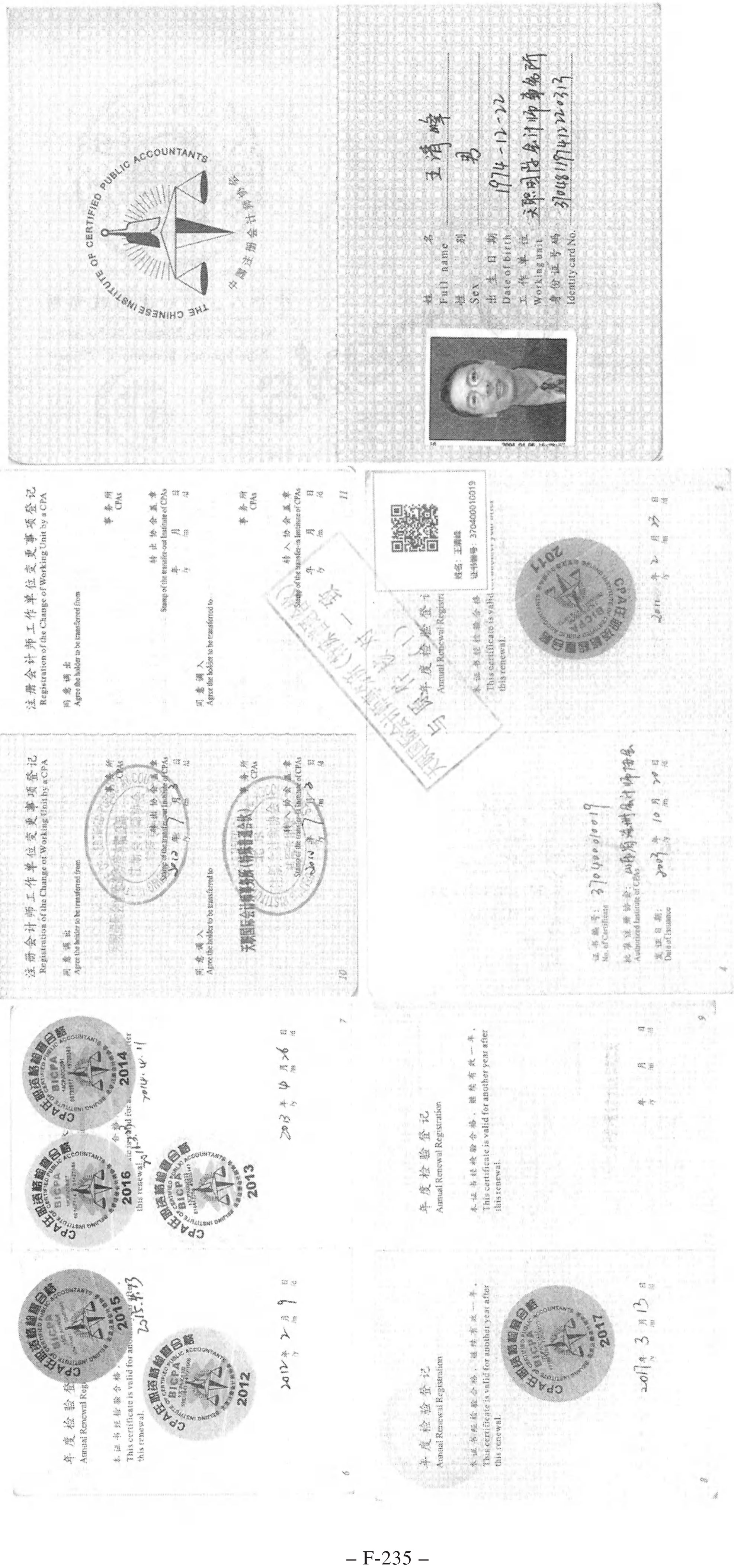
发证机关：北京市财政局

北京市财政局

二〇一八年七月二十六日

中华人民共和国财政部制


THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会
姓名 Full name 王清峰
性别 Sex 男
出生日期 Date of birth 1974-12-22
工作单位 Working unit 天职国际会计师事务所
身份证号码 Identity card No. 370481197412220313
姓名：王清峰
证书编号：370400010019
证书编号：370400010019
No. of Certificate
批准注册协会：山东省注册会计师协会
Authorized Institute of CPAs
发证日期：2007年10月20日
Date of Issuance
年度检验登记
Annual Renewal Registration
本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.
2011年2月23日
注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA
同意调出
Agree the holder to be transferred from
事务所 CPAs
转出协会盖章
Stamp of the transfer-out Institute of CPAs
2012年7月3日
同意调入
Agree the holder to be transferred to
天职国际会计师事务所（特殊普通合伙）
事务所 CPAs
转入协会盖章
Stamp of the transfer-in Institute of CPAs
2012年7月3日
与原件核对一致
CPA任职资格检查合格
BICPA
2012
2013
2014
2015
2016
2017
2012年2月9日
2013年4月26日
2014.4.11
2015.4.13
2017年3月13日

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

姓　　名 Full name：苏菊荣

性　　别 Sex：女

出生日期 Date of birth：1984-10-29

工作单位 Working unit：天职国际会计师事务所（特殊普通合伙）

身份证号码 Identity card No.：430682198410298828

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No. of Certificate

批准注册协会：北京注册会计师协会
Authorized Institute of CPAs

发证日期：2018 年 07 月 16 日
Date of Issuance /y /m /d

4

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

姓名：苏菊荣

证书编号：110101500217

年 月 日
/y /m /d

5

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British Virgin Islands

GUARANTOR

China Tourism Group Corporation Limited
(中国旅游集团有限公司)
(formerly known as China National Travel Service Group Corporation Limited
(中国旅游集团有限公司))
217 International Business Centre
Cross-Border E-Commerce Industrial Park
Haikou Integrated Free Trade Zone
Hainan Province

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