BONITAS 博力达思 研究 RESEARCH

COMPANY: Huazhu Group | Nasdaq: HTHT | HKEX: 1179
INDUSTRY: Hotel

Price (as of 18Sept2020 close)	Market Cap	Average Daily Value Traded (90-Day)
US$ 42.02	**US$ ~13 billion**	**US$ ~80 million**

Huazhu Group Limited (Nasdaq: HTHT)(HKEX: 1179) ("Huazhu" or the "Company") is a real company that lied about the ownership of its hotel portfolio to produce fake financials.

Bonitas fieldwork in Beijing and Shanghai confirmed that Huazhu secretly supported operating costs of franchisee hotels owned by undisclosed current Huazhu employees & other undisclosed related parties ("off-book hotels").

Hotel operating licenses revealed Huazhu secretly controlled 1,952 hotels (~35%) while Huazhu claimed it operated only 688 hotels (12%) as of CYE'19.

Chinese Ministry of Commerce ("MOC") registration revealed only 3,020 independent franchisees existed, 37% less than the 4,930 Huazhu reported manachised & franchised ("franchised") hotels as of CYE'19.

Chinese State Administration of Industry and Commerce ("SAIC") records revealed Huazhu understated its SEC reported employee count by at least 16%.

We believe that Huazhu concealed operating expenses using undisclosed related party transactions to artificially inflate Huazhu's reported profits. We calculate that Huazhu's fake profits manifested as RMB 2 billion (US$ 300 million) of fake PP&E on its CYE'19 balance sheet.

As of CYE'19, Huazhu reported net PP&E (ex. buildings) per room of RMB 54,502. However, 47 different credit reports for Huazhu's hotel portfolio revealed Huazhu's actual net PP&E (ex. buildings) per room was half that amount; a figure in-line with direct domestic Chinese competitors, in-line with one of Huazhu's largest operating subsidiaries, and in-line with HanTing brand CEO Xu Haochun's recent interview about HanTing Version 2.7.

Desktop research revealed Huazhu's approved hotel construction contractor list included multiple undisclosed current Huazhu employees. Credit reports for two undisclosed related party contractors revealed significant revenues without profit or assets which suggests to us their possible use as a front to wash fake cash via construction costs.

We believe that Huazhu generated significantly less profit and held significantly less PP&E assets than reported in both its SEC filings and HKEX Global Offering. We are short Huazhu because we believe that Huazhu's actual financial performance justifies a significantly lower stock price.

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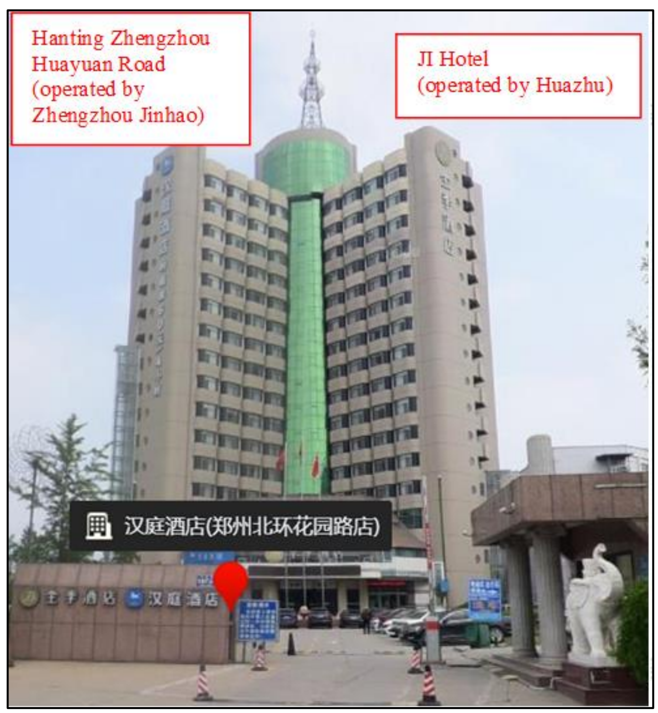
HUAZHU PROFIT MARGINS TOO GOOD TO BE TRUE

From 2010 to 2015, Huazhu aggressively added manachisees & franchisees (together "franchisees") to its hotel portfolio count but was unable to generate meaningful returns. Huazhu's stock price was range-bound between US$ 3 – 7 and the market priced Huazhu similarly to its competitors.

For independent franchisees, profits proved difficult to come by. Desktop research revealed numerous news reports of disputes between Huazhu and its franchisees centered around overbilling and violating location cannibalization clauses of its franchise agreements. Essentially, Huazhu encroached on the franchisee designated turf and negatively impacted franchisee profits.

Credit reports for 7 independent third-party franchisees revealed aggregate net loss margins of 13.4% in 2019.[1] The below images illustrate how close in proximity Huazhu's hotels were to franchisee hotels, in some cases literally sharing the same building entrance and tower in opposite wings of the hotel (PRC lawsuit (Suit #: (2018）沪 01 民特 394 号).



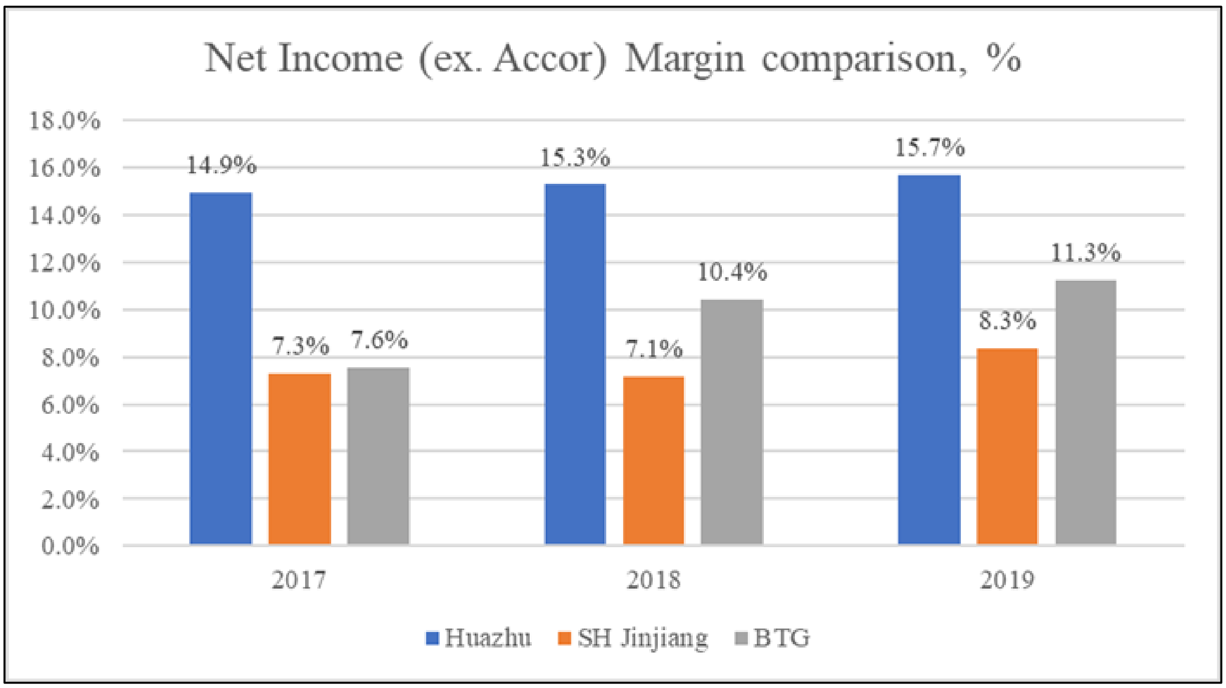
Source: Baidu Maps, Dianping PRC lawsuit (Suit #: (2018）沪01 民特394 号). http://house.china.com.cn/apple/fullview_835508.htm ; http://news.focus.cn/dz/2016-04-25/10843805.html ; http://news.winshang.com/html/057/5503.html

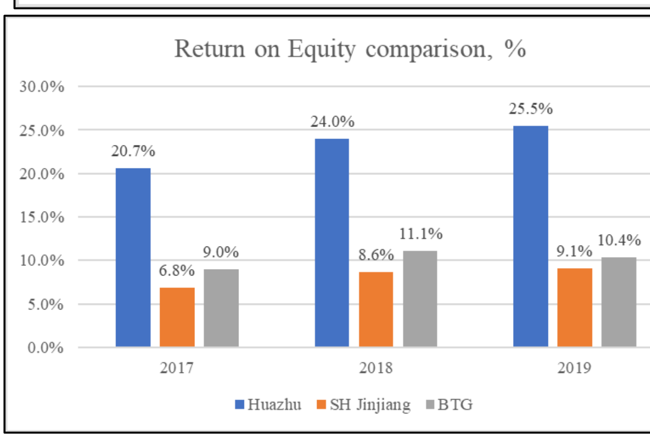
[1] *See Calculations & Tables Appendix*

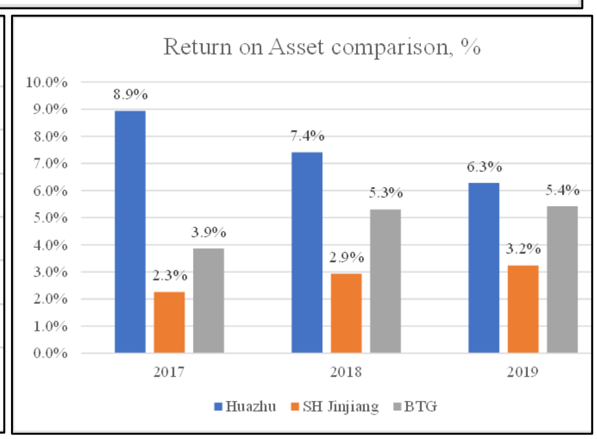
Despite the long list of similarities, since 2017 Huazhu's SEC reported profits were significantly better than its direct Chinese-listed competitors Shanghai Jinjiang International Hotels Development Co., Ltd. (上海锦江国际酒店股份有限公司, SHSE_900934, "Shanghai Jinjiang" or "SH Jinjiang") and BTG Hotels (Group) Co., Ltd. (北京首旅酒店（集团）股份有限公司, SHSE_600258, "BTG").

Investors can choose to believe that Huazhu successfully generated outsized profits from its Chinese operations, or investors can choose to read our findings and understand why we believe Huazhu fabricated its SEC-reported profitability which manifested as fake PP&E assets on its balance sheet.

Huazhu's return on equity increased and its return on assets declined because profits were fake, but borrowings were real and pushed net debts to all-time highs.







Source: HTHT's 20-F filings, SH Jinjiang and BTG's annual reports

**Note: Huazhu's 2018 Net Income has been adjusted for RMB 794 million unrealized losses from equity investment in Accor and RMB 104 million dividends received from Accor. SH Jinjiang and BTG's Net Income margins are specific to their hotel business segment to make it directly comparable to HTHT.*

HUAZHU SECRETLY CONTROLLED ~35% OF ITS HOTEL PORTFOLIO, NOT 12%

Initially we verified the accuracy of Huazhu's hotel portfolio count by comparing the list of hotels published on Huazhu's website versus other third-party sites. We found Dianping (http://www.dianping.com/) included a link to nearly 100% of the operating license for each Huazhu hotel in its portfolio.

We counted 1,258 hotels with operating licenses registered to Huazhu subsidiaries, double the 688 self-operated hotels Huazhu disclosed in its SEC filings as of CYE'19.

We counted an additional 694 hotels owned and operated by undisclosed current Huazhu employees and other undisclosed related parties ("off-book hotels"). Huazhu reported zero related party franchisee hotels existed.

Simply put, analysis of operating licenses revealed that Huazhu secretly controlled ~35% of its hotel portfolio either via Huazhu subsidiaries or as off-book hotels.

Huazhu Hotel Portfolio	
SEC-REPORTED	
Franchisee	4,930
Self-Operated	688
Related Party Franchisees	0
Total # Hotels	5,618
OPERATING LICENSES	
Self-Operated	1,258
Off-Book Hotels	694
total	**1,952**
as %	***35%***

Source: Huazhu 2019 20-F; Dianping

Franchisee hotel registration information available from the Chinese Ministry of Commerce ("MOC") allows anyone to search registration information about franchisors for free. Data analysis revealed that only 3,020 Huazhu hotels were operated by franchisees, 37% fewer than the 4,930 franchised hotels Huazhu disclosed as of CYE'19 in its SEC filings.

Huazhu Franchisee & Manachisee Hotel Count	
SEC-REPORTED	4,930
MOC-REPORTED	3,020
Difference	1,910
as %	*37%*

Source: Huazhu 2019 20-F; MOC

To us, data from both the MOC and Dianping show a pervasive ownership lie about Huazhu's hotel portfolio.

Huazhu clearly stated that "*franchisors are required to report to the MOC any franchise contracts they executed, cancelled, renewed or amended in the previous year*."[2]

A keyword search for "*HanTing*" (汉庭) revealed four (4) separate Huazhu subsidiaries that act as franchisors of the HanTing brand, including Huazhu Hotel Management Co., Ltd. (华住酒店管理有限公司, "Huazhu PRC"). Huazhu PRC, for example, was updated as of July 28, 2020 as a franchisor of multiple Huazhu's brands including HanTing, JI Hotel, Hi Inn, Elan Hotel, Starway Hotel, Joya Hotel, Manxin Hotel, Orange Hotel and Crystal Orange Hotel.

[2] *Source: Huazhu 2019 20-F – p. 16, 20, 46*

商务部业务系统统一平台
商业特许经营信息管理

最新动态： 商业特许经营备案 查询

商业特许经营特许人- - - 备案查询

公司名称： 特许品牌：汉庭 HanTing 经营资源：
备案时间： 至 所属区域：选择省份 选择地市 备案号：
验证码：8089 查 询

查询结果

特许人名称：华住酒店管理（宁波）有限公司 Huazhu Hotel Management (Ningbo) Co., Ltd.
公告时间： 2019-12-02
备案号： 0330200511900100
地址： 浙江省宁波市北仑区梅山盐场1号办公楼九号3079室

特许人名称：华住酒店管理有限公司 Huazhu Hotel Management Co., Ltd.
公告时间： 2012-12-24
备案号： 0320501511200023
地址： 昆山市花桥镇兆丰路18号亚太广场5号楼第17层10-1室

特许人名称：汉庭（天津）投资咨询有限公司 HanTing (Tianjin) Investment Consulting Co., Ltd.
公告时间： 2010-10-13
备案号： 0120701511000002
地址： 天津经济技术开发区捷达路5号

特许人名称：汉庭星空（上海）酒店管理有限公司 HanTing Xingkong (Shanghai) Hotel Management Co., Ltd.
公告时间： 2009-12-25
备案号： 0311501510900015
地址： 上海市浦东新区杨高中路2108号2号楼五层

验证码： 8089
共 1 页 共 4 条记录 首页 上一页 1 下一页 尾页 1 确定

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特许人备案信息

华住酒店管理有限公司 Huazhu Hotel Management Co., Ltd.

Last updated
最近一次更新时间： 2020-07-28

• 基本信息

备案公告时间	2012-12-24	备 案 号	0320501511200023
住 所	昆山市花桥镇兆丰路18号亚太广场5号楼第17层10-1室		
法人代表	王飞	成立日期	2012-08-16
公司网站	www.huazhu.com		

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• 经营资源信息

Franchised brands

特许品牌	权利类型	权利性质	权利号	注册类别	权利日期	权利期限
汉庭 HanTing	注册商标	仅有使用权	4487495	第43类	2018-08-27	
汉庭	注册商标	仅有使用权	4487494	第35类	2018-08-27	
全季 JI Hotel	注册商标	仅有使用权	7294003	第43类	2020-09-27	
海友 Hi Inn	注册商标	仅有使用权	12185194	第43类	2024-08-06	
海友	注册商标	仅有使用权	7296124	第43类	2022-04-27	
怡莱 Elan Hotel	注册商标	仅有使用权	第4449675号	第43类	2014-02-20	2028-08-06
汉庭优佳酒店	注册商标	仅有使用权	第22452415号	第43类	2018-02-07	2028-02-06
汉庭优佳酒店	注册商标	仅有使用权	第6319442号	第43类	2019-09-14	2028-02-06
星程酒店 Starway Hotel	注册商标	仅有使用权	第14209559号	第43类	2015-04-28	2025-04-27
星程酒店	注册商标	仅有使用权	第6815476号	第43类	2013-03-01	2020-05-20
星程酒店	注册商标	仅有使用权	第6390825号	第43类	2010-04-07	2020-04-06
禧玥酒店 Joya Hotel	注册商标	仅有使用权	第12489271号	第43类	2015-09-21	2025-09-20
漫心酒店 Manxin Hotel	注册商标	仅有使用权	第32757251号	第43类	2019-04-14	2029-04-13
桔子水晶酒店 Crystal Orange	注册商标	仅有使用权	第7300542号	第43类	2015-10-07	2020-10-06
桔子水晶酒店	注册商标	仅有使用权	第7300539号	第43类	2015-10-07	2020-10-06
桔子酒店精选 Orange Select	注册商标	仅有使用权	第11460573号	第43类	2018-01-01	2025-08-20
桔子酒店精选	注册商标	仅有使用权	第11460574号	第43类	2018-01-01	2025-08-20

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• 境内加盟店

加盟分布区域	北京市(121)，东城区(3)，西城区(1)，朝阳区(3)，海淀区(1)，天津市(25)，北辰区(1)，河北省(66)，石家庄市(2)，唐山市(1)，秦皇岛市(3)，邢台市(1)，山西省(45)，太原市(3)，晋中市(1)，运城市(1)，内蒙古(32)，呼和浩特市(1)，乌海市(1)，辽宁省(63)，沈阳市(1)，大连市(1)，本溪市(1)，锦州市(1)，葫芦岛市(1)，吉林省(28)，长春市(2)，白山市(1)，白城市(1)，黑龙江省(32)，哈尔滨市(3)，佳木斯市(1)，上海市(284)，黄浦区(3)，徐汇区(1)，长宁区(1)，虹口区(1)，杨浦区(1)，闵行区(2)，嘉定区(1)，浦东新区(1)，松江区(3)，青浦区(1)，崇明县(1)，江苏省(230)，南京市(16)，无锡市(2)，徐州市(4)，常州市(2)，苏州市(3)，南通市(6)，连云港市(5)，淮安市(2)，盐城市(2)，扬州市(3)，镇江市(1)，泰州市(1)，宿迁市(2)，浙江省(135)，杭州市(23)，宁波市(4)，温州市(6)，嘉兴市(1)，湖州市(3)，绍兴市(1)，金华市(2)，舟山市(1)，安徽省(70)，淮南市(1)，安庆市(1)，黄山市(1)，阜阳市(3)，亳州市(1)，福建省(46)，厦门市(2)，泉州市(1)，宁德市(1)，江西省(28)，南昌市(4)，景德镇市(1)，九江市(4)，吉安市(1)，抚州市(1)，山东省(159)，济南市(2)，青岛市(6)，淄博市(1)，枣庄市(1)，烟台市(1)，泰安市(2)，滨州市(1)，荷泽市(1)，河南省(65)，郑州市(3)，新乡市(1)，信阳市(1)，周口市(1)，湖北省(34)，武汉市(7)，宜昌市(1)，省直辖行政单位(1)，湖南省(15)，长沙市(3)，湘西土家族苗族自治州(1)，广东省(60)，广州市(5)，深圳市(2)，珠海市(1)，阳江市(1)，广西省(10)，桂林市(3)，崇左市(1)，海南省(10)，重庆市(20)，江北区(1)，九龙坡区(1)，长寿区(1)，合川区(1)，四川省(56)，成都市(1)，贵州省(6)，黔东南苗族侗族自治州(1)，云南省(21)，昆明市(3)，西双版纳傣族自治州(1)，西藏(9)，拉萨市(1)，陕西省(68)，西安市(6)，延安市(1)，榆林市(1)，甘肃省(21)，兰州市(4)，嘉峪关市(1)，青海省(18)，西宁市(3)，宁夏(6)，固原市(1)，新疆(27)，乌鲁木齐市(1)，昌吉回族自治州(1)，巴音郭楞蒙古自治州(1)，喀什地区(1)

Source: http://txjy.syggs.mofcom.gov.cn/
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UNDERSTATED EMPLOYEE COUNT CORROBORATES OFF-BOOK EXPENSES EXIST

Huzhu explicitly disclosed "*we recruit and directly train and manage all of our employees.*"[3]

PRC companies with full-time employees with valid employment contracts are required to participate in government-mandated contribution plans. This registered employee figure is disclosed in company annual returns submitted to the local Chinese State Administration of Industry and Commerce ("SAIC") office.[4]

While there are instances where employers have illegally avoided paying social insurances for employees, the converse is almost unheard of where a company voluntarily double counts employees that do not exist to pay extra social insurance.

SAIC registration information for Huazhu's 319 listed subsidiaries & branches revealed Huazhu understated its SEC-reported employee count by at least 3,594 (16%). We believe these employees represented staff at undisclosed Huazhu self-operated hotels and Huazhu off-book hotels.

Huazhu Employee Count Understatement

Total number of employees under social insurances from SAIC apps	21,946
Number of employees as of CYE2019 reported by Huazhu	18,352
Understatement	**3,594**
% understated	***16.4%***

Source: Huazhu 2019 20-F, SAIC apps

For example, supposed independent third-party franchisee Hanting Premium Hotel Shanghai East Nanjing Road (汉庭优佳上海南京东路酒店) is operated by Shanghai Xianyi Hotel Management Co. Ltd. (上海闲驿酒店管理有限公司, "Shanghai Xianyi").[5] Shanghai Xianyi's shareholder list includes undisclosed related party Liu Jianxiao (刘建晓), a current Director of multiple Huazhu subsidiaries.[6]

Shanghai Xianyi's 2019 Annual Return reported only 1 employee for which it paid any type of social insurance.

Source: https://www.qcc.com/firm/72AHOR8.shtml#report

[3] *Source: Huazhu 2019 20-F – p.87*
[4] *Temporary workers are not included in this figure.*
[5] *Source: http://www.dianping.com/shop/G4kOlYaCWSlnJVV8*
Source: http://hotels.huazhu.com/inthotel/detail/8916694?HotelLevel=0&CheckInDate=2020-07-29&CheckOutDate=2020-07-30
[6] *See Undisclosed Related Party Appendix*

We sent an investigator to see if the Hanting Premium Hotel Shanghai East Nanjing Road hotel had only 1 employee. Turns out that there are 40 to 50 employees working there whose salaries and insurances are all paid for by Huazhu.

Conversation between Hotel Manager and Bonitas Investigator

Investigator: You have only 20 something staffs in such a big hotel, wouldn't it be exhausting?
调查员：你们这么大的店才 20 多个人，那不累死啊？
Hotel manager: No, there are 20 something staffs on duty, there are some that are resting.
酒店经理：不是，就是在上班的是 20 多个人，还有休息的。
Investigator: Then how many staffs in total for the entire hotel?
调查员：那整个店有多少人？
Hotel manager: Around 40-50 staffs.
酒店经理：大概 40-50 个人这样。
Investigator: Do those 40-50 staffs belong to the franchisee and do not belong to HanTing?
调查员：那 40-50 个人都是属于这个加盟商的，不是属于汉庭的？
Hotel manager: We are sent by HanTing.
酒店经理：我们是属于汉庭派遣的。
Investigator: You are sent by HanTing, is everyone here sent by HanTing?
调查员：你们都是属于汉庭派遣的，所有人都是汉庭派遣的？
Hotel manager: People from the franchisee only deal with the finance. We are sent here to be on duty for them.
酒店经理：加盟商自己的人就是，他们是管钱的。我们是派人过来给他们站班的。
Investigator: So, all these people providing services, cleaning etc, do they all belong to the company Huazhu?
调查员：就是服务的，就是搞卫生的，所有的都是属于华住这个公司的？
Hotel manager: Yes, I belong to Huazhu. I am working at this hotel now, if the company wants, I will go to a different hotel.
酒店经理：对对对，我是华住人，我现在可能是在这个店，如果公司说我就去另外一个店呐，这个样子啦。
Investigator: Didn't you say there are 40-50 staffs? Do all those 40-50 staffs belong to Huazhu and not the franchisee?
调查员：你不是说 40-50 人，40-50 人都是属于华住，不属于加盟商的？
Hotel manager: No, they do not belong to the franchisees.
酒店经理：不属于加盟商的。
Investigator: Just like a restaurant cannot function without its kitchen staff, wouldn't the franchisee be in great trouble if you all leave?
调查员：那不是如果像我们做餐厅的厨房一走，那就完了，那你们一走，那加盟商不是傻眼吗？
Hotel manager: Yes, so now the franchisee must rely on Huazhu.
酒店经理：所以现在就是加盟商对华住有个依赖性嘛，对嘛，就是像这个样子。
Investigator: So all these people servicing the rooms, at the front desk belong to Huazhu, and Huazhu pays for your salaries and insurances?
调查员：就是你们搞客房的，搞前台的都属于华住，就是华住跟你们出粮，跟你们买保险，都是他们做？
Hotel manager: Yes.
酒店经理：对对。
Investigator: The franchisee is only responsible for finance and collecting the money?
调查员：那这个加盟商就管收收钱？
Hotel manager: Yes, collecting the money, that's it. He is responsible for finance only.
酒店经理：对，收收钱，那就可以了。他就管收钱。
Investigator: Only taking his cut?
调查员：就分成？
Hotel manager: Yes, that is correct.
酒店经理：对对。

A receipt (发票) obtained upon checkout confirmed Shanghai Xianyi owned and operated the Hanting Premium Hotel Shanghai East Nanjing Road.


上海增值税普通发票
№
机器编号:
开票日期: 2020
购买方 名称: 纳税人识别号: 地址、电话: 开户行及账号:
密码区
货物或应税劳务、服务名称 | 规格型号 | 单位 | 数量 | 单价 | 金额 | 税率 | 税额
*住宿服务*住宿费 | | | 1 | 369.433962264 | 359.43 | 6% | 21.57
合计 ¥359.43 ¥21.57
价税合计（大写） ⊗ 叁佰捌拾壹圆整 （小写）¥381.00
Shanghai Xianyi
销售方 名称: 纳税人识别号: 91310101MA1FP2LH7Q
地址、电话: 上海黄浦区浙江中路535号021-63033318
开户行及账号: 浙江泰隆商业银行上海闸北支行31011701201000027334
校验码
备注
收款人: 复核: 开票人: 管理员
第二联：发票联 购买方记账凭证

Source: Bonitas fieldwork

Bonitas fieldwork confirmed an additional 7 Huazhu off-book hotels that registered less than 5 employees but had at least 15 employees on-site.

Off-book Hotel Operators with more than 15 employees on site during fieldwork

Hotel Name	Hotel Operator	Number of employees listed in Annual Return	Number of Rooms
全季北京复兴门白云路酒店 JI Hotel Beijing Fuxingmen Baiyun Road	北京华住云庭酒店管理有限公司 Beijing Huazhu Yunting Hotel Management Co., Ltd.	5	72
汉庭北京东四地铁站酒店 Hanting Hotel Beijing Dongsi Metro Station	北京鸿浩盛世酒店管理有限公司 Beijing Honghao Shengshi Hotel Management Co., Ltd.	0	146
汉庭北京华贸西大望路酒店 Hanting Hotel Beijing Huamao West Dawang Road	北京乐舒酒店管理有限公司 Beijing Leshu Hotel Management Co., Ltd.	0	108
汉庭上海田子坊酒店 Hanting Hotel Shanghai Tianzifang	上海玮珊酒店管理有限公司 Shanghai Weishan Hotel Management Co., Ltd.	3	35
全季上海龙阳路磁悬浮酒店 JI Hotel Shanghai Longyang Road Maglev	上海中贵宝物业管理有限公司 Shanghai Zhongguibao Property Management Co., Ltd.	4	78
宜必思尚品上海张江酒店 Ibis Styles Shanghai Zhangjiang Hotel	上海喆涛酒店管理有限公司 Shanghai Zhetao Hotel Management Co., Ltd.	1	99
汉庭上海仙霞路酒店 Hanting Hotel Shanghai Xianxia Road	上海璞汉酒店管理有限公司 Shanghai Puhan Hotel Management Co., Ltd.	3	100

Source: Huazhu website, Dianping, Trip.com, Bonitas fieldwork

<u>Example #1:</u> JI Hotel Shanghai Longyang Road Maglev (全季上海龙阳路磁悬浮酒店) operated by Shanghai Zhongguibao Property Management Co., Ltd. (上海中贵宝物业管理有限公司) registered only 4 employees on its annual return to operate its 78-room hotel.

Source: Bonitas fieldwork

<u>Example #2:</u> Hanting Hotel Beijing Huamao West Dawang Road (汉庭北京华贸西大望路酒店) operated by Beijing Leshu Hotel Management Co., Ltd. (北京乐舒酒店管理有限公司) registered zero employees on its annual return to operate its 108-room hotel.

Source: Bonitas fieldwork

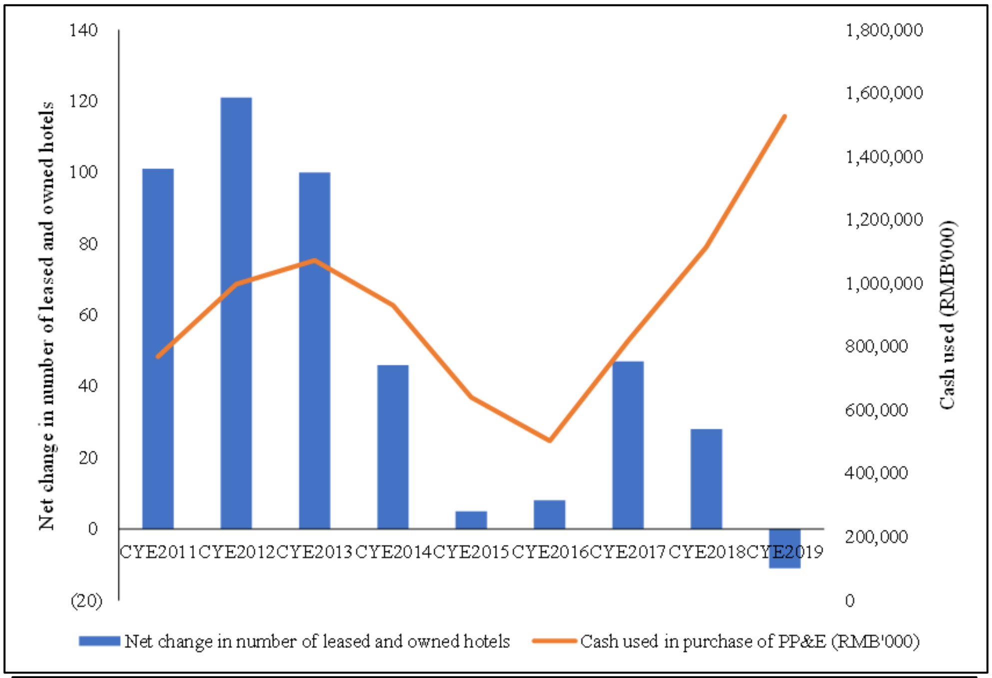
<u>Example #3:</u> Ibis Styles Shanghai Zhangjiang Hotel (宜必思尚品上海张江酒店) operated by Shanghai Zhetao Hotel Management Co., Ltd. (上海喆涛酒店管理有限公司) registered one employee on its annual return to operate its 99-room hotel.

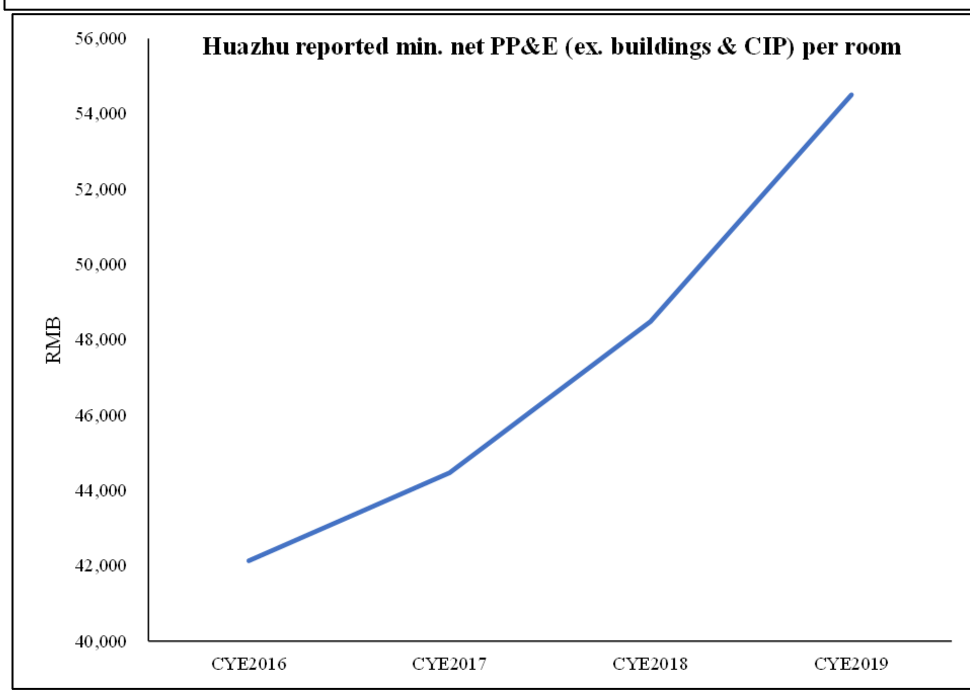
Source: Bonitas fieldwork

MISSING PP&E

Prior to 2018, Huazhu self-operated hotel additions were directly correlated with increased cash used in the purchase of PP&E. However, in 2018 we see a significant divergence between the additional number of Huazhu's self-operated hotels and additional cash PP&E purchases.

Since 2016 we calculate that Huazhu's net PP&E (ex. buildings) per room increased from RMB 42,000 to of RMB 54,502 despite limited growth of its self-operated hotel count.[7]





Source: Huazhu 2010 – 2019 20-F

[7] *Calculated without assumptions using SEC-reported figures. See Calculations & Tables Appendix*

Huazhu's CYE'19 SEC-reported net PP&E (ex. buildings) per room balance was 63% and 86% larger than publicly listed direct Chinese competitors SH Jinjiang and BTG Hotels, respectively, and multiples higher than Huazhu's portfolio hotels.[8]

A comparison of 47 different credit reports revealed significantly lower PP&E assets versus Huazhu's CYE'19 SEC-reported figure.

Net PP&E (ex. buildings) per room of Huazhu and Franchisees as of CYE2019

RMB	**Net PP&E (ex. Building) per hotel room**	***% difference***
Huazhu Self-Operated Hotels (Reported Min.)	**54,502**	
Huazhu Self-Operated Hotels (Credit Reports)	**24,283**	***124.4%***
Cosolidated from Huazhu Secretly Owned Off-Book Hotels (Credit Reports)	**4,599**	***1,085.0%***
Independent Franchisees (Credit Reports)	**11,460**	***375.6%***
Shanghai Jinjiang (Reported)	**33,373**	***63.3%***
BTG Hotels (Reported)	**29,246**	***86.4%***

Source: Huazhu 20-F, Credit Reports

In addition, an August 21, 2020 interview with Xu Haochun (徐皓淳), CEO of the HanTing Hotel brand and founding member of Huazhu, stated Huazhu's initial capex per room was RMB 27,000 for hundreds of recently opened "*HanTing 2.7 Version*" (汉庭 2.7 版本) hotels.

"汉庭的2.7版本，它的效率很高，有利于存量改造和老店翻新，平均每间房造价2.7万元；汉庭3.0则更加迎合年轻人的消费观念，平均每间房造价在7万元左右；汉庭3.5一经推出后很受大家的推崇，不过在我们看来，它还未完全达到预期效果和完整迭代。接下来，要实现产品完全的工业化和模组化，我们对未来的4.0还是有期待的。"徐皓淳分别简述了三个版本的分工和作用，他指出，汉庭不希望把产品做那么复杂，但是基于公司规模的现状要实事求是，完全统一的产品方案容易给人产生千篇一律的刻板印象，不利于后期的盈利。

截至目前，在汉庭近2500多家店里，2.7版本占到四五百家，3.5版本真正开业的并不多，大部分处于筹建阶段，接下来将会是汉庭主推的产品系。据徐皓淳透露，未来两年汉庭2.7以上的版本占比要达到75%以上，人们对汉庭将有一个全新的认知。

Highlighted text translation:
"HanTing 2.7 Version is highly efficient and is conducive to stock renovation and refurbishment of old hotels. The average cost per room is RMB 27,000.
…
Up to now, in the nearly 2,500 HanTing Hotels, the HanTing 2.7 Version accounts for 400 to 500 hotels

Source: http://www.xinhuanet.com/house/2020-08-21/c_1126396972.htm

[8] *See Calculations & Tables Appendix*

a. Huazhu Self-Operated Hotels net PP&E (ex. buildings) per room between RMB 13k – 33k

Credit reports for 19 Huazhu self-operated hotels revealed average net PP&E (ex. buildings) per room of RMB 24,283, less than half of Huazhu's CYE'19 SEC-reported figure of RMB 54,502.[9]

Example #1: 2019 Credit Report for HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. (汉庭星空（上海）酒店管理有限公司, "Hanting Xingkong"), one of Huazhu's largest operating subsidiaries, reported net PP&E per room of RMB 33,234, a mere 61% of Huazhu's CYE'19 SEC-reported figure.

Example #2: In May 2017, Huazhu acquired Crystal Orange Hotel Holdings Limited ("Crystal Orange"), which operated an upper-midscale brand *Crystal Orange Hotel* along with midscale hotel brands *Orange Hotel* and *Orange Select Hotel*. Crystal Orange's largest subsidiary was Beijing Crystal Orange Hotel Management Consulting Co., Ltd. (北京桔子水晶酒店管理咨询有限公司, "Beijing Crystal Orange"), which operated 27 *Crystal Orange Hotels* and *Orange Hotels* (3,992 rooms). 2019 Credit Report for Beijing Crystal Orange disclosed net PP&E (ex. buildings) per room of RMB 13,355, only 25% of Huazhu's CYE'19 SEC-reported figure.

b. Off-Book Hotels net PP&E (ex. buildings) per room of RMB 5k

Credit reports for 19 Huazhu off-book hotels revealed average net PP&E (ex. buildings) per room of RMB 4,599, only 8% of Huazhu's CYE'19 SEC-reported figure.

Example #1: The highest net PP&E per room in our sample size of off-book hotels was Shanghai Xuxin Hotel Management Co., Ltd. (上海旭鑫酒店管理有限公司, "Shanghai Xuxin"). Shanghai Xuxin is owned by current Huazhu employee Zhang Peisong (张培松) and operates JI Hotel Shanghai Xietu Road (全季上海斜土路酒店). Credit Report for Shanghai Xuxin revealed net PP&E (ex. buildings) per room of RMB 33,432, only 61% of Huazhu's CYE'19 SEC-reported figure.[10]

Example #2: Beijing Qianmen Sanlihe Hotel Co., Ltd. (北京前门三里河宾馆有限公司, "Beijing Sanlihe") is owned by Cjia employee Pei Bing (裴兵) and operates the JI Hotel Beijing Qianmen Courtyard (全季北京前门四合院酒店), a hotel opened in 2019. Credit Reports for Beijing Sanlihe revealed net PP&E per room of RMB 17,596, only 32% Huazhu's CYE'19 SEC-reported figure.[11]

c. Independent third-party franchisees reported net PP&E (ex. buildings) per room of RMB 11k

Huazhu's franchisees are required to spend their own cash on Huazhu approved vendors to open and renovate Huazhu-branded hotels to a strict minimum quality level to maintain Huazhu's brands.

Credit Reports for 7 independent third-party franchisee hotel operators revealed average net PP&E (ex. buildings) per room of RMB 11,459, only 21% of Huazhu's CYE'19 SEC-reported figure.[12]

Example #1: Beijing Yunheyuan Hotel Co., Ltd. (北京运河源酒店有限公司, "Beijing Yunheyuan") opened in 2018 and operates the JI Hotel Shanghai The Bund Jinling East Road (全季上海外滩金陵东路酒店), one of Huazhu's midscale hotel brands. Credit Report for Beijing Yunheyuan revealed the highest net PP&E per room in our sample size at RMB 22,800, only 42% of Huazhu's CYE'19 SEC-reported figure.

Example #2: Beijing Wancheng Huafu International Hotel Co., Ltd. (北京万程华府国际酒店有限公司, "Beijing Wancheng") is an independent 3rd party franchisee that operates the Manxin Hotel Beijing Wangfujing (漫心北京王府井酒店), a Huazhu upper midscale hotel opened in 2019. Credit Reports for Beijing Wancheng revealed net PP&E per room of RMB 16,700, significantly lower than Huazhu's CYE'19 SEC-reported figure.

[9] *See Calculations & Tables Appendix*
[10] *See Calculations & Tables Appendix*
[11] *See Calculations & Tables Appendix*
[12] *See Calculations & Tables Appendix*

d. Competitors SH Jinjiang and BTG reported net PP&E (ex. buildings) per room of RMB 29k-33k

Huazhu's largest competitor is Shanghai-listed SH Jinjiang (SHSE_900934). As of CYE'19, Shanghai Jinjiang had 7,221 operating hotels and 739,095 rooms in its China hotel portfolio, including 698 self-operated hotels with 89,634 rooms.[13]

SH Jinjiang's public filings included details of its international capital expenditures that allowed us to make apples-to-apples comparisons between mainland China operations of SH Jinjiang and Huazhu. SH Jinjiang conducted its international operations (self-operated 291 of 1,293 hotels) via its wholly owned French subsidiary, Groupe de Louvre ("GDL").[14]

SH Jinjiang's Chinese operations held net PP&E (ex. buildings) per room of RMB 33,373 as of CYE'19.

Another direct Huazhu competitor is Shanghai-listed BTG (SHSE_600258). As of CYE'19, BTG had 4,450 operating hotels in its China portfolio, including 851 self-operated hotels.[15]

BTG's Annual Report disclosed net PP&E (ex. buildings) per room of RMB 29,246 as of CYE'19.

To us Shanghai Jinjiang and BTG's reported net PP&E (ex. buildings) per room corroborate that Huazhu included fake PP&E on its CYE'19 SEC-reported balance sheet.

Net PP&E per room in China as of CYE2019

RMB'000 (except for per room figures)	**Huazhu**	**Shanghai Jinjiang**	**BTG Hotels**
Buildings	247,000	3,679,037	2,601,513
Leasehold Improvements	8,414,000	387,166	247,559
Furniture, fixtures and equipment	1,270,000	2,184,851	1,486,619
Motor vehicles	1,000	21,221	73,859
Gross fixed assets	**9,932,000**	**6,272,275**	**4,409,551**
Accumulated depreciation	(4,918,000)	(3,148,694)	(1,998,571)
Net fixed assets	**5,014,000**	**3,123,580**	**2,410,980**
Net value of buildings (assume max. possible for Huazhu)	247,000	2,366,012	1,686,209
Net fixed assets (ex. buildings) (assume min. possible for Huazhu)	**4,767,000**	**757,569**	**724,771**
Net value of long-term prepaid expenses	Not applicable	2,233,823	2,278,288
Net PP&E (ex. buildings)	**4,767,000**	**2,991,392**	**3,003,059**
Number of rooms in leased and owned hotels	87,465	89,634	102,684
Net PP&E (ex. buildings) per room *(in RMB)*	**54,502**	**33,373**	**29,246**
% difference		***63.3%***	***86.4%***

Source: Huazhu 2019 20-F, Shanghai Jinjiang 2019 Annual Report, BTG Hotels 2019 Annual Report

[13] *Source: Shanghai Jinjiang 2019 Annual Report – p.15, 16*
[14] *Source: Jin Jiang Capital 2019 Annual Report – p.153; Source: Shanghai Jinjiang 2019 Annual Report – p.16; Source: GDL 2019 Annual Report – p.3:*
[15] *Source: BTG Hotels 2019 Annual Report – p.26*

e. RMB 2 Billon (US$ 300 Million) Fake Profits Reflected as Fake PP&E

We believe that Huazhu's fake profits manifested as fake PP&E on its balance sheet.

Huazhu's CYE'19 SEC-reported net PP&E (ex. buildings) per room was RMB 54,502.

However, credit reports for Huazhu's hotel portfolio revealed Huazhu's actual net PP&E (ex. buildings) per room was half that amount; a figure in-line with direct domestic Chinese competitors, in-line with one of Huazhu's largest operating subsidiaries, and in-line with brand CEO Xu Haochun's recent interview about HanTing Version 2.7.

If we apply net PP&E (ex. buildings) per room of RMB 30,000 to Huazhu's 87,465 reported self-operated hotel room portfolio, we calculate at least RMB 2 billion of fake net PP&E on Huazhu's CYE'19 balance sheet.

Fake RMB 2.1 Billion net PP&E Calculation

SEC-Reported net PP&E (ex. buildings) per room	54,502
Estimate of Actual net PP&E (ex. buildings) per room	30,000
Estiamte Overstatement net PP&E (ex. buildings) per room	24,502
Huazhu Self-Operated Hotel Room Count	87,456
Estimate Overstated net PP&E in RMB	**2,142,846,912**

Source: Huazhu 2019 20-F SEC Filing; Bonitas Estimate

If we apply SH Jinjiang and BTG's net income margins to Huazhu's reported revenues since 2017, we calculate the cumulative discrepancy in net income (ex. Accor) to be RMB 1.9 billion (~US$ 290 million).

Fake RMB 1.9 Billion Net Income Calculation	**2017**	**2018**	**2019**	
SH Jinjiang Net Income Margin	*7.3%*	*7.1%*	*8.3%*	
BTG Net Income Margin	*7.6%*	*10.4%*	*11.3%*	
Average SH Jinjiang & BTG	*7.5%*	*8.8%*	*9.8%*	
Huazhu Net Income Margin (ex. Accor)	*14.9%*	*15.3%*	*15.7%*	
Difference	***7.5%***	***6.6%***	***5.9%***	
Huazhu Reported Revenue (RMB mm)	8,229.0	10,063.0	11,212.0	29,504.0
Estimate of Overstated Net Income (RMB mm)	**613.1**	**659.1**	**661.5**	**1,933.7**

Source: Bonitas Calculations

f. Approved Contractor List Includes Undisclosed Huazhu Employees

As part of its brand quality control, Huazhu "*require the franchisees to follow a pre-selected list of qualified suppliers*" when designing and renovating their properties.[16] Desktop research revealed Huazhu's approved contractor list, which included multiple undisclosed related party contractors and off-book hotel operators. Below we highlighted entities that acted as both suppliers and franchisee customers to Huazhu.

优质推荐

目前，总包资源名单已更新，挑选出更多优质资源给大家更具性价比的选择。

总包联系方式汇总（排名不分先后）

Contractors for Huazhu's Owned and Leased Hotels

I 类直营总包

District 区域	Contractor 施工方	Company 公司名称
全国	王春兵	上海海银建筑装饰工程公司
全国	杨旭	上海轩鹿建筑装潢有限公司/南通光华建筑工程有限公司
华南	叶广发	深圳市华美达建设工程有限公司
华中/东	顾国军	江苏省双建建设有限公司
全国	宋玮	上海皇巢装饰工程有限公司
华北	王鉴清	北京北恒建筑装饰工程有限公司
华中/东	江德民	南京金陵建筑装饰有限责任公司
华东	程永华	浙江鼎坤建设有限公司
Zhang Peison 华东	张培松	上海著华建筑工程有限公司
华东	张芦法	南通市万锦建筑安装工程有限公司南京分公司
鲁/华中	白洁	山东洁昕建筑装饰工程设计有限公司
全国	张辉	上海舜发建筑安装工程有限公司
西北/华东	陈晓毅	上海领象装饰设计工程有限公司
华东	黄连官	南通市华厦建筑安装工程有限公司

Ⅱ类（加盟总包）

区域	施工方	公司名称
华东	黄连官	南通市华厦建筑安装工程有限公司
全国	贾可心	上海炯睿建筑装饰有限公司
全国	施建忠	上海金鹿建设（集团）有限公司
华东	孙金陵	江苏飞龙装饰工程有限公司
全国	宋玮	上海皇巢装饰工程有限公司
全国	顾秋	杭州四达装饰工程有限公司
华南	梁修品	深圳市蛇口建筑安装工程有限公司
华中/东北	周济	山东德州美达尔装饰工程有限公司
华东/中	尹德忠	上海伊超建筑装饰工程有限公司
华北	黄之顺	北京鸿发之佳装饰有限公司
华北	蒋小鹏	山西瑛浩装饰工程有限公司
华北	杨小虎	北京子萌装饰工程有限公司/北京华徽建设发展有限公司
华东	许吕林	昆山禧悦商业投资管理有限公司
华中	李胜超	河南江都装饰安装工程有限公司
全国	李鱼兵	上海渔昶建筑装饰工程有限公司/上海晋拓建筑装饰工程有限公司
鲁	桑运龙	山东恒泰伟业建设科技有限公司
东北	张翰军	九江龙达建筑装饰有限公司
东北	杨盛	长春联盛建筑装饰有限公司
沪	鲍国旺	上海申念实业有限公司
苏	何友林	江苏沪港装饰有限公司
滇	周青	云南海天装饰工程有限公司
滇	杨兴元	江苏省建工集团有限公司
豫	袁福君	河南省兴发建设工程有限公司
苏	姚渊	上海润瑾装饰工程有限公司
粤	赵华乐	深圳洲际建筑设计集团有限公司

Source: http://www.xyjqmoto.cn/n/44524241.htm

Credit reports for two undisclosed related party contractors revealed significant revenues without profit or assets which suggests to us their possible use as a front to wash fake cash via construction costs.

Example #1: Zhang Peisong (张培松), current Huazhu Director, owns 10 off-book hotels and is listed as the contractor (施工方) for Shanghai Zhuhua Construction Engineering Co., Ltd. (上海著华建筑工程有限公司, "Shanghai Zhuhua").

Credit report for Shanghai Zhuhua revealed revenues tripling from RMB 63.5 million in 2017 to RMB 206.3 million in 2019, but net profit margin decreasing from 1.9% to only 0.8%. However, Shanghai Zhuhua's balance sheet was dominated by RMB 78.3 million of receivables, but only RMB 7.8 million of cash and RMB 5.4 million of inventory.[17]

[16] *Source: Huazhu 2019 20-F – p. 38*
[17] *See Calculations & Tables Appendix*

<u>Example #2:</u> Wang Chunbing (王春兵) owns 8 off-book hotels and is listed as the contractor (施工方) for Shanghai Haiyin Building Decoration Engineering Co., Ltd. (上海海银建筑装饰工程公司, "<u>Shanghai Haiyin</u>"). Credit report for Shanghai Haiyin revealed revenues totaling RMB 117.8 million and RMB 200.7 million in 2018 and 2019, respectively, and generated net losses in both years. However, Shanghai Haiyin's balance sheet was dominated by RMB 12 million of receivables with only RMB 1.5 million of cash and RMB 638,000 of inventory. [18]

Many of Huazhu's undisclosed related party contractors are also listed as limited partners ("<u>LP</u>") in Huazhu's fund Ningbo Hongting Investment Management Center LLP (宁波弘庭投资管理中心（有限合伙）, ("<u>Ningbo Hongting</u>").

Ningbo Hongting is a private fund established in May 2017, managed by Huazhu, and consolidated into Huazhu's reported financials. Qichacha (企查查, *https://www.qcc.com/*) revealed that the LPs of Ningbo Hongting is a list of Huazhu undisclosed related party off-book hotel operators. To us, the Ningbo Hongting's fund structure provided a convenient way for Huazhu to siphon funds into the hands of off-book hotel owners and undisclosed approved contractors.

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股东信息 22 历史股东信息 1

序号	合伙人信息 查看最终受益人>		出资比例	最终受益股份
1	华住酒店管理有限公司 中概股|华住 HTHT.NASDAQ	股权结构 >	27.9121%	40.00% 股权链>
2	宁波齐季银河投资管理中心（有限合伙）	股权结构 >	12.0879%	12.0879%
3	朱贺	关联1家企业 >	5.6044%	5.6044%
4	吴旭社	关联11家企业 >	4.9451%	4.9451%
5	裴兵 Pei Bing	关联1家企业 >	3.9560%	3.9560%
6	赵健 Zhao Jian	关联1家企业 >	3.2967%	3.2967%
7	张培松 Zhang Peisong	关联24家企业 >	3.2967%	3.2967%
8	刘建雄 Liu Jianxiong	关联1家企业 >	3.2967%	3.2967%
9	夏建华 Xia Jianhua	关联1家企业 >	3.2967%	3.2967%
10	王春兵 Wang Chunbing	关联13家企业 >	3.2967%	3.2967%
11	杨晓林	关联1家企业 >	3.2967%	3.2967%
12	沈挺	关联7家企业 >	2.9670%	2.9670%
13	陈国夫 Chen Guofu	关联1家企业 >	2.6374%	2.6374%
14	叶广发 Ye Guangfa	关联1家企业 >	2.6374%	2.6374%
15	李振	关联1家企业 >	2.6374%	2.6374%
16	冶江江 Ye Jiangjiang	关联43家企业 >	2.6374%	2.6374%
17	刘兰荣 Liu Lanrong	关联13家企业 >	2.6374%	2.6374%
18	张英伟 Zhang Yingwei	关联1家企业 >	2.6374%	2.6374%
19	蒋连会 Jiang Lianhui	关联14家企业 >	2.6374%	2.6374%
20	苑辉 Yuan Hui	关联10家企业 >	1.6484%	1.6484%
21	徐岩星	关联1家企业 >	1.3187%	1.3187%
22	宋延强	关联1家企业 >	1.3187%	1.3187%

Source: Qichacha https://www.qcc.com/firm/4bd47a811b73cc00df03a6ab9300ec59.html

[18] *See Calculations & Tables Appendix*

APPENDIX – CALCULATIONS & TABLES

1. Credit Reports for 7 independent third-party franchisees revealed aggregate net loss margins of 13.4%.

7 Independent third-party franchisee consolidated Income Statement

Income Statement

RMB'000	*人民币 千元*	**2019**
Revenue	**主营业务收入**	**130,184**
Cost of goods sold	减:主营业务成本	(53,821)
Business taxes and surcharges	减:主营业务税金及附加	(84)
Gross profit	**主营业务利润**	**76,279**
Other business income	加:其它业务利润	0
Operating expenses	减:营业费用	(42,980)
Administrative expenses	减:管理费用	(50,623)
Finance costs	减:财务费用	(215)
Operating profit	**营业利润**	**(17,539)**
Investment gains and losses	加:投资损益	0
Subsidized income	加:补贴收入	0
Asset impairment loss	减:资产减值损失	0
Non-operating income	加:营业外收入	154
Non-operating expenses	减:营业外支出	(109)
Profit before tax	**利润总额**	**(17,494)**
Income tax	减:所得税	(13)
Net profit	**净利润**	**(17,507)**
Net profit margin	**净利润率**	***(13.4%)***
RevPAR		**333.96**

Source: Credit Reports

2. MOC data revealed that only 3,020 Huazhu hotels were operated by independent franchisees.

Number of Huazhu Franchisees filed with the Ministry of Commerce

		品牌特许人Brand Franchisors								
品牌名称（英文）Brand Name (English)	品牌名称（中文）Brand Name (Chinese	华住酒店管理有限公司 Huazhu Hotel Management Co., Ltd.	华住酒店管理（宁波）有限公司 Huazhu Hotel Management (Ningbo) Co., Ltd.	北京桔子水晶酒店管理咨询有限公司 Beijing Crystal Orange Hotel Management Consulting Co., Ltd.	汉庭星空（上海）酒店管理有限公司 HanTing Xingkong (Shanghai) Hotel Management Co., Ltd.	汉庭（天津）投资咨询有限公司 HanTing (Tianjin) Investment Consulting Co., Ltd.	雅高美华酒店管理有限公司 Yagao Meihua Hotel Management Co., Ltd.	雅华酒店管理（上海）有限公司 Yahua Hotel Management (Shanghai) Co., Ltd.	天津雅高酒店管理有限公司 Tianjin Yagao Hotel Management Co., Ltd.	星程酒店管理（上海）有限公司 Starway Hotel Management (Shanghai) Co., Ltd.
HanTing Hotel	汉庭	x	x		x	x				
Hi Inn	海友客栈	x	x			x				
Elan Hotel	怡莱	x	x			x				
ibis Hotel	宜必思						x	x	x	
Orange Hotel	桔子	x	x	x						
HanTing Premium Hotel	汉庭优佳酒店	x	x			x				
Ibis Hotel	宜必思						x	x	x	
Ibis Styles Hotel	宜必思尚品									
Starway Hotel	星程酒店	x	x							x
JI Hotel	全季	x	x			x				
Orange Select Hotel	桔子酒店.精选	x	x	x						
Orange Hotel	桔子酒店	x	x	x						
Crystal Orange Hotel	桔子水晶酒店	x		x						
Manxin Hotels & Resorts	漫心	x	x							
Madison Hotel	佳友美仑		x							
Mercure Hotel	美居						x	x		
Novotel Hotel	诺富特							x		
Grand Madison Hotel	佳友美仑							x		
Joya Hotel	禧玥酒店	x	x							
Blossom Hill Hotels & Resorts	花间堂		x							
Grand Mercure Hotel	美爵							x		
Total number of franchisees		**2,053**	**7**	**400**	**44**	**349**	**1**	**9**	**22**	**135**
Grand total number of franchisees										**3,020**

Source: http://txjy.syggs.mofcom.gov.cn/

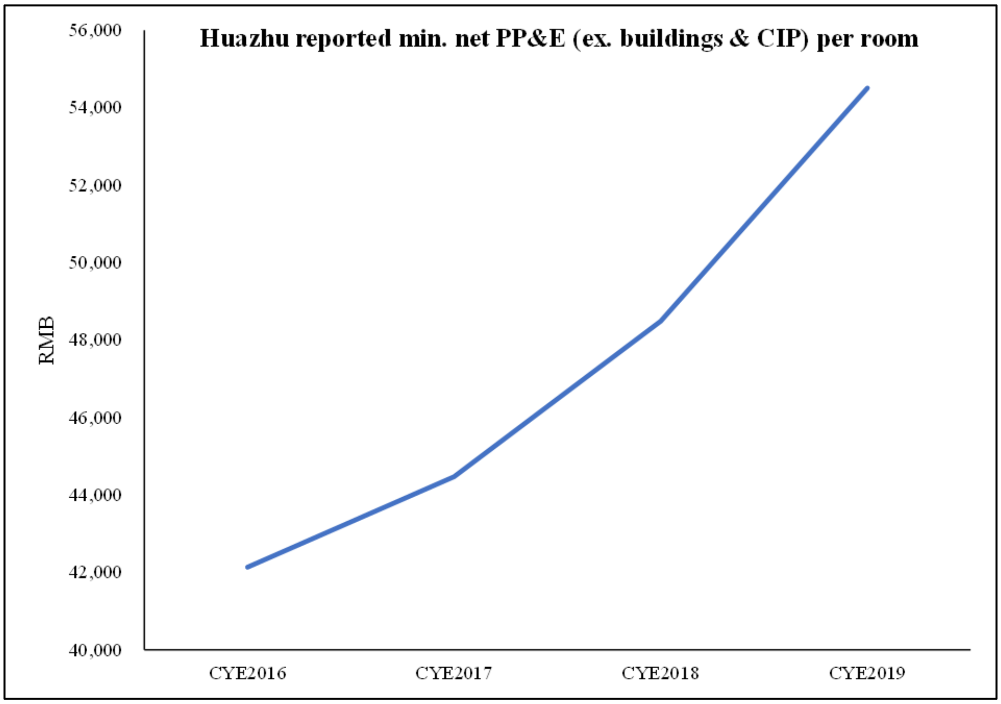
3. **Calculation of Huazhu's net PP&E (ex. buildings) per room of RMB 54,502 as of CYE'19.**

Huazhu net PP&E (ex. buildings) per Hotel Room

RMB'000 (except for per room figures)	**CYE2019**
Buildings	247,000
Leasehold Improvements	8,414,000
Furniture, fixtures and equipment	1,270,000
Motor vehicles	1,000
Gross PP&E	**9,932,000**
Accumulated depreciation	(4,918,000)
Net PP&E	**5,014,000**
Min. net value of buildings (assume completely depreciated)	0
Max. net value of buildings (assuume no deprecation)	247,000
Max. net PP&E (ex. buildings)	**5,014,000**
Min. net PP&E (ex. buildings)	**4,767,000**
Number of rooms in leased and owned hotels	87,465
Max. net PP&E (ex. building) per room *(in RMB)*	**57,326**
Min. net PP&E (ex. building) per room *(in RMB)*	**54,502**

Source: Huazhu 2019 20-F

4. **Historical chart of Huazhu's reported net PP&E (ex. building) per room since 2016.**



5. Credit reports for 19 Huazhu self-operated hotels revealed half the PP&E per room versus Huazhu's CYE'19 SEC-reported figure.

Net PP&E (ex. buildings) of Huazhu Self-Operated Hotels

Name (English)	Name (Chinese)	Number of Rooms	RevPAR *(RMB)*	Net value of fixed assets *(RMB'000)*	Long-term prepaid expenses *(RMB'000)*	Net PP&E (ex. buildings) *(RMB'000)*
Shanghai Qin Ting Hotel Management Co., Ltd.	上海沁庭酒店管理有限公司	94	156.40	790	0	790
Shanghai Xinting Hotel Management Co., Ltd.	上海新庭酒店管理有限公司	62	143.57	635	0	635
Shanghai Hongting Hotel Management Co., Ltd.	上海洪庭酒店管理有限公司	304	291.35	2,236	19,034	21,270
Shanghai Huiting Hotel Management Co., Ltd.	上海辉庭酒店管理有限公司	141	349.52	1,660	0	1,660
Guangzhou Chengting Hotel Management Co., Ltd.	广州程庭酒店管理有限公司	137	303.95	398	0	398
Guangzhou Shangbin Hotel Co., Ltd.	广州市尚宾酒店有限公司	111	229.82	427	0	427
Guangzhou Royal Hotel Management Co., Ltd.	广州帝都酒店管理有限公司	350	468.51	1,544	0	1,544
Shanghai Guiting Hotel Management Co., Ltd.	上海桂庭酒店管理有限公司	122	236.56	392	0	392
Shanghai Minting Hotel Management Co., Ltd.	上海敏庭酒店管理有限公司	119	211.70	498	0	498
Shanghai Songting Hotel Management Co., Ltd.	上海松庭酒店管理有限公司	122	241.66	413	1,606	2,019
Shanghai Yinting Hotel Management Co., Ltd.	上海吟庭酒店管理有限公司	241	433.68	827	0	827
Shanghai Hongxi Hotel Management Co., Ltd.	上海虹曦酒店管理有限公司	246	383.16	2,218	0	2,218
Shanghai Mingxin Hotel Management Co., Ltd.	上海铭欣酒店管理有限公司	266	89.99	701	4,624	5,325
Shanghai Leshu Hotel Management Co., Ltd.	上海乐舒酒店管理有限公司	214	278.04	1,145	16,546	17,691
Shanghai Duting Hotel Management Co., Ltd.	上海都庭酒店管理有限公司	148	255.00	329	13,453	13,782
Shanghai Tongji Hotel Management Co., Ltd.	上海潼季酒店管理有限公司	199	483.20	930	0	930
Shanghai Changting Hotel Management Co., Ltd.	上海畅庭酒店管理有限公司	98	419.07	899	0	899
Shanghai Su Ting Hotel Management Co., Ltd.	上海苏庭酒店管理有限公司	88	179.61	290	3,358	3,648
Nanjing Everyyue Hotel Management Co., Ltd.	南京每悦酒店管理有限公司	117	225.08	2,244	0	2,244
Total		**3,179**	**306.84**	**18,576**	**58,621**	**77,197**
Net PP&E (ex. building) per room *(RMB)*						**24,283.42**

Source: Trip.com, Credit Reports

6. 2019 Credit Report for HanTing Xingkong (Shanghai) Hotel Management Co., Ltd.

2019 Credit Report for HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. (汉庭星空（上海）酒店管理有限公司, "Hanting Xingkong"), one of Huazhu's largest operating subsidiaries operated multiple different Huazhu-branded hotels, reported net PP&E per room of RMB 33,234, a mere 61% of Huazhu's CYE'19 SEC-reported figure.[19]

Hanting Xingkong: 367 Huazhu self-operated hotels & 40,432 rooms

Hanting Xingkong Net PP&E (ex. buildings) per room as of CYE2019

RMB'000 (except per room figures)	**CYE2019**
Net value of fixed assets	148,751
Long-term prepaid expenses	1,194,947
Total net PP&E (ex. buildings)	**1,343,698**
Number of rooms	40,432
Net PP&E (ex. buildings) per room *(RMB)*	**33,234**

Source: Trip.com, Credit Reports, Bonitas Calculation

[19] *According to Dianping and Trip.com, Hanting Xingkong operated at least 367 self-operated hotels and 40,432 rooms under the Huazhu brand.*

7. 2019 Credit Report for Beijing Crystal Orange

Beijing Crystal Orange opened or renovated 18 of its 27 hotels in 2018 or 2019, which suggests insignificant depreciation impact.

Beijing Crystal Orange Net PP&E (ex. buildings) per room as of CYE2019

RMB'000 (except per room figures)	**CYE2019**
Net value of fixed assets	53,315
Long-term prepaid expenses	0
Total net PP&E (ex. buildings)	**53,315**
Number of rooms	3,992
Net PP&E (ex. buildings) per room *(RMB)*	**13,355**

Source: Trip.com, Credit Reports, Bonitas Calculation

8. Credit Reports for independent third-party franchisee hotel operators

Credit Reports revealed that independent third-party franchisee hotel operators carried net PP&E (ex. buildings) per room of RMB 11,459, only 21% of Huazhu's CYE'19 SEC-reported figure.

Net PP&E (ex. buildings) per room as of CYE'19 of Huazhu's Independent Franchisees

Name (English)	Name (Chinese)	Number of Rooms	RevPAR *(RMB)*	Net value of fixed assets *(RMB'000)*	Long-term prepaid expenses *(RMB'000)*	Net PP&E (ex. buildings) *(RMB'000)*
Hangzhou Komanxuan Hotel Co., Ltd.	杭州科蔓宣酒店有限公司	173	244.17	2,920	0	2,920
Beijing Yunheyuan Hotel Co., Ltd.	北京运河源酒店有限公司	154	294.47	3,508	0	3,508
Shanghai Comfort Hotel Management Co., Ltd.	上海舒心酒店经营管理有限公司	150	193.22	1,049	0	1,049
Beijing Wancheng Huafu International Hotel Co., Ltd.	北京万程华府国际酒店有限公司	128	419.71	2,135	0	2,135
Beijing Hongfulin Hotel Co., Ltd.	北京鸿福临酒店有限公司	90	741.34	886	0	886
Hangzhou Senxing Hotel Co., Ltd.	杭州森兴酒店有限公司	132	59.28	1,462	0	1,462
Shanghai Ruilu Hotel Management Co., Ltd.	上海瑞庐酒店管理有限公司	241	464.01	279	0	279
Total		**1,068**	**333.96**	**12,239**	**0**	**12,239**
Net PP&E (ex. building) per room *(RMB)*						**11,459.74**

Source: Trip.com, Credit Reports, Bonitas Calculation

9. Credit Reports for 19 Huazhu off-book hotels

Credit reports for 19 Huazhu off-book hotels revealed net PP&E (ex. buildings) per room average of RMB 4,599, only 8% of Huazhu's CYE'19 SEC-reported figure.

Name (English)	Name (Chinese)	Number of Rooms	RevPAR *(RMB)*	Net value of fixed assets *(RMB'000)*	Long-term prepaid expenses *(RMB'000)*	Net PP&E (ex. building) *(RMB'000)*
Shanghai Xinhe Hotels Co., Ltd.	上海信和酒店有限公司	92	5.12	45	284	329
Shanghai Xuxin Hotel Management Co., Ltd.	上海旭鑫酒店管理有限公司	118	436.08	3,945	0	3,945
Shanghai Ruisen Hotel Management Co., Ltd.	上海瑞森酒店管理有限公司	120	127.05	8	45	53
Shanghai Hao Shi Hotel Management Co., Ltd.	上海皓石酒店管理有限公司	182	317.66	251	0	251
Shanghai Shengshi Hotel Management Co., Ltd.	上海盛仕酒店管理有限公司	93	146.83	0	0	0
Shanghai Juting Hotel Management Co., Ltd.	上海聚庭酒店管理有限公司	216	244.61	50	0	50
Shanghai Zhongguibao Property Management Co., Ltd.	上海中贵宝物业管理有限公司	78	133.72	327	0	327
Shanghai Jiuxingli Hotel Management Co., Ltd.	上海九兴利酒店管理有限公司	135	177.05	71	98	169
Shanghai Weishan Hotel Management Co., Ltd.	上海玮珊酒店管理有限公司	60	108.22	208	0	208
Shanghai Shenhua Holiday Hotel Management Co., Ltd.	上海申花假日酒店管理有限公司	195	296.51	208	0	208
Shanghai Heng Rui Hotel Management Co., Ltd.	上海衡芮酒店管理有限公司	137	196.26	6	0	6
Beijing Aibao Hotel Management Co., Ltd.	北京爱保酒店管理有限公司	443	433.66	4,202	0	4,202
Shanghai Shenyou Hotel Management Co., Ltd.	上海申佑酒店管理有限公司	185	0.36	0	0	0
Shanghai Ascent Hotel Management Co., Ltd.	上海艾升酒店管理有限公司	117	58.56	1,452	0	1,452
Beijing Qianmen Sanlihe Hotel Co., Ltd.	北京前门三里河宾馆有限公司	57	143.14	1,003	0	1,003
Zhandongbahao (Beijing) Hotel Co., Ltd.	站东捌号（北京）宾馆有限公司	178	410.84	72	0	72
Shanghai Yingjia Hotel Management Co., Ltd.	上海迎家酒店管理有限公司	147	262.21	181	0	181
Shanghai Yuyun Hotel Management Co., Ltd.	上海煜云酒店管理有限公司	140	142.39	88	0	88
Jiaxing Jiaji Hotel Management Co., Ltd.	嘉兴加季酒店管理有限公司	110	156.71	348	0	348
Total		**2,803**	**240.12**	**12,465**	**427**	**12,892**
Net PP&E (ex. building) per room *(RMB)*						**4,599.36**

Source: Trip.com, Credit Reports, Bonitas Calculation

Cumulative Income Statement for 19 Off-Book Hotels

Income Statement			
RMB'000	*人民币 千元*	**2018**	**2019**
Revenue	**主营业务收入**	**206,557**	**274,067**
Cost of goods sold	减:主营业务成本	(68,751)	(104,465)
Business taxes and surcharges	减:主营业务税金及附加	(727)	(790)
Gross profit	**主营业务利润**	**132,819**	**168,812**
Other business income	加:其它业务利润	0	0
Operating expenses	减:营业费用	(73,359)	(85,581)
Administrative expenses	减:管理费用	(52,709)	(73,616)
Finance costs	减:财务费用	(293)	(2,450)
Operating profit	**营业利润**	**6,912**	**7,165**
Investment gains and losses	加:投资损益	0	0
Subsidized income	加:补贴收入	0	0
Asset impairment loss	减:资产减值损失	(100)	0
Non-operating income	加:营业外收入	157	508
Non-operating expenses	减:营业外支出	(378)	(250)
Profit before tax	**利润总额**	**6,358**	**5,950**
Income tax	减:所得税	(405)	(1,556)
Net profit	**净利润**	**5,953**	**4,394**
Net profit margin	***净利润率***	***2.9%***	***1.6%***

Source: Credit Reports

Cumulative Balance Sheet for 19 Off-Book Hotels

Balance Sheet			
RMB'000	*人民币 千元*	**CYE2018**	**CYE2019**
Other receivables	其他应收款	51,718	75,767
Total current assets	流动资产合计	182,289	184,189
Total non-current assets	非流动资产合计	27,028	41,972
Total assets	**资产合计**	**209,317**	**239,260**
Other payables	其它应付款	130,804	135,444
Total current liabilities	流动负债合计	193,306	208,119
Total non-current liabilities	非流动负债合计	395	10,450
Total Liabilities	**负债合计**	**193,701**	**219,369**
Total owner's equity	**所有者权益合计**	**15,616**	**19,891**

Source: Credit Reports

10. SH Jinjiang net PP&E (ex. buildings) per room calculation.

Shanghai Jinjiang net PP&E (ex. buildings) per Hotel Room as of CYE2019

RMB'000 (except for per room figures)	**Shanghai Jinjiang Consolidated**	**GDL**	**Shanghai Jinjiang PRC Business**
Buildings	8,843,918	5,164,881	3,679,037
Leasehold Improvements	703,084	315,918	387,166
Furniture, fixtures and equipment	3,215,387	1,030,536	2,184,851
Motor vehicles	21,221	0	21,221
Gross fixed assets	**12,783,610**	**6,511,335**	**6,272,275**
Accumulated Depreciation	(7,640,582)	(4,491,888)	(3,148,694)
Net fixed assets	**5,143,028**	**2,019,447**	**3,123,580**
Net value of buildings	4,132,213	1,766,201	2,366,012
Net fixed assets (ex. buildings)	**1,010,815**	**253,246**	**757,569**
Net value of long-term prepaid expenses in China			2,233,823
Net PP&E (ex.buildings) in China (in RMB)			**2,991,392**
Number of rooms in self-operated hotels in China			89,634
Net PP&E (ex.buildings) per room in China *(in RMB)*			**33,373**

**EUR1 = RMB7.8155*

Source: Shanghai Jinjiang 2019 Annual Report, GDL 2019 Annual Report

11. BTG Calculation net PP&E per room

BTG Hotels net PP&E (ex. buildings) per Hotel Room

RMB'000 (except for per room figures)	**CYE2019**
Buildings	2,601,513
Leasehold Improvements	247,559
Furniture, fixtures and equipment	1,486,619
Motor vehicles	73,859
Gross fixed assets	**4,409,551**
Accumulated depreciation	(1,998,571)
Net fixed assets	**2,410,980**
Net value of buildings	1,686,209
Net fixed assets (ex. buildings)	**724,771**
Net value of long-term prepaid expenses	2,278,288
Net PP&E (ex. buildings)	**3,003,059**
Number of rooms in company operated hotels	102,684
Net PP&E (ex. buildings) per room *(in RMB)*	**29,246**

Source: BTG Hotels 2019 Annual Report

Source: Huazhu 2019 20-F, Shanghai Jinjiang 2019 Annual Report, BTG Hotels 2019 Annual Report, Bonitas Calculation

12. Credit report for undisclosed approved construction contractor Shanghai Zhuhua

Credit report for Shanghai Zhuhua revealed revenues tripled from RMB 63.5 million in 2017 to RMB 206.3 million in 2019 with minimal net profits and its balance sheet dominated by RMB 78.3 million of receivables and limited cash & inventory.

Income Statement	**利润表**			
RMB'000	*人民币 千元*	**2017**	**2018**	**2019**
Revenue	**主营业务收入**	**63,526**	**130,121**	**206,278**
Cost of goods sold	减:主营业务成本	(57,955)	(118,403)	(184,067)
Business taxes and surcharges	减:主营业务税金及附加	(317)	(456)	(890)
Gross profit	**主营业务利润**	**5,254**	**11,262**	**21,321**
Other business income	加:其它业务利润	0	0	0
Operating expenses	减:营业费用	(3,147)	(8,268)	(17,858)
Administrative expenses	减:管理费用	(570)	(779)	(913)
Finance costs	减:财务费用	(302)	(428)	(501)
Operating profit	**营业利润**	**1,235**	**1,787**	**2,049**
Investment gains and losses	加:投资损益	0	0	0
Subsidized income	加:补贴收入	0	0	0
Asset impairment loss	减:资产减值损失	0	0	0
Non-operating income	加:营业外收入	0	0	0
Non-operating expenses	减:营业外支出	0	0	0
Profit before tax	**利润总额**	**1,235**	**1,787**	**2,049**
Income tax	减:所得税	(8)	(300)	(454)
Net profit	**净利润**	**1,227**	**1,487**	**1,595**
Net profit margin	***净利润率***	***1.9%***	***1.1%***	***0.8%***

Balance Sheet	**资产负债表**			
RMB'000	*人民币 千元*	**CYE2017**	**CYE2018**	**CYE2019**
Cash and cash equivalents	货币资金	3,370	5,081	7,831
Short-term investments	短期投资	0	0	0
Bills receivable	应收票据	0	0	0
Accounts receivable	应收账款	16,050	38,015	66,345
Other receivables	其他应收款	2,079	7,535	11,909
Prepayments	预付款项	2,965	8,211	11,233
Inventory	存货	1,446	3,064	5,434
Prepaid expenses	待摊费用	0	0	0
Other current assets	其他流动资产	0	0	0
Total current assets	**流动资产合计**	**25,910**	**61,906**	**102,752**

Source: Credit Reports

13. Credit report for undisclosed approved construction contractor Shanghai Haiyin

Credit report for Shanghai Haiyin revealed revenues totaling RMB 117.8 million and RMB 200.7 million respectively in 2018 and 2019 with net losses in both years.

Shanghai Haiyin's balance sheet was dominated by RMB 12 million of receivables with only RMB 1.5 million of cash and RMB 638,000 of inventory.

Income Statement			
RMB'000	*人民币 千元*	**2018**	**2019**
Revenue	**主营业务收入**	**117,842**	**200,736**
Cost of goods sold	减:主营业务成本	(115,611)	(197,037)
Business taxes and surcharges	减:主营业务税金及附加	(164)	(599)
Gross profit	**主营业务利润**	**2,067**	**3,100**
Other business income	加:其它业务利润	0	0
Operating expenses	减:营业费用	0	0
Administrative expenses	减:管理费用	(2,532)	(3,188)
Finance costs	减:财务费用	11	5
Operating profit	**营业利润**	**(454)**	**(83)**
Investment gains and losses	加:投资损益	0	0
Subsidized income	加:补贴收入	0	0
Asset impairment loss	减:资产减值损失	0	0
Non-operating income	加:营业外收入	0	0
Non-operating expenses	减:营业外支出	(13)	0
Profit before tax	**利润总额**	**(467)**	**(83)**
Income tax	减:所得税	0	0
Net profit	**净利润**	**(467)**	**(83)**

Balance Sheet			
RMB'000	*人民币 千元*	**CYE2018**	**CYE2019**
Cash and cash equivalents	货币资金	1,223	1,527
Short-term investments	短期投资	0	0
Bills receivable	应收票据	0	0
Accounts receivable	应收账款	2,885	3,002
Other receivables	其他应收款	7,707	8,963
Prepayments	预付款项	0	0
Inventory	存货	554	638
Prepaid expenses	待摊费用	0	0
Other current assets	其他流动资产	0	0
Total current assets	**流动资产合计**	**12,369**	**14,130**
Long-term investment	长期投资	0	0
Net value of fixed assets	固定资产净值	4,269	4,257
Construction in progress	在建工程	0	0
Intangible assets	无形资产	0	0
Long-term prepaid expenses	长期待摊费用	0	0
Other long-term assets	其他长期资产	0	0
Other assets	其他资产	0	0
Deferred tax assets	递延税款借项	0	0
Total non-current assets	**非流动资产合计**	**4,269**	**4,257**

Source: Credit Report

UNDISCLOSED RELATED PARTY APPENDIX

Details of the connected relationships between Huazhu and undisclosed current Huazhu employees are laid out in this appendix for ease of reference. We used a strict definition of related party relationships and limited inclusion to those companies owned by (a) current Huazhu employees; (b) Huazhu Suppliers; and (c) Huazhu Co-Investors. Huazhu's SEC filings did not disclose any existence of such relationship in its related party transaction disclosure.

Below is a table of a portion of current Huazhu employees/supervisors/directors that we have come across as owning Huazhu off-book hotels.

Some Franchisees that are owned by Huazhu Employees

Hotel Name	Hotel Operator	Huazhu Employee
全季上海斜土路酒店 JI Hotel Shanghai Xietu Road	上海旭鑫酒店管理有限公司 Shanghai Xuxin Hotel Management Co., Ltd.	张培松 Zhang Peisong
全季上海金桥云山路酒店 JI Hotel Shanghai Jinqiao Yunshan Road	上海信和酒店有限公司 Shanghai Xinhe Hotels Co., Ltd.	张培松 Zhang Peisong
汉庭上海东安路酒店 Hanting Shanghai Dong'an Road Hotel	上海聚庭酒店管理有限公司 Shanghai Juting Hotel Management Co., Ltd.	张培松 Zhang Peisong
汉庭上海仙霞路酒店 Hanting Shanghai Xianxia Road Hotel	上海璞汉酒店管理有限公司 Shanghai Puhan Hotel Management Co., Ltd.	张培松 Zhang Peisong
汉庭上海东安路二店 Hanting Shanghai No. 2 Dong'an Road Hotel	上海聚庭酒店管理有限公司徐汇分公司 Shanghai Juting Hotel Management Co., Ltd. Xuhui Branch	张培松 Zhang Peisong
汉庭上海浦东机场酒店 Hanting Shanghai Pudong Airport Hotel	上海瑞森酒店管理有限公司 Shanghai Ruisen Hotel Management Co., Ltd.	张培松 Zhang Peisong
全季杭州滨江江陵路地铁站酒店 Ji Hotel Hangzhou Binjiang Jiangling Road	杭州梦尔假日酒店有限公司 Hangzhou Meng'er Holiday Hotel Co., Ltd.	张培松 Zhang Peisong
全季嘉兴南湖商务大道酒店 JI Hotel Jiaxing Nanhu Business Avenue	嘉兴加季酒店管理有限公司 Jiaxing Jiaji Hotel Management Co., Ltd.	张培松 Zhang Peisong
全季海宁海昌南路皮革城酒店 JI Hotel Haining Haichang South Road Leather City	海宁禾季酒店管理有限公司 Haining Heji Hotel Management Co., Ltd.	张培松 Zhang Peisong
汉庭海宁海昌南路皮革城酒店 Hanting Haining Haichang South Road Leather City Hotel	海宁禾季酒店管理有限公司 Haining Heji Hotel Management Co., Ltd.	张培松 Zhang Peisong
汉庭北京华贸西大望路酒店 Hanting Hotel Beijing Huamao West Dawang Road	北京乐舒酒店管理有限公司 Beijing Leshu Hotel Management Co., Ltd.	刘建雄 Liu Jianxiong
汉庭杭州四季青服装市场酒店 Hanting Hotel Hangzhou Sijiqing Clothing Market	杭州凯硕酒店管理有限公司 Hangzhou Kaishuo Hotel Management Co., Ltd.	刘建雄 Liu Jianxiong
全季厦门机场区政府酒店 JI Hotel Xiamen Airport District Government	厦门金凯硕酒店管理有限公司 Xiamen Jinkaishuo Hotel Management Co., Ltd.	刘建雄 Liu Jianxiong
汉庭湖州南街酒店 Hanting Hotel Huzhou South Street	湖州凯硕酒店管理有限公司 Huzhou Kaishuo Hotel Management Co., Ltd.	刘建雄 Liu Jianxiong
汉庭上海田子坊酒店 Hanting Hotel Shanghai Tianzifang	上海玮珊酒店管理有限公司 Shanghai Weishan Hotel Management Co., Ltd.	夏碎智 Xia Suizhi
汉庭上海虹口足球场地铁站酒店 Hanting Hotel Shanghai Hongkou Football Stadium Metro Station	上海家华酒店管理有限公司 Shanghai Jiahua Hotel Management Co., Ltd.	夏碎智 Xia Suizhi
汉庭上海华师大酒店 Hanting Hotel Shanghai East China Normal University	上海煜云酒店管理有限公司 Shanghai Yuyun Hotel Management Co., Ltd.	夏碎智 Xia Suizhi
汉庭优佳上海南京东路酒店 Hanting Premium Hotel Shanghai East Nanjing Road	上海闲驿酒店管理有限公司 Shanghai Xianyi Hotel Management Co. Ltd.	刘建晓 Liu Jianxiao

Source: Huazhu website, Dianping, Trip.com, SAIC apps

a. Huazhu Director Zhang Peisong owns and operates 10 off-book hotels

Zhang Peisong (张培松) is a current Huazhu employee, a LP of Huazhu's insider fund Ningbo Hongting, and a shareholder of at least 10 Huazhu branded off-book hotels.

Franchisees that are owned by Zhang Peisong

Hotel Name	Hotel Operator
全季上海斜土路酒店 JI Hotel Shanghai Xietu Road	上海旭鑫酒店管理有限公司 Shanghai Xuxin Hotel Management Co., Ltd.
全季上海金桥云山路酒店 JI Hotel Shanghai Jinqiao Yunshan Road	上海信和酒店有限公司 Shanghai Xinhe Hotels Co., Ltd.
汉庭上海东安路酒店 Hanting Shanghai Dong'an Road Hotel	上海聚庭酒店管理有限公司 Shanghai Juting Hotel Management Co., Ltd.
汉庭上海仙霞路酒店 Hanting Shanghai Xianxia Road Hotel	上海璞汉酒店管理有限公司 Shanghai Puhan Hotel Management Co., Ltd.
汉庭上海东安路二店 Hanting Shanghai No. 2 Dong'an Road Hotel	上海聚庭酒店管理有限公司徐汇分公司 Shanghai Juting Hotel Management Co., Ltd. Xuhui Branch
汉庭上海浦东机场酒店 Hanting Shanghai Pudong Airport Hotel	上海瑞森酒店管理有限公司 Shanghai Ruisen Hotel Management Co., Ltd.
全季杭州滨江江陵路地铁站酒店 Ji Hotel Hangzhou Binjiang Jiangling Road	杭州梦尔假日酒店有限公司 Hangzhou Meng'er Holiday Hotel Co., Ltd.
全季嘉兴南湖商务大道酒店 JI Hotel Jiaxing Nanhu Business Avenue	嘉兴加季酒店管理有限公司 Jiaxing Jiaji Hotel Management Co., Ltd.
全季海宁海昌南路皮革城酒店 JI Hotel Haining Haichang South Road Leather City	海宁禾季酒店管理有限公司 Haining Heji Hotel Management Co., Ltd.
汉庭海宁海昌南路皮革城酒店 Hanting Haining Haichang South Road Leather City Hotel	海宁禾季酒店管理有限公司 Haining Heji Hotel Management Co., Ltd.

Source: SAIC, Dianping

Qichacha lists Zhang Peisong as the "*person in charge*" of Huazhu subsidiary Hanting Hesheng (Suzhou) Hotel Management Co., Ltd. Renmin Road Branch (汉庭和胜（苏州）酒店管理有限公司人民路分公司), which operates Ji Hotel Suzhou Guanqian Street Leqiao Metro Station (全季苏州观前街乐桥地铁站酒店).

Source:
https://www.qcc.com/search?key=%E6%B1%89%E5%BA%AD%E5%92%8C%E8%83%9C%EF%BC%88%E8%8B%8F%E5%B7%9E%EF%BC%89%E9%85%92%E5%BA%97%E7%AE%A1%E7%90%86%E6%9C%89%E9%99%90%E5%85%AC%E5%8F%B8%E4%BA%BA%E6%B0%91%E8%B7%AF%E5%88%86%E5%85%AC%E5%8F%B8

Zhang Peisong is also a LP in Huazhu’s Ningbo Hongting.

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Ningbo Hongting

基本信息 39 法律诉讼 0 经营状况 0 经营风险 0 企业发展 4 知识产权 0 新闻公

1	华住酒店管理有限公司 Huazhu 中概股|华住 HTHT.NASDAQ	股权结构 >	27.9121%	40.00% 股权链>	2540
2	Ningbo Qiji Galaxy Investment Management Center LLP, 100% subsidiary of Huazhu 宁波齐季银河投资管理中心（有限合伙）	股权结构 >	12.0879%	12.0879%	1100
3	朱贺	关联1家企业 >	5.6044%	5.6044%	510
4	吴旭社	关联11家企业 >	4.9451%	4.9451%	450
5	裴兵	关联1家企业 >	3.9560%	3.9560%	360
6	赵健	关联1家企业 >	3.2967%	3.2967%	300
7	张培松 Zhang Peisong	关联25家企业 >	3.2967%	3.2967%	300
8	刘建雄	关联1家企业 >	3.2967%	3.2967%	300
9	夏建华	关联1家企业 >	3.2967%	3.2967%	300
10	王春兵 Wang Chunbing 有限制高消费	关联14家企业 >	3.2967%	3.2967%	300

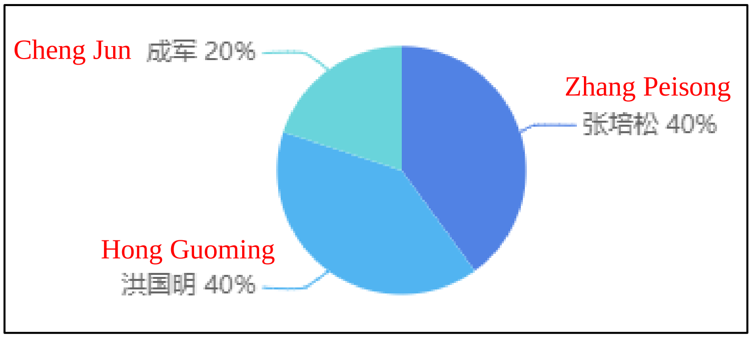
Source: https://www.qcc.com/firm/4bd47a811b73cc00df03a6ab9300ec59.html

For example, Dianping revealed that Hanting Shanghai Xianxia Road Hotel (汉庭上海仙霞路酒店) is operated by Shanghai Puhan Hotel Management Co., Ltd. (上海璞汉酒店管理有限公司, “Shanghai Puhan”).[20] Bonitas fieldwork investigators were told that the hotel is operated by Shanghai Puhan.[21]

Source: Bonitas fieldwork

[20] *Source: http://hotels.huazhu.com/inthotel/detail/2000517?HotelLevel=0&CheckInDate=2020-07-28&CheckOutDate=2020-07-29*
[21] *Source: http://www.dianping.com/shop/G9dAbMMQroiH6a2s*

Qichacha revealed that Shanghai Puhan is owned by 3 individuals: Zhang Peisong (张培松, 40%), Hong Guoming (洪国明, 40%), and Cheng Jun (成军, 20%).



Source: https://www.qcc.com/firm/30OGRBS.shtml#base

Cheng Jun is closely related to Huazhu, Chairman Qi Ji and co-founder He Hui. Cheng Jun was a former Sr. VP of Trip.com and a former VP of the Hanting hotel chain. Cheng Jun is currently a Supervisor of multiple Huazhu companies in multiple provinces.

Source: Qichacha

b. Huazhu Director Liu Jianxiong owns and operates 4 off-book hotels

Liu Jianxiong (刘建雄) is a Director and Supervisor respectively of Huazhu's subsidiaries Shanghai Ruiji Hotel Management Co., Ltd. (上海瑞季酒店管理有限公司) and Shanghai Mingxin Hotel Management Co., Ltd. (上海铭欣酒店管理有限公司), as well as a LP in Ningbo Hongting.

We counted Liu Jianxiong as shareholder of at least 4 Huazhu off-book hotels.

Franchisees that are owned by Liu Jianxiong

Hotel Name	Hotel Operator
汉庭北京华贸西大望路酒店 Hanting Hotel Beijing Huamao West Dawang Road	北京乐舒酒店管理有限公司 Beijing Leshu Hotel Management Co., Ltd.
汉庭杭州四季青服装市场酒店 Hanting Hotel Hangzhou Sijiqing Clothing Market	杭州凯硕酒店管理有限公司 Hangzhou Kaishuo Hotel Management Co., Ltd.
全季厦门机场区政府酒店 JI Hotel Xiamen Airport District Government	厦门金凯硕酒店管理有限公司 Xiamen Jinkaishuo Hotel Management Co., Ltd.
汉庭湖州南街酒店 Hanting Hotel Huzhou South Street	湖州凯硕酒店管理有限公司 Huzhou Kaishuo Hotel Management Co., Ltd.

Source: SAIC, Dianping

c. Contractor Wang Chunbing owns and operates 8 Huazhu off-book hotels

Hanting Shanghai Andong Road Hotel (汉庭上海东安路酒店) is operated by Shanghai Juting Hotel Management Co., Ltd. (上海聚庭酒店管理有限公司, "Shanghai Juting").[22] Qichacha revealed that Shanghai Juting is owned by 3 individuals: Zhang Peisong (张培松, 40%), Wang Chunbing (王春兵, 30%), and Cheng Jun (成军, 30%).

Wang Chunbing (王春兵) is listed as an approved Huazhu contractor and is an LP in Huazhu's managed fund Ningbo Hongting. We counted from Dianping that Wang Chunbing owns and operates at least 8 Huazhu off-book hotels.

Franchisees that are owned by Wang Chunbing

Hotel Name	Hotel Operator
汉庭上海东安路酒店 Hanting Hotel Shanghai Dong'an Road	上海聚庭酒店管理有限公司 Shanghai Juting Hotel Management Co., Ltd.
汉庭上海新华医院酒店 Hanting Hotel Shanghai Xinhua Hospital	上海皓石酒店管理有限公司 Shanghai Hao Shi Hotel Management Co., Ltd.
汉庭上海东安路二店 Hanting Hotel Shanghai Dong'an Road No. 2	上海聚庭酒店管理有限公司徐汇分公司 Shanghai Juting Hotel Management Co., Ltd. Xuhui Branch
汉庭上海浦东机场酒店 Hanting Hotel Shanghai Pudong Airport	上海瑞森酒店管理有限公司 Shanghai Ruisen Hotel Management Co., Ltd.
汉庭西安明城墙西门外酒店 Hanting Hotel Xi'an Ming City Wall West Gate	西安金雁酒店管理有限公司 Xi'an Jinyan Hotel Management Co., Ltd.
海友西安西门外明城墙酒店 Hi Inn Xi'an West Gate Waiming City Wall Hotel	西安金雁酒店管理有限公司 Xi'an Jinyan Hotel Management Co., Ltd.
全季济南高新区万达广场酒店 JI Hotel Jinan High-tech Zone Wanda Plaza	济南庭美酒店管理有限公司 Jinan Tingmei Hotel Management Co., Ltd.
汉庭济南高新区凤凰路酒店 Hanting Hotel Jinan High-tech Zone Phoenix Road	济南全美酒店有限公司 Jinan Quanmei Hotel Co., Ltd.

Source: SAIC, Dianping

[22] *Source: http://hotels.Huazhu.com/inthotel/detail/2000323?HotelLevel=0&CheckInDate=2020-05-29&CheckOutDate=2020-05-30*
Source: http://www.dianping.com/shop/k2lGQjkY5zqkRR2j

d. ***Huazhu Director Xia Suizhi owns and operates 3 off-book hotels***

Xia Suizhi (夏碎智) is the Legal Representative and Director of Huazhu's subsidiary Shanghai Yuxin Hotel Management Co., Ltd. (上海煜欣酒店管理有限公司), which operates Hanting Hotel Shanghai Jiangning Road (汉庭上海江宁路新店).[23] Our analysis reveals that Xia Suizhi owns and operates 3 Huazhu off-book hotels.

Franchisees that are owned by Xia Suizhi

Hotel Name	Hotel Operator
汉庭上海田子坊酒店 Hanting Hotel Shanghai Tianzifang	上海玮珊酒店管理有限公司 Shanghai Weishan Hotel Management Co., Ltd.
汉庭上海虹口足球场地铁站酒店 Hanting Hotel Shanghai Hongkou Football Stadium Metro Station	上海家华酒店管理有限公司 Shanghai Jiahua Hotel Management Co., Ltd.
汉庭上海华师大酒店 Hanting Hotel Shanghai East China Normal University	上海煜云酒店管理有限公司 Shanghai Yuyun Hotel Management Co., Ltd.

Source: SAIC, Dianping

e. ***Huazhu Director Liu Jianxiao is the shareholder of Shanghai Xianyi***

Shanghai Xianyi's shareholder list includes undisclosed related party Liu Jianxiao (刘建晓), a current Director of multiple Huazhu subsidiaries together with Liu Jianxiong, and Supervisor of a Huazhu equity investee.

Source: https://www.qcc.com/firm/72AHOR8.shtml

Source: https://www.qcc.com/firm/5765b8999dbbfe04700b01bd9681d3b6.html

Source: https://www.qcc.com/firm/fa0e7b2dce14201daba6e27b661ac6c9.html

[23] *Source:* *https://www.qcc.com/firm/14BVCVA.shtml*

f. Cjia Supervisor Weng Haimei owns and operates 2 Huazhu off-book hotels

Weng Haimei (翁海梅) is the Supervisor of Cjia's subsidiary Shanghai Bincheng Hotel Management Co., Ltd. (上海彬城酒店管理有限公司).[24] Our analysis revealed that Weng Haimei owns and operates 2 Huazhu off-book hotels.

Huazhu Franchisees that are owned by Weng Haimei

Hotel Name	Hotel Operator
全季上海新国际博览中心酒店 JI Hotel Shanghai New International Expo Center	上海申花假日酒店管理有限公司花木店 Shanghai Shenhua Holiday Hotel Management Co., Ltd. Huamu Store
全季上海龙阳路磁悬浮酒店 JI Hotel Shanghai Longyang Road Maglev	上海中贵宝物业管理有限公司 Shanghai Zhongguibao Property Management Co., Ltd.

Source: SAIC, Dianping

g. Cjia Supervisor Pei Bing owns and operates 3 Huazhu off-book hotels

Pei Bing (裴兵) is the Supervisor of Cjia's subsidiary Beijing Yuecheng Hotel Management Co., Ltd. (北京悦丞酒店管理有限公司) and a LP of Ningbo Hongting.[25] Our analysis revealed that Pei Bing owns and operates 3 Huazhu off-book hotels.

Huazhu Franchisees that are owned by Pei Bing

Hotel Name	Hotel Operator
全季北京前门四合院酒店 JI Hotel Beijing Qianmen Courtyard	北京前门三里河宾馆有限公司 Beijing Qianmen Sanlihe Hotel Co., Ltd.
汉庭北京站前广场酒店 Hanting Hotel Beijing Railway Station Square	站东捌号（北京）宾馆有限公司 Zhandongbahao (Beijing) Hotel Co., Ltd.
汉庭济南趵突泉南门酒店 Hanting Hotel Jinan Baotu Spring South Gate	济南鹊庭酒店管理咨询有限公司 Jinan Queting Hotel Management Consulting Co., Ltd.

Source: SAIC, Dianping

h. Cjia Supervisor Ye Jiangjiang owns and operates 3 Huazhu off-book hotels

Ye Jiangjiang (冶江江) Director of Cjia's subsidiary Shenzhen Chengjia Apartment Hotel Management Co., Ltd. (深圳城家公寓酒店管理有限公司) and a LP of Ningbo Hongting.[26] Our analysis revealed that Ye Jiangjiang owns and operates 3 Huazhu off-book hotels.

Huazhu Franchisees that are owned by Ye Jiangjiang

Hotel Name	Hotel Operator
汉庭北京西直门酒店 Hanting Hotel Beijing Xizhimen	北京怡江仲庭酒店管理有限公司 Beijing Yijiang Zhongting Hotel Management Co., Ltd.
全季乌鲁木齐友好酒店 JI Friendship Hotel Urumqi	乌鲁木齐怡江海庭酒店管理有限公司 Urumqi Yijiang Haiting Hotel Management Co., Ltd.
汉庭海口国贸温泉酒店 Hanting Hotel Haikou International Trade Hot Spring	海南海庭酒店管理有限公司 Hainan Haiting Hotel Management Co., Ltd.

Source: SAIC, Dianping

[24] Source: https://www.qcc.com/firm/a3508ced45757a0ca023d852666e0db8.html
[25] Source: https://www.qcc.com/firm/16WM9HI.shtml
[26] Source: https://www.qcc.com/firm/3476MLC.shtml

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