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海南机场
HAINAN AIRPORT

HAINAN AIRPORT INFRASTRUCTURE CO., LTD.
海南機場設施股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600515.SH)

HAINAN AIRPORT INFRASTRUCTURE (HONGKONG) CO., LIMITED
海南機場設施(香港)有限公司
(incorporated in Hong Kong with limited liability)

HAINAN MEILAN INTERNATIONAL AIRPORT COMPANY LIMITED*
海南美蘭國際空港股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 357)

JOINT ANNOUNCEMENT
SPECIAL DEALS RELATING TO
(1) THE TRANSFER OF EQUITY INTEREST IN TIANYU FROM HAINAN AIRPORT DEVELOPMENT TO HNA;
AND
(2) THE PRO RATA CAPITAL CONTRIBUTION BY HAINAN AIRPORT DEVELOPMENT AND HNA INTO HNA TECHNIC

Financial Adviser to the Offerors in connection with the Special Deals

RAINBOW.
RAINBOW CAPITAL (HK) LIMITED
浤博資本有限公司

Independent Financial Adviser to the Independent Board Committee

八方金融有限公司
OCTAL Capital Limited

* *For identification purpose only*

Reference is made to (i) the Rule 3.5 Joint Announcement in relation to, among other things, the SPA and the Offers; and (ii) the announcement issued by the Company dated 16 May 2025 in relation to the appointment of the Independent Financial Adviser.

THE TIANYU TRANSFER

On 6 June 2025 and 27 August 2025, Hainan Airport Development entered into the Master ETA and the Supplemental ETA, respectively, with HNA. Subject to and in accordance with the ETA, Hainan Airport Development has conditionally agreed to transfer, and HNA has conditionally agreed to acquire, the Tianyu Equity (being 100% of the equity interest in Tianyu), at the Transfer Consideration of RMB799,070,000.00. Upon completion of the Tianyu Transfer, Hainan Airport Development will no longer hold any equity interest in Tianyu.

THE CAPITAL CONTRIBUTION

Hainan Airport Development and HNA intend to enter into the Capital Contribution Agreement. Subject to and in accordance with the Capital Contribution Agreement, Hainan Airport Development and HNA will conditionally agree to make capital contributions in cash to HNA Technic, in proportion to their existing shareholdings in HNA Technic, for a total amount of RMB2,401,610,336.17.

TAKEOVERS CODE IMPLICATIONS OF THE SPECIAL DEALS

Neither Tianyu nor HNA Technic is or will become a member of the Group. However, as the agreements for the Tianyu Transfer are, and the agreement for the Capital Contribution will be, an agreement entered into between Hainan Airport Development (a presumed concert party of the Offerors) and HNA (a Shareholder) during the Offer Period which is not extended to all Shareholders, each of them constitutes a special deal under Rule 25 of the Takeovers Code, which will require the consent of the Executive. The Offerors have made an application to the Executive for consent under Rule 25 of the Takeovers Code in relation to each of the Special Deals. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion each of the Special Deals are fair and reasonable; and (ii) each of the Special Deals being approved at the EGM by the Independent Shareholders.

GENERAL

Financial adviser to the Offerors in connection with the Special Deals

Rainbow Capital has been engaged by the Offerors in connection with the Special Deals.

Accountant of the Offerors in connection with the Special Deals

WUYIGE has been engaged by the Offerors in connection with the Special Deals.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising the non-executive Directors who have no direct or indirect interest in the Special Deals, namely Mr. Fung Ching, Simon, Mr. Ye Zheng, Mr. Deng Tianlin and Ms. Liu Hongbin as independent non-executive Directors, has been established. The Independent Board Committee will advise the Independent Shareholders as to whether each of the Special Deals are fair and reasonable and as to voting at the EGM.

The Independent Financial Adviser, Octal Capital Limited, has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in relation to the Special Deals and, in particular, as to whether each of the Special Deals are fair and reasonable and as to voting at the EGM.

EGM

The Company will convene and hold the EGM for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve the Special Deals.

Voting at the EGM will be conducted by way of poll. The Offerors, HNA and their respective concert parties (including presumed concert parties) shall abstain from voting at the EGM on the resolutions in relation to the Special Deals. Apart from HNA, the Seller (as presumed concert party of the Offerors) and Hainan Xinlineng (a presumed concert party of the Offerors), none of the other Shareholders was interested in or was involved in the Special Deals and is required to abstain from voting on the relevant resolutions at the EGM.

The Circular containing, among others, (i) information on the Special Deals; (ii) recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Special Deals; (iii) advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Special Deals; (iv) information as required under Rules 8.5, 10.4, 10.5 and 11.1(b) of the Takeovers Code; and (v) the notice convening the EGM, will be despatched to Shareholders in accordance with the Takeovers Code as soon as practicable. The Company expects to despatch the circular on or around 26 September 2025.

Reference is made to (i) the Rule 3.5 Joint Announcement in relation to, among other things, the SPA and the Offers; and (ii) the announcement issued by the Company dated 16 May 2025 in relation to the appointment of the Independent Financial Adviser.

PART A: THE TIANYU TRANSFER

On 6 June 2025 and 27 August 2025, Hainan Airport Development entered into the Master ETA and the Supplemental ETA, respectively, with HNA. Subject to and in accordance with the ETA, Hainan Airport Development has conditionally agreed to transfer, and HNA has conditionally agreed to acquire, the Tianyu Equity (being 100% of the equity interest in Tianyu), at the Transfer Consideration of RMB799,070,000.00. Upon completion of the Tianyu Transfer, Hainan Airport Development will no longer hold any equity interest in Tianyu.

(1) THE ETA

The principal terms of the ETA are summarised as follows.

Date:	6 June 2025 and supplemented on 27 August 2025
Parties:	(i) Hainan Airport Development; (ii) HNA; and (iii) Tianyu.

Transfer Consideration

The amount of the Transfer Consideration is based on the valuation results of the Valuation Report, being RMB799,070,000.00.

Conditions precedent

The ETA will become effective upon satisfaction of the following conditions (the "**Tianyu Conditions**"):

(i) the ETA has been signed by legal representatives or authorised representatives of each party to the ETA and their respective official seals have been affixed;

(ii) Hainan Airport Development has obtained the approval and authorisation of its internal competent decision-making bodies and the approval of the external competent decision-making authorities in respect of the Tianyu Transfer and the ETA;

(iii) the Tianyu Transfer and the ETA comply with applicable laws, regulations and regulatory requirements in Hong Kong;

(iv) Hainan Airport Development has completed the filing procedures with Hainan SASAC for the asset valuation results in respect of the Tianyu Transfer;

(v) HNA has obtained the approval and authorisation of its internal competent decision-making bodies in respect of the Tianyu Transfer and the ETA; and

(vi) Hainan Airport Development, HNA and Tianyu have jointly completed an inventory of Tianyu's assets and signed a written confirmation document.

Tianyu Conditions (i), (ii) and (iv) above have been satisfied as at the date of this joint announcement. In respect of Tianyu Condition (v) above, while HNA has obtained the approval and authorisation of its board of directors, the approval and authorisation of its shareholders at a general meeting is still pending. The other Tianyu Conditions remain outstanding as at the date of this joint announcement.

None of the Tianyu Conditions is capable of being waived by any party to the ETA.

Transitional arrangements and completion

During the Transition Period, HNA shall be entitled to the profits generated by Tianyu, while any losses shall be borne by Hainan Airport Development. The profits and losses shall be determined based on the financial statements of Tianyu as of the date of completion of the Tianyu Transfer, the financial statements shall be prepared in accordance with the key accounting policies adopted by HNA. The detailed arrangements shall be confirmed by Hainan Airport Development and HNA.

During the Transition Period, without the prior written (including by email) consent of HNA, Hainan Airport Development shall not carry out any liquidation, dissolution, capital increase, capital reduction, equity transfer, division, merger, repurchase or other changes to the shareholding structure of Tianyu.

The ETA will become effective upon satisfaction of the Tianyu Conditions. HNA has agreed to pay Hainan Airport Development the Transfer Consideration within 3 Business Days after the ETA becomes effective (and Tianyu would settle any outstanding debt to Hainan Airport Development on or before such date). Hainan Airport Development shall cooperate with HNA to complete the industrial and commercial registration of changes in shareholder, director(s), supervisor(s) and legal representative, etc. of Tianyu within 3 Business Days after the Transfer Consideration is received in full, for which HNA and Tianyu shall provide necessary assistance.

Representations, warranties and liability for breach

The parties to the ETA have agreed to give representations and warranties customary to transactions of similar nature, including, as applicable, those relating to the authority to enter into the ETA and title to the Tianyu Equity.

Each of Hainan Airport Development, HNA and Tianyu shall compensate the other party(ies) to the ETA for actual losses incurred due to its breach of the ETA or any representations or warranties made thereunder.

If HNA fails to pay the Transfer Consideration in full in accordance with the ETA, it shall be liable to pay a fee for late payment of 0.03% of the outstanding amount per day. Should such default persist for more than 30 days, Hainan Airport Development shall be entitled to terminate the ETA.

If Hainan Airport Development fails to actively cooperate with HNA in completing the industrial and commercial registrations or delivering the required documents, it shall pay liquidated damages of 0.03% of the Transfer Consideration per day. Should such default persist for more than 30 days, HNA shall be entitled to terminate the ETA, whereupon Hainan Airport Development shall immediately refund the Transfer Consideration.

Impairment undertaking

Upon expiration of the Impairment Undertaking Period, HNA shall engage an accounting firm qualified to conduct securities-related business to perform an impairment evaluation on the Tianyu Equity and issue a report. The impairment amount shall be calculated based on the following formula:

Impairment amount = A - (B + C - D) - E

where:

A is the appraised value of the Tianyu Equity according to the Valuation Report, being RMB799,070,000.00

B is the appraised value of the Tianyu Equity as at the end of the Impairment Undertaking Period

C is the impact of any capital reduction, the giving of grant and profit distribution of Tianyu during the Impairment Undertaking Period

D is the impact of any capital increase and the acceptance of grant of Tianyu during the Impairment Undertaking Period

E is any losses borne by Hainan Airport Development during the Transition Period

If the impairment amount is greater than zero, Hainan Airport Development shall compensate HNA in an amount equal to the impairment amount, capped at the difference between the appraised value under the income approach (RMB799,070,000.00) and the appraised value under the asset-based approach (RMB751,611,400.00) as stated in the Valuation Report, being RMB47,458,600.00. Hainan Airport Development shall make the compensation within 60 Business Days after the issuance of the report.

If the impairment amount is less than or equal to zero, Hainan Airport Development shall not be required to make any compensation.

HNA shall require the accounting firm to apply key valuation assumptions, parameters, and bases which are not materially inconsistent with those used in the Valuation Report.

(2) VALUATION AND PRICING

According to the Valuation Report, the appraised value of the Tianyu Equity was RMB799,070,000.00 as at the Valuation Benchmark Date, reflecting an appraisal appreciation of RMB204,379,700.00 compared with the book value of the entire shareholders' equity of Tianyu (being RMB594,690,300.00), with a value appreciation rate of 34.37%. On this basis and after amicable negotiation, the amount of the Transfer Consideration was determined to be RMB799,070,000.00.

The Tianyu Transfer constitutes a MAR of HNA. In compliance with the MAR Measures and other PRC rules and regulations relating to the MAR of HNA, HNA published on the Shanghai Stock Exchange on 7 June 2025 and 27 August 2025: (i) the main body of the Valuation Report; (ii) the MAP Report; and (iii) other relevant information relating to the MAR of HNA pursuant to the aforementioned PRC rules and regulations (the "**Other Information**").

The main body of the Valuation Report is set out in Appendix I of this joint announcement. An extract of the relevant parts of the MAP Report and the Other Information, containing (i) information relevant to the Tianyu Transfer or Tianyu not otherwise disclosed in this joint announcement and (ii) material information with Takeovers Code implications, is set out in Appendix II of this joint announcement. The original full text of the main body of the Valuation Report, the MAP Report and the Other Information are published in Chinese on the website of the Shanghai Stock Exchange (www.sse.com.cn).

The letter of confirmation under Rule 11.4 of the Takeovers Code by Zhong Wei, the issuer of the Valuation Report, is set out in Appendix III of this joint announcement. As at the date of this joint announcement, Zhong Wei has given and has not withdrawn its written consent to the issue of this joint announcement with the inclusion of the Valuation, its letter, its opinion and the reference to its name in the form and context in which they respectively appear in this joint announcement.

The Valuation has been reported on by Rainbow Capital in accordance with the requirements under Rules 10.3, 10.4 and 11.1(b) of the Takeovers Code and by WUYIGE in accordance with the requirements under Rules 10.3, 10.4 and 11.1(a) of the Takeovers Code respectively and the reports from Rainbow Capital and WUYIGE have been lodged with the Executive. A copy of the reports from Rainbow Capital and WUYIGE is also set out in Appendices IV and V of this joint announcement respectively. As at the date of this joint announcement, each of Rainbow Capital and WUYIGE has given and has not withdrawn its written consent to the issue of this joint announcement with the inclusion of its report, its opinion and the reference to its name in the form and context in which they respectively appear in this joint announcement.

(3) REASONS FOR ENTERING INTO THE ETA

Hainan Airport Development considers that the Tianyu Transfer will facilitate the Domestic Share Offeror (being Hainan Airport Development's sole shareholder) to further focus on its main airports business and optimise the allocation of resources. It is expected that, after completion of the Tianyu Transfer, Hainan Airport Development (and indirectly, the Domestic Share Offeror) will receive an investment income of around RMB203 million (the specific amount is subject to the final audited financial report disclosed by the Domestic Share Offeror).

According to the announcement of HNA, HNA considers Tianyu as a vital supporting enterprise for its daily operations, handling over half of its pilot, flight attendant and other aviation-related personnel training, including routing simulator sessions and annual recurrent programs. HNA considers that the Tianyu Transfer will help improve the layout of its aviation industry supply chain, thereby promoting the expansion of its core aviation transportation business, reducing operational costs, and enhancing its core competitiveness and overall operational risk resilience. By integrating aviation simulator resources, HNA can achieve the dual goals of safety compliance and cost-efficient management.

PART B: THE CAPITAL CONTRIBUTION

Hainan Airport Development and HNA intend to enter into the Capital Contribution Agreement. Subject to and in accordance with the Capital Contribution Agreement, Hainan Airport Development and HNA will conditionally agree to make capital contributions in cash to HNA Technic, in proportion to their existing shareholdings in HNA Technic, for a total amount of RMB2,401,610,336.17.

(1) THE CAPITAL CONTRIBUTION AGREEMENT

The intended principal terms of the Capital Contribution Agreement are summarised as follows.

Parties: (i) Hainan Airport Development;

(ii) HNA; and

(iii) HNA Technic.

Capital Contribution arrangements

Hainan Airport Development and HNA hold approximately 31.9305% and 68.0695%, respectively, of the equity interests in HNA Technic.

Hainan Airport Development shall contribute RMB766,846,188.39 in cash, of which RMB382,701,785.27 shall be credited to the registered capital of HNA Technic and RMB384,144,403.12 shall be credited to the capital reserve of HNA Technic.

HNA shall contribute RMB1,634,764,147.78 in cash, of which RMB815,844,386.17 shall be credited to the registered capital of HNA Technic and RMB818,919,761.61 shall be credited to the capital reserve of HNA Technic.

Conditions precedent

The completion of the Capital Contribution is conditional upon satisfaction of the following conditions (the "**HNA Technic Conditions**"):

(i) shareholders' resolutions in respect of the Capital Contribution of HNA Technic having been duly passed;

(ii) each of Hainan Airport Development and HNA having obtained the approval and authorisation of its internal competent decision-making bodies and the approval of the relevant external competent authorities in respect of the Capital Contribution and the Capital Contribution Agreement; and

(iii) the Capital Contribution and the Capital Contribution Agreement complying with applicable laws, regulations and regulatory requirements in Hong Kong.

All three HNA Technic Conditions remain outstanding as at the date of this joint announcement. In respect of HNA Technic Condition (ii) above, Hainan Airport Development has obtained the approval and authorisation of its internal competent decision-making bodies. While HNA has obtained the approval and authorisation of its board of directors, the approval and authorisation of its shareholders at a general meeting is still pending. Hainan SASAC has approved Hainan Airport Development's capital contribution and no further approval of external competent authorities is required.

None of the HNA Technic Conditions is capable of being waived by any party to the Capital Contribution Agreement.

Completion

Hainan Airport Development and HNA shall make their respective contributions under the Capital Contribution Agreement in full within 3 Business Days after all HNA Technic Conditions have been satisfied.

Within 2 months after the Capital Contribution is fully paid, HNA Technic shall complete the relevant industrial and commercial registration procedures and filing of the revised articles of association with the competent market regulatory authority.

Within 5 Business Days after the Capital Contribution is fully paid, HNA Technic shall provide Hainan Airport Development and HNA with the updated register of shareholders and capital contribution certificates.

Representations, warranties and liability for breach

The parties to the Capital Contribution Agreement will give representations and warranties customary to transactions of similar nature, including, as applicable, those relating to the authority to enter into the Capital Contribution Agreement and warranty of ownership of assets.

If a party to the Capital Contribution Agreement fails to perform or suspends the performance of its obligations under the Capital Contribution Agreement, or if any representation or warranty made by such party is untrue or inaccurate in any material respect, such party shall be deemed to be in breach of the Capital Contribution Agreement.

The party in breach shall, within 7 days after receiving a written notice from another party, commence rectification of the non-performance and shall complete such rectification within 30 days. The party in breach shall also compensate the other party(ies) for losses and hold the non-breaching party(ies) harmless.

If either Hainan Airport Development or HNA fails to make its contribution under the Capital Contribution Agreement in full, the other party shall be entitled to terminate the Capital Contribution Agreement by providing written notice. If the capital contribution of the party not in breach has already been paid to HNA Technic, HNA Technic shall refund the full amount to such party within 15 Business Days after the date of the written notice. If HNA Technic fails to make the refund within the stipulated period, it shall be liable to pay a fee for capital occupation of 0.03% of the outstanding amount per day from the date of default, and the party in breach shall bear joint liability for such default.

Termination

Prior to the completion of the Capital Contribution, the Capital Contribution Agreement may be terminated by mutual written consent of all parties to the Capital Contribution Agreement, and the transaction contemplated under the Capital Contribution Agreement shall be abandoned.

(2) REASONS FOR ENTERING INTO THE CAPITAL CONTRIBUTION AGREEMENT

Hainan Airport Development and, according to the announcement of HNA, HNA, recognise the future growth potential of HNA Technic and consider that the Capital Contribution would strengthen HNA Technic's financial position, optimise its capital structure, reduce its debt-to-asset ratio, and enhance its financing capacity. The Capital Contribution would provide capital to expand HNA Technic's business operations and boost its production capabilities.

Further, the Domestic Share Offeror (being Hainan Airport Development's sole shareholder) considers that the Capital Contribution will deepen its business collaboration with local-based airlines, thereby enhancing its aviation-oriented business layout and strengthening its sustainable development capacity.

According to the announcement of HNA, HNA also considers that the Capital Contribution would improve its financial position, lower its leverage ratio and improve its creditworthiness, enabling better access to institutional financing.

PART C: INFORMATION ON THE PARTIES TO THE SPECIAL DEALS

Information on Hainan Airport Development

Hainan Airport Development is a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of the Domestic Share Offeror. It is an investment holding company principally engaged in airport operations management, real estate, architectural design and consulting.

Information on HNA

HNA is a company incorporated in the PRC with limited liability and is interested in 5,287,500 Domestic Shares (representing approximately 1.12% of the entire issued share capital of the Company as at the date of this joint announcement). HNA is principally engaged in passenger, cargo and mail transport to international and domestic destinations (including Hong Kong and Macau); services related to air transportation; air travel services; production of in-flight supplies, aviation materials, aircraft ground support equipment and spare parts; terminal services and operations; and sideline insurance agency services (limited to personal accident insurance). As at the date of this joint announcement the substantial shareholder of HNA is Hainan Hanwei Investment Company Limited* (海南瀚巍投資有限公司) (holding approximately 24.41% interests in HNA).

Information on Tianyu

Tianyu is a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of Hainan Airport Development. Tianyu is principally engaged in the training services for pilots, flights attendants and other aviation-related personnel; simulator maintenance, repair and other related technical services; aviation business knowledge training; flight experience; after-sales support for simulator spare parts; development and sales of simulator application software and visual airport systems; accommodation services; and housing rental.

Further information on Tianyu as extracted from the MAP Report and the Other Information is set out in Appendix II to this joint announcement.

Please refer to the audited financial information of Tianyu for the financial years ended 31 December 2023 and 31 December 2024 and the four months ended 30 April 2025 included in the Audited Financial Statements set out in Appendix VI of this joint announcement.

Under the listing rules of the Shanghai Stock Exchange and (in the case of HNA) PRC rules and regulations relating to the MAR of HNA, the Domestic Share Offeror and HNA are each required to disclose the audited financial information of Tianyu. Such audited financial information is required to be prepared according to each entity's respective group accounting policies, with HNA's disclosure additionally requiring compliance with the applicable requirements under PRC rules and regulations relating to the MAR of HNA. Consequently, both the Domestic Share Offeror and HNA have prepared separate sets of audited financial information of Tianyu which are separately disclosed on the Shanghai Stock Exchange. In particular, a key difference between the two sets of accounting policies was the treatment of accounts receivable and other receivables. Both the Domestic Share Offeror and HNA categorised these items into portfolio groups based on their respective credit risk characteristics and applied their own expected credit loss rates to calculate bad debt provisions. This differing approach has resulted in differences between the two sets of audited financial information. The financial information of Tianyu published by HNA may be found on the website of the Shanghai Stock Exchange (www.sse.com.cn).

Information on HNA Technic

HNA Technic is a company incorporated in the PRC with limited liability, its shareholders are Hainan Airport Development (holding approximately 31.9305% of the equity interests in HNA Technic) and HNA (holding approximately 68.0695% of the equity interests in HNA Technic). HNA Technic is principally engaged in the maintenance, repair and overhaul of aircraft, engines (including auxiliary power units) and other components for domestic and international customers; provision of line maintenance support services for domestic and international airlines, dispatch of personnel to provide maintenance and technical services; fleet technical management and other engineering services; calibration services; subcontracting management of engines, components and other parts; personnel training; technical consultancy; maintenance and development; design, manufacturing, repair, management and logistics services related to ground equipment and facilities; design, manufacturing, warehousing, logistics, sales, support and management services of aviation materials; and asset management.

Set out below is a summary of certain audited financial information of HNA Technic for the financial year ended 31 December 2024 and unaudited financial information of HNA Technic for the four months ended 30 April 2025, as extracted from the announcements published by the Domestic Share Offeror on the Shanghai Stock Exchange dated 7 June 2025 and 27 August 2025 respectively.

	As at 31 December 2024 (audited) *unit: RMB10,000*	As at 30 April 2025 (unaudited) *unit: RMB10,000*
Total assets	787,244.84	844,872.97
Total liabilities	783,337.09	849,274.48
Total equity attributable to the parent company of HNA Technic	28,280.26	21,407.37

	For the year ended 31 December 2024 (audited) *unit: RMB10,000*	For the four months ended 30 April 2025 (unaudited) *unit: RMB10,000*
Revenue	489,778.40	171,799.81
Net profit/(loss) attributable to the parent company of HNA Technic	(8,449.05)	(6,872.89)

Set out below is a summary of certain audited financial information of HNA Technic for the financial years ended 31 December 2024 and 31 December 2023 and unaudited financial information of HNA Technic for the four months ended 30 April 2025, which is not otherwise disclosed in the announcements published by the Domestic Share Offeror on the Shanghai Stock Exchange dated 7 June 2025 and 27 August 2025 and set out above, as extracted and reproduced from the announcements published by HNA on the Shanghai Stock Exchange dated 7 June 2025 and 27 August 2025 respectively.

	As at 30 April 2025 (unaudited) *unit: RMB10,000*
Current assets	548,349.9
Non-current assets	296,523.1
Current liabilities	588,177.4
Non-current liabilities	261,097.2

	For the four months ended 30 April 2025 (unaudited) *unit: RMB10,000*
Net profit/(loss)	(8,449.4)
Total comprehensive income	(8,449.4)

	As at 31 December 2024 (audited) *unit: RMB10,000*
Current assets	494,045.8
Non-current assets	293,199.0
Current liabilities	527,044.6
Non-current liabilities	256,292.5
Net assets	3,907.75

	For the year ended 31 December 2024 (audited) *unit: RMB10,000*
Total profit/(loss)	(12,887.98)
Net profit/(loss)	(13,217.60)
Total comprehensive income	(12,041.1)
Cash flow from operating activities	4,884.8

	As at 31 December 2023 (audited) *unit: RMB10,000*
Current assets	394,785.7
Non-current assets	320,499.3
Total assets	715,285.0
Current liabilities	418,490.3
Non-current liabilities	287,844.6
Total liabilities	706,334.9

	For the year ended 31 December 2023 (audited) *unit: RMB10,000*
Revenue	436,034.6
Net profit/(loss)	46,355.1
Total comprehensive income	46,071.8
Cash flow from operating activities	(107,823.7)

Pursuant to Rule 10 of the Takeovers Code, the unaudited financial information in respect of the (i) net loss of HNA Technic and (ii) the net loss attributable to the parent company of HNA Technic, each for the four months ended 30 April 2025 (collectively, the "**Unaudited Financial Information**") set out in this section of this joint announcement constitutes a profit forecast under Rule 10 of the Takeovers Code. The Unaudited Financial Information has been reported on by Rainbow Capital and WUYIGE respectively in accordance with the requirements under Rules 10.3 and 10.4 of the Takeovers Code and the reports from Rainbow Capital and WUYIGE have been lodged with the Executive. A copy of the reports from Rainbow Capital and WUYIGE is also set out in Appendices VII and VIII of this joint announcement respectively. As at the date of this joint announcement, each of Rainbow Capital and WUYIGE has given and has not withdrawn its written consent to the issue of this joint announcement with the inclusion of its report, its opinion and the reference to its name in the form and context in which they respectively appear in this joint announcement.

PART D: TAKEOVERS CODE IMPLICATIONS OF THE SPECIAL DEALS

Neither Tianyu nor HNA Technic is or will become a member of the Group. However, as the agreements for the Tianyu Transfer are, and the agreement for the Capital Contribution will be, an agreement entered into between Hainan Airport Development (a presumed concert party of the Offerors) and HNA (a Shareholder) during the Offer Period which is not extended to all Shareholders, each of them constitutes a special deal under Rule 25 of the Takeovers Code, which will require the consent of the Executive. The Offerors have made an application to the Executive for consent under Rule 25 of the Takeovers Code in relation to each of the Special Deals. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion each of the Special Deals are fair and reasonable; and (ii) each of the Special Deals being approved at the EGM by the Independent Shareholders.

PART E: GENERAL

Financial adviser to the Offerors in connection with the Special Deals

Rainbow Capital has been engaged by the Offerors in connection with the Special Deals.

Accountant of the Offerors in connection with the Special Deals

WUYIGE has been engaged by the Offerors in connection with the Special Deals.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising the non-executive Directors who have no direct or indirect interest in the Special Deals, namely Mr. Fung Ching, Simon, Mr. Ye Zheng, Mr. Deng Tianlin and Ms. Liu Hongbin as independent non-executive Directors, has been established. The Independent Board Committee will advise the Independent Shareholders as to whether each of the Special Deals are fair and reasonable and as to voting at the EGM.

Mr. Wu Jian, Mr. Li Zhiguo and Mr. Wen Zhe, being all the non-executive Directors, are not considered independent for the purpose of giving advice or recommendation to the Independent Shareholders due to their respective interest in the Offers as follows and therefore will not form part of the Independent Board Committee:

1. Mr. Wu Jian has served as the vice president of the Seller since July 2023;

2. Mr. Li Zhiguo has served as the vice president of the Seller since September 2020 and a director of the Seller since June 2022; and

3. Mr. Wen Zhe has served as the director of the airport safety committee office(安委辦)of the Domestic Share Offeror since December 2021.

The Independent Financial Adviser, Octal Capital Limited, has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in relation to the Special Deals and, in particular, as to whether each of the Special Deals are fair and reasonable and as to voting at the EGM.

EGM

The Company will convene and hold the EGM for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve the Special Deals.

Voting at the EGM will be conducted by way of poll. The Offerors, HNA and their respective concert parties (including presumed concert parties) shall abstain from voting at the EGM on the resolutions in relation to the Special Deals. Apart from HNA, the Seller (as presumed concert party of the Offerors) and Hainan Xinlineng (a presumed concert party of the Offerors), none of the other Shareholders was interested in or was involved in the Special Deals and is required to abstain from voting on the relevant resolutions at the EGM.

A circular (the "**Circular**") containing, among others, (i) information on the Special Deals; (ii) recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Special Deals; (iii) advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Special Deals; (iv) information as required under Rules 8.5, 10.4, 10.5 and 11.1(b) of the Takeovers Code; and (v) the notice convening the EGM, will be despatched to Shareholders in accordance with the Takeovers Code as soon as practicable. The Company expects to despatch the circular on or around 26 September 2025.

WARNING: Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this joint announcement, the following terms have the meanings set out below, unless the context requires otherwise:

acting in concert (or concert parties)	has the meaning given to it in the Takeovers Code and "concert party" shall be construed accordingly
Audited Financial Statements	the audited financial statements of Tianyu for the years ended 31 December 2023 and 31 December 2024 and the four months ended 30 April 2025 issued by Zhongshenzhonghuan Certified Public Accountants LLP on 30 July 2025, which are set out in Appendix VI of this joint announcement
Board	the board of Directors
Business Day(s)	statutory business day(s) in the PRC

Capital Contribution	the capital contribution in cash to HNA Technic by Hainan Airport Development and HNA in proportion to their existing shareholdings in HNA Technic, for a total amount of RMB2,401,610,336.17, pursuant to the Capital Contribution Agreement
Capital Contribution Agreement	the capital contribution agreement which Hainan Airport Development and HNA intend to enter into in relation to the Capital Contribution
CICC	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offerors in relation to the Offers. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Circular	has the meaning given to it in the section headed "EGM" in Part E of this joint announcement
Company	Hainan Meilan International Airport Company Limited* (海南美蘭國際空港股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 357)
Director(s)	director(s) of the Company
Domestic Share(s)	the domestic ordinary share(s) with a nominal value of RMB1.00 each in the registered share capital of the Company, which is/are subscribed for in RMB
Domestic Share Offer	the possible unconditional mandatory cash offer to be made by the Domestic Share Offeror to acquire all of the Domestic Shares not already owned or agreed to be acquired by the Domestic Share Offeror in accordance with the Takeovers Code as a result of (and subject to) SPA Completion

Domestic Share Offeror	Hainan Airport Infrastructure Co., Ltd. (海南機場設施股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600515.SH)
EGM	the extraordinary general meeting to be convened by the Company for the purpose of considering and, if thought fit, approving, among other things, the Special Deals, including any adjournment in respect thereof
ETA	the Master ETA, as supplemental by the Supplemental ETA
Executive	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
Group	the Company and its subsidiaries
Hainan Airport Development	Hainan Airport Development Industry Group Co., Ltd.* (海南空港開發產業集團有限公司), a company incorporated in the PRC with limited liability
Hainan SASAC	the State-owned Assets Supervision and Administration Commission of Hainan Province (海南省國有資產監督管理委員會)
Hainan Xinlineng	Hainan Xinlineng Trading Co., Ltd.* (海南馨利能貿易有限公司), a company incorporated in the PRC with limited liability
HK$	Hong Kong dollars, the lawful currency of Hong Kong
HNA	Hainan Airlines Holding Co., Ltd.* (海南航空控股股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600221.SH)
HNA Technic	HNA Technic Co., Ltd.* (海航航空技術有限公司), a company incorporated in the PRC with limited liability

HNA Technic Conditions	the conditions precedent to the completion of the Capital Contribution as described in the sub-section headed "Conditions precedent" in the section headed "(1) The Capital Contribution Agreement" in Part B of this joint announcement
Hong Kong	the Hong Kong Special Administrative Region of the PRC
H Share(s)	the overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which is/are listed on the Stock Exchange and traded in HK$
H Shareholder(s)	the holders of the H Shares
H Share Offer	the possible unconditional mandatory cash offer to be made by CICC on behalf of the H Share Offeror to acquire all of the H Shares held by H Shareholders apart from the Offerors and their concert parties, in accordance with the Takeovers Code as a result of (and subject to) SPA Completion
H Share Offeror	Hainan Airport Infrastructure (Hongkong) Co., Limited (海南機場設施(香港)有限公司), a company incorporated in Hong Kong with limited liability which is wholly owned by the Domestic Share Offeror
Impairment Undertaking Period	the three-year period beginning on the Valuation Benchmark Date
Independent Board Committee	an independent board committee of the Board established pursuant to the Takeovers Code to give recommendations to the Independent Shareholders in respect of the Special Deals
Independent Financial Adviser	Octal Capital Limited is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Special Deals

Independent Shareholder(s)	Shareholders (apart from the Offerors and HNA and their respective concert parties (including presumed concert parties), and those who are interested or involved in the Special Deals) who are not required to abstain from voting at the EGM for the relevant resolutions with respect to the Special Deals under the Takeovers Code, and "Independent Shareholder" means any of them
MAP Report	the draft report on material asset purchase (重大資產購買報告書(草案)) published by HNA on 27 August 2025, a relevant extract of which is set out in Appendix II of this joint announcement
MAR	material asset restructuring under the MAR Measures and other PRC rules and regulations
MAR Measures	the Administrative Measures for the Material Asset Restructuring for Listed Companies as issued by the China Securities Regulatory Commission
Master ETA	the equity transfer agreement dated 6 June 2025 between Hainan Airport Development as transferor and HNA as transferee in relation to the Tianyu Transfer
Offerors	the Domestic Share Offeror and the H Share Offeror
Offer Period	has the meaning given to it under the Takeovers Code, being the period from the date of the Rule 3.5 Joint Announcement until the latest of: (1) the date when the Offers close for acceptances; (2) the date when the Offers lapse; (3) the time when the Offerors announce that the Offers will not proceed; and (4) the date when an announcement is made of the withdrawal of the Offers or if earlier, such other date determined by the Executive, having considered all relevant circumstances, as the date on which the offer period shall end
Offers	the Domestic Share Offer and the H Share Offer
Other Information	has the meaning given to it in the section headed "(2) Valuation and Pricing" in Part A of this joint announcement

PRC	the People's Republic of China, which expression, solely for the purpose of construing this joint announcement, does not include Hong Kong, Macau Special Administrative Region of the People's Republic of China or Taiwan
Rainbow Capital	Rainbow Capital (HK) Limited is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and is the financial adviser to the Offerors in connection with the Special Deals
RMB	Renminbi, the lawful currency of the PRC
Rule 3.5 Joint Announcement	the joint announcement issued by the Offerors and the Company dated 30 April 2025
Sale Shares	237,500,000 Domestic Shares held by the Seller (representing approximately 50.19% of the entire issued share capital of the Company as at the date of this joint announcement)
Seller	Haikou Meilan International Airport Company Limited* (海口美蘭國際機場有限責任公司), a company incorporated in the PRC with limited liability, a Shareholder holding the Sale Shares as at the date of this joint announcement
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) in the issued share capital of the Company with a nominal value of RMB1.00 each, including the Domestic Shares and the H Shares
Shareholders	holders of the Shares
SPA	the sale and purchase agreement dated 30 April 2025 between the Domestic Share Offeror as purchaser and the Seller as seller in relation to the sale and purchase of the Sale Shares
Special Deals	the Tianyu Transfer and the Capital Contribution

Stock Exchange	The Stock Exchange of Hong Kong Limited
Supplemental ETA	the supplemental equity transfer agreement to the Master ETA dated 27 August 2025 between Hainan Airport Development as transferor and HNA as transferee in relation to the Tianyu Transfer
Takeovers Code	the Hong Kong Code on Takeovers and Mergers
Tianyu	Hainan Sky Plumage Flight Training Co., Ltd.* (海南天羽飛行訓練有限公司), a company incorporated in the PRC with limited liability
Tianyu Conditions	the conditions precedent to the ETA taking effect as described in the sub-section headed "Conditions precedent" in the section headed "(1) The ETA" in Part A of this joint announcement
Tianyu Equity	100% of the equity interest in Tianyu
Tianyu Transfer	the transfer of the Tianyu Equity from Hainan Airport Development to HNA pursuant to the ETA
Transfer Consideration	the consideration payable by Hainan Airport Development to HNA for the Tianyu Transfer
Transition Period	the period from Valuation Benchmark Date to completion of the Tianyu Transfer
Unaudited Financial Information	has the meaning given to it in the section headed "Information on HNA Technic" in Part C of this joint announcement
Valuation	the valuation of the Tianyu Equity set out in Appendices I and II (the Valuation Report and the extract of the MAP Report and the Other Information) of this joint announcement
Valuation Benchmark Date	31 December 2024
Valuation Report	the asset valuation report issued by Zhong Wei on 16 May 2025 on the value of the Tianyu Equity, the main body of which is set out in Appendix I of this joint announcement

WUYIGE	WUYIGE Certified Public Accountants LLP
Zhong Wei	Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd.* (中威正信(北京)資產評估有限公司), a qualified valuer in the PRC
%	per cent.

On behalf of the board **Hainan Airport Infrastructure Co., Ltd.** **Yang Xiaobin** *Chairman*	On behalf of the board **Hainan Airport Infrastructure (Hongkong) Co., Limited** **Zhou Peng** *Director*	On behalf of the Board **Hainan Meilan International Airport Company Limited*** **Wang Hong** *Chairman and President*

Hainan, the PRC
27 August 2025

As at the date of this joint announcement, the Directors of the Company are:

Executive Directors:
Mr. WANG Hong *(Chairman and President)*
Mr. REN Kai *(Chief Financial Officer)*
Mr. XING Zhoujin

Non-executive Directors:
Mr. WU Jian
Mr. LI Zhiguo
Mr. WEN Zhe

Independent Non-executive Directors:
Mr. FUNG Ching, Simon
Mr. YE Zheng
Mr. DENG Tianlin
Ms. LIU Hongbin

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than in relation to the Offerors, Hainan Airport Development, HNA, Tianyu and HNA Technic) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of the Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statements in this joint announcement misleading.

As at the date of this joint announcement, the directors of the Domestic Share Offeror are Mr. YANG Xiaobin, Mr. FU Kui, Ms. FU Qili, Ms. SUI Tongtong, Mr. LIAO Hongyu, Dr. LIN Guangming, Dr. OUYANG Ling and Dr. TANG Yuejun. As at the date of this joint announcement, the sole director of the H Share Offeror is Mr. ZHOU Peng.

The directors of the Offerors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than in relation to the Group and the Seller) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

Appendix I

Main body of the Valuation Report

(English translation for reference only)

This asset valuation report has been prepared in accordance with the PRC Asset Valuation Standards

Project of Value of Equities to be Transferred by Hainan Airport Development Industry Group Co., Ltd. Involving the Entire Shareholders' Equity of Hainan Sky Plumage Flight Training Co., Ltd.

Asset Valuation Report

Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5054
Volume 1 of 1

Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd.
16 May 2025

CHINA APPRAISAL SOCIETY

Filing Receipt for the Asset Valuation Report

Report serial number:	46110200074612012025000096
Contract number:	Zhong Wei Zheng Xin Appraisal Commission Contract (2025) No. 4-5004
Report type:	Asset valuation report involving statutory valuation businesses
Report number:	Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5054
Report name:	Project of Value of Equities to be Transferred by Hainan Airport Development Industry Group Co., Ltd. Involving the Entire Shareholders' Equity of Hainan Sky Plumage Flight Training Co., Ltd.
Appraisal conclusion:	RMB799,070,000.00
Valuation report date:	16 May 2025
Name of valuer:	Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd.
Signer:	Huang Yinshu (Asset Appraiser) Formal Membership Number: 46100002 Ni Chengbin (Asset Appraiser) Formal Membership Number: 46220001
Huang Yinshu and Ni Chengbin have confirmed	
(Scan the QR code for more information of the filing)	

Note: the filing receipt for such report only certifies that such report has been filed in our business report management system, which shall not be regarded as the bases of certification and recognition by China Appraisal Society on such report, as well as exemption from relevant legal responsibilities to be assumed by the asset appraisal institution and its signing asset appraiser.

Generation Date for the Filing Receipt: 4 June 2025

ICP Filing Number Jing ICP Bei No. 2020034749

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Statement

I. This asset valuation report is prepared in accordance with the Basic Standards for Asset Valuation issued by the Ministry of Finance and the Practicing Standards for Asset Valuation and the Code of Ethics for Asset Valuation issued by the China Appraisal Society.

II. The principal or other users of the asset valuation report shall use this asset valuation report in accordance with the provisions of laws and administrative regulations as well as the scope of use indicated herein. Where the principal or other users of the asset valuation report use this asset valuation report in violation of the preceding provisions, this asset valuation agency and the asset valuer shall bear no liability therefor.

III. This asset valuation report shall be used only by the principal, other users of the asset valuation report as agreed in the asset valuation engagement contract and the users of the asset valuation report stipulated by laws and administrative regulations. Any other institutions or individuals shall not become the users of this asset valuation report.

IV. The asset valuation agency and asset valuers advise that users of the asset valuation report should correctly interpret the valuation conclusion. The valuation conclusion is not equivalent to the realisable value of the valuation target, and the valuation conclusion should not be considered as a guarantee for the realisable value of the valuation target.

V. We carry out assets valuation based on the relevant laws and regulations and the standards of asset valuation on the principle of independence, objectiveness and justness. Based on the information collected in the course of our valuation exercise, statement in the valuation report is objective, and we assume corresponding legal responsibilities for the reasonableness on the conclusion of the valuation.

VI. The list of assets and liabilities related to the valuation target should be reported by the principal and the appraised entity and certified by signature and seal. The principal and other relevant parties shall be responsible for the truthfulness, completeness and legality of the materials provided by them in accordance with laws.

VII. We have no existing or expected relationship of interests with the valuation target as set out in the valuation report; no existing or expected relationship of interests with the relevant parties, and have no prejudice against the relevant parties.

VIII. We have conducted on-site inspection on the valuation target as set out in the valuation report and the assets involved, and given necessary consideration to the legal ownership status of the valuation target and the assets involved, verified the information regarding the legal ownership of the valuation target and the assets involved, made proper disclosure in respect of the issues identified, and requested the principal and relevant parties to consummate the titles in order to fulfil the requirements for the issuance of the asset valuation report.

IX. The analyses, judgements and conclusion in the valuation report issued by us are subject to the assumptions and limitations contained therein. Users of the valuation report shall fully consider the assumptions, limitations and notes on specific matters set out in the valuation report and their impact on the valuation conclusion.

Project of Value of Equities to be Transferred by
Hainan Airport Development Industry Group Co., Ltd. Involving the Entire Shareholders' Equity of Hainan Sky Plumage Flight Training Co., Ltd.

Summary of the Asset Valuation Report

Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5054

Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd. has accepted the joint engagement to conduct a valuation on the market value as at 31 December 2024 of equities to be transferred by Hainan Airport Development Industry Group Co., Ltd. involving the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. by Hainan Airport Development Industry Group Co., Ltd. and Hainan Airlines Holding Co., Ltd., pursuant to the relevant laws, regulations and asset valuation standards as well as asset valuation principles, and adopting the asset-based approach and income approach in accordance with the necessary valuation procedures. The main contents of the valuation report are summarized below:

I. Principal: Hainan Airport Development Industry Group Co., Ltd. and Hainan Airlines Holding Co., Ltd.

II. Valued entity: Hainan Sky Plumage Flight Training Co., Ltd.

III. Economic behavior: equities to be transferred by Hainan Airport Development Industry Group Co., Ltd.

IV. Valuation purpose: to determine the value of the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. and to provide a value reference basis for the economic behavior of this equity transfer.

V. Valuation target: the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd.

VI. Valuation scope: all assets and liabilities reflected in the audited balance sheet as of 31 December 2024 as declared by Hainan Sky Plumage Flight Training Co., Ltd., i.e. the total assets with a book value of RMB2,422,124,400, the total liabilities with a book value of RMB1,827,434,100, and the owner's equity with a book value of RMB594,690,300.

VII. Value type: market value.

VIII. Valuation base date: 31 December 2024.

IX. Valuation approach: asset-based approach, income approach.

X. Valuation conclusions:

Based on the analysis of the basic situation of Hainan Sky Plumage Flight Training Co., Ltd., the asset-based approach and the income approach were adopted for the appraisal, and after analyzing the appraisal situation of the two valuation approaches, it was determined that the appraisal results of the income approach should be taken as the final results of this asset valuation.

Having been appraised using the income approach, on the premise of going concern as at 31 December 2024 (valuation base date), the book value of the value of the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. was RMB594,690,300 and the valuation value was RMB799,070,000, with an valuation value increase of RMB204,379,700, representing a value appreciation rate of 34.37%.

Details of the valuation conclusions are detailed in the valuation schedule.

XI. Statement of special matters

(i) The book values of assets and liabilities used in this valuation are derived from the valued entity, and the statement data included in the scope of this valuation have been audited by Zhongshenzhonghuan Certified Public Accountants LLP, which issued an "unqualified" audit report (reference number: Zhonghuan Shen Zi (2025) No. 1700076) on the accounting statements of Hainan Sky Plumage Flight Training Co., Ltd. as at 31 December 2024. This valuation was made on the basis of the audited and confirmed accounting statements.

(ii) Hainan Sky Plumage Flight Training Co., Ltd. mortgaged five simulators obtained under finance leases to Foshan Haisheng Financial Leasing Co., Ltd. (佛山海晟金融租賃股份有限公司) with the value of the leased property amounting to RMB230,477,818.60 and the mortgage term up to 21 December 2031, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

(iii) Hainan Sky Plumage Flight Training Co., Ltd. mortgaged six simulators obtained under finance leases to ABC Financial Leasing Co., Ltd. (農銀金融租賃有限公司) with the value of the leased property amounting to RMB498,518,007.81 and the mortgage term up to 31 October 2030, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

(iv) Hainan Sky Plumage Flight Training Co., Ltd. obtained one A320 simulator and two IPTs under finance leases from Shanghai Yuanxin Business Service Co., Ltd. (上海圓新商務服務有限公司), while Shanghai Yuanxin Business Service Co., Ltd. (上海圓新商務服務有限公司) mortgaged one A320 simulator and two IPTs to China Construction Bank Corp. Foshan Branch, with the contract amount of RMB290,000,000.00 and the mortgage term up to 30 April 2028, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

(v) This valuation conclusions do not take into account premiums or discounts arising from factors such as controlling interests and minority interests, or the impact of liquidity on the valuation target.

(vi) The changes in tax liabilities that may result from increases or decreases in valuation values have not been taken into account in this valuation conclusion.

(vii) The data in this report are all computed using computerized sequential calculations. Since two decimals or rounding is applied in the calculations, individual equations may not be exactly equal to each other, but this does not affect the accuracy of the results of the calculations and the final conclusions.

XII. Validity period for the use of valuation conclusions: the validity period for the use of this valuation conclusion is one year, and the validity period is from the valuation base date of 31 December 2024 to 30 December 2025.

XIII. Valuation report date: the report date for this valuation project is 16 May 2025.

The above is extracted from the full text of the Asset Valuation Report. In order to understand the details of this valuation project and to properly understand the valuation conclusions, you should read the full text of the Asset Valuation Report set out below and pay attention to the statement of special matters.

Project of Value of Equities to be Transferred by
Hainan Airport Development Industry Group Co., Ltd. Involving the Entire Shareholders' Equity of Hainan Sky Plumage Flight Training Co., Ltd.

Asset Valuation Report

Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5054

I. Introduction

Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd. has accepted the joint engagement to conduct a valuation on the market value as at 31 December 2024 of equities to be transferred by Hainan Airport Development Industry Group Co., Ltd. involving the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. by Hainan Airport Development Industry Group Co., Ltd. and Hainan Airlines Holding Co., Ltd., pursuant to the provisions of the laws, administrative regulations and asset valuation standards, and by adhering to the principles of independence, objectivity and impartiality and adopting the asset-based approach and income approach in accordance with the necessary valuation procedures. The asset valuation is hereby reported as follows:

II. Overview of the principals, the valued entity and other users of the valuation report as agreed in the asset valuation engagement contract

(i) Principal 1: Hainan Airport Development Industry Group Co., Ltd.

1. Overview

Company name:	Hainan Airport Development Industry Group Co., Ltd.
Unified social credit code:	91460000583928803A
Type:	Limited liability company (wholly owned by a legal person invested or controlled by non-natural person)
Domicile:	19th Floor, Block C, Internet Finance Building, No. 3 Guoxing Avenue, Lantian Street, Meilan District, Haikou City, Hainan Province
Legal representative:	Fu Kui
Registered capital:	RMB20,008,624,648
Date of establishment:	2011-11-24
Term of operation:	2011-11-24 to 2061-11-24

2. Scope of operation: licensed items: accommodation services; catering services; beauty services; hairdressing services; bathing services; liquor business; retail of tobacco products; food business (sales of pre-packaged food); high-risk sports (swimming) (items subject to statutory approval may commence business operations only after obtaining approval from relevant authorities); general items: information consulting services (excluding licensed information consulting services); investment activities with its own funds; services related to agricultural production and operation, such as technology, information, and facility construction and operation; leisure and tourism activities; hotel management; conference and exhibition services; typing and copying; office services; property management; labor services (excluding labor dispatch); ticketing agency services; professional housekeeping, cleaning, and disinfection services; car-washing services; parking lot services; fitness and leisure activities; amusement park services; chess room services; non-residential property leasing; construction machinery and equipment leasing; machinery and equipment leasing; computer and communication equipment leasing; medical equipment leasing; transportation equipment leasing services; office equipment leasing services; warehousing equipment leasing services; photovoltaic power generation equipment leasing; sales of old cars; sales of new cars; car leasing; arts and crafts and ceremonial goods manufacturing (except ivory and its products); sales of daily necessities; retail sales of clothing and apparel; sales of amusement and recreational goods (other than the licensed business, items that are not prohibited or restricted by laws and regulations may be operated independently according to the law).

(ii) Principal 2: Hainan Airlines Holding Co., Ltd. (stock code: A-share | 600221 HNA Holding)

1. Overview

Company name:	Hainan Airlines Holding Co., Ltd.
Unified social credit code:	914600006200251612
Company type:	Stock limited company (sino-foreign joint venture and listed)
Domicile:	Comprehensive Office Building, Building 21, Hainan Airlines Haikou Meilan Base, No. 9 Meilan Airport Road, Meilan District, Haikou City, Hainan Province
Legal representative:	Zhu Tao
Registered capital:	RMB43,215,632,535
Date of establishment:	1995-12-29
Term of operation:	1995-12-29 to perpetual term

2. Scope of operation: international and domestic (including Hong Kong and Macao) air passenger, cargo and mail transportation business; services related to air transportation; air travel; in-flight supplies, aviation equipment, production of aviation ground equipment and spare parts; terminal services and operations; insurance agency services (limited to personal accident insurance). (All the above items involving administrative licenses must be operated with a license).

(iii) Valued entity: Hainan Sky Plumage Flight Training Co., Ltd.

1. Registration status

Company name:	Hainan Sky Plumage Flight Training Co., Ltd.
Unified social credit code:	91460000MA5RC58008
Type:	Limited liability company (wholly owned by a legal person invested or controlled by non-natural person)
Domicile:	Tankou Village, Longtang Town, Qiongshan District, Haikou City, Hainan Province
Legal representative:	Zhao Hongqi
Registered capital:	RMB374,953,130
Date of establishment:	2015-11-03
Term of operation:	2015-11-03 to 2065-11-03

2. Scope of operation: training services for pilots, flight attendants and other aviation-related personnel, simulator maintenance, repair and other related technical services, training in aviation business knowledge, flight experience, after-sale support for simulator spare parts, development and sale of simulator application software and visual airport, accommodation services and housing rental.

3. History of the company

Hainan Sky Plumage Flight Training Co., Ltd. was established on 3 November 2015, and was solely funded by a monetary contribution of RMB300,000,000 from HNA Aviation Group Co., Ltd. (海航航空集團有限公司), with a registered capital of RMB300,000,000, a paid-in capital of RMB300,000,000 and a shareholding ratio of 100%.

In August 2017, Beijing Capital Airlines Co., Ltd. (北京首都航空有限公司) increased its capital to the company with simulator assets. After the completion of this capital increase, Hainan Sky Plumage Flight Training Co., Ltd. has a registered capital of RMB374,953,130 and a paid-in capital of RMB374,953,130, of which: the capital contribution of HNA Aviation Group Co., Ltd. is RMB300,000,000, with a shareholding ratio of 80.01%, and the capital contribution of Beijing Capital Airlines Co., Ltd. contributed RMB74,953,130, with a shareholding ratio of 19.99%. The shareholding ratios after the capital increase are as follows:

No.	**Name of shareholder**	**Amount of capital contribution (RMB10,000)**	**Shareholding ratio (%)**
1	HNA Aviation Group Co., Ltd.	30,000.00	80.01
2	Beijing Capital Airlines Co., Ltd.	7,495.313	19.99
Total		**37,495.313**	**100.00**

In May 2018, Beijing Capital Airlines Co., Ltd. transferred its 19.99% equity interest in Hainan Sky Plumage Flight Training Co., Ltd. to HNA Aviation Group Co., Ltd. and the shareholding ratio after the change is as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	HNA Aviation Group Co., Ltd.	37,495.313	100.00
Total		**37,495.313**	**100.00**

In April 2019, HNA Aviation Group Co., Ltd. transferred its 100% equity interest in Hainan Sky Plumage Flight Training Co., Ltd. to Hainan Airlines Holding Co., Ltd, and the shareholding ratio after the transfer is as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	Hainan Airlines Holding Co., Ltd.	37,495.313	100.00
Total		**37,495.313**	**100.00**

In June 2020, Hainan Airlines Holding Co., Ltd. transferred its 100% equity interest in Hainan Sky Plumage Flight Training Co., Ltd. to HNA Infrastructure Industry Group Limited (海航基礎產業集團有限公司), and the shareholding ratio after the transfer is as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	HNA Infrastructure Industry Group Limited	37,495.313	100.00
Total		**37,495.313**	**100.00**

In October 2022, HNA Infrastructure Industry Group Limited changed its name to Hainan Airport Development Industry Group Co., Ltd.

As the valuation base date, the shareholding ratio of Hainan Sky Plumage Flight Training Co., Ltd. was as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Paid-in amount (RMB10,000)	Shareholding ratio (%)
1	Hainan Airport Development Industry Group Co., Ltd.	37,495.313	37,495.313	100.00
Total		**37,495.313**	**37,495.313**	**100.00**

4. Overview of operation

Hainan Sky Plumage Flight Training Co., Ltd. is a comprehensive modern aviation training service enterprise established in 2015, with existing training bases in Haikou, Sanya, Beijing, etc. It is mainly engaged in simulator training, simulator maintenance and repair business for flight, crew and other aviation specialties.

The main base in Haikou is located in Tankou Village, Longtang Town, Qiongshan District, Haikou City, which covers an area of 310 mus. The park is equipped with a flight building, a crew building, and supporting buildings such as canteens and apartments. In order to build a professional and advanced aviation training center, the company has actively introduced the world's most advanced Level D full-flight simulators, covering various series such as B787, B737, A330, A320 and E190, etc., as well as FTDs, IPTs, and supporting hardware and software teaching facilities such as CBT teaching and network teaching. Up to now, Hainan Sky Plumage Flight Training Co., Ltd. has more than 20 flight simulators.

5. Foreign investment

Hainan Sky Plumage Flight Training Co., Ltd. holds one foreign investment unit – Chongqing Sky Plumage Flight Training Co., Ltd. (81% shareholding), details of which are as follows:

Company name:	Chongqing Sky Plumage Flight Training Co., Ltd.（重慶天羽航空飛行培訓有限公司）
Unified social credit code:	91500112MA5YTYD782
Company type:	Limited liability company
Domicile:	No. 47, Ganghui Road, Shuangfengqiao Street, Yubei District, Chongqing
Legal representative:	Guan Lei
Registered capital:	RMB500,000,000
Date of establishment:	2018-04-02
Term of operation:	2018-04-02 to perpetual term
Scope of operation:	commercial pilot training (after obtaining the relevant administrative license, engage in business activities within the scope of the license); aviation business knowledge information consulting; simulation cabin maintenance, repair and related technology development; sales of simulation cabin spare parts; development and sales of application software for aircraft simulators; experience services of simulation flight; machinery and equipment leasing; rental housing (excluding lodging services); hotel management; conference and exhibition services property management services; business information consulting; fitness information consulting (excluding medical treatment and therapy); retail: daily necessities, tobacco (after obtaining the relevant administrative license, engage in business activities within the scope of the license); food business (after obtaining the relevant administrative license, engage in business activities within the scope of the license). (Items subject to approval in accordance with the law can only be operated after approval by the relevant authorities).

6. Assets and financial position for recent years

The accounting statements of Hainan Sky Plumage Flight Training Co., Ltd. for the years 2021-2024 have been audited by Zhongshenzhonghuan Certified Public Accountants LLP, and the financial position for recent years is shown in the table below:

Summary statement of assets for recent years

Unit of amount: RMB ten thousand

Item	**End of 2021**	**End of 2022**	**End of 2023**	**End of 2024**
Total assets	146,818.22	141,132.50	246,544.05	242,212.44
Total liability	113,834.66	107,206.60	193,634.26	182,743.41
Net assets	32,983.56	33,925.90	52,909.79	59,469.03
Sources (Audit reports)	Zhonghuan Qiong Shen Zi [2022] No. 10003	Zhonghuan Qiong Shen Zi [2023] No. 00270	Zhonghuan Shen Zi (2025) No. 1700076	Zhonghuan Shen Zi (2025) No. 1700076

Summary statement of profit or loss for the years

Unit of amount: RMB ten thousand

Item	**2021**	**2022**	**2023**	**2024**
Revenue	37,792.49	35,854.97	42,109.23	38,473.94
Operating costs	26,468.51	26,407.65	25,282.43	22,683.29
Non-operating income	10.00	0.29	0.00	0.31
Non-operating expenses	5.51	21.39	0.94	19.29
Total profit	8,719.30	1,733.32	13,783.36	7,879.62
Net profit	7,905.57	942.34	18,464.55	6,986.45
Sources (Audit reports)	Zhonghuan Qiong Shen Zi [2022] No. 10003	Zhonghuan Qiong Shen Zi [2023] No. 00270	Zhonghuan Shen Zi (2025) No. 1700076	Zhonghuan Shen Zi (2025) No. 1700076

7. Major tax types and rates and tax incentives

1) Major tax rates

Tax type	Basis	Rate %
Value-added tax	Taxable income	6 and 9
Urban maintenance and construction tax	Amount of turnover tax payable	7
Education surcharge	Amount of turnover tax payable	3
Local education surcharge	Amount of turnover tax payable	2
Corporate income tax	Taxable income	15

2) Tax benefits and approvals

According to the Notice on Preferential Policies on Enterprise Income Tax for Hainan Free Trade Port (Cai Shui [2020] No. 31) issued by the Ministry of Finance and the State Administration of Taxation and the Notice on the Renewal of Preferential Policies on Enterprise Income Tax for Hainan Free Trade Port (Cai Shui [2025] No. 3), enterprises of the encouraged industries registered and substantially operating in Hainan Free Trade Port will be subject to a reduced rate of 15% for the enterprise income tax. The preferential period for enterprise income tax was extended to 31 December 2027. The valued entity is entitled to the preferential policy on enterprise income tax for Hainan Free Trade Port and enjoys the preferential policy on enterprise income tax.

(iv) Relationship between the principals and the valued entity

Principal 1 holds 100% equity interest in the valued entity and Principal 1 proposes to transfer the equity interest in the valued entity to Principal 2.

(v) Other users of valuation report as agreed in the asset valuation engagement contract

Other users of the asset valuation report represent the principals' superior competent units, the state-owned assets supervision and management department, and the business registration authorities relevant to the purpose of the valuation and other users of the report as provided for by national laws and regulations.

This valuation report is intended to be used only by the principals and other users of the valuation report as agreed in the asset valuation engagement contract for the purpose of this valuation, except as otherwise provided by laws and regulations. The valuation personnel and the valuation agency shall not be liable for the consequences of the improper use of the valuation report by the principals and other users of the valuation report.

III. Purpose of the valuation

Hainan Airport Development Industry Group Co., Ltd. intends to transfer its equity interest, and hereby engages Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd. to issue a professional opinion on the market value of the entire interest of the shareholders of Hainan Sky Plumage Flight Training Co., Ltd. as at 31 December 2024, so as to provide a reference basis for the value of the economic act of the transfer of equity interest proposed by Hainan Airport Development Industry Group Co., Ltd.

IV. Subject and scope of the valuation

(i) Subject of valuation: Entire interest of the shareholders of Hainan Sky Plumage Flight Training Co., Ltd.

(ii) Scope of valuation: All assets and liabilities as reflected in the audited balance sheet as at 31 December 2024 as declared by Hainan Sky Plumage Flight Training Co., Ltd., i.e. the book value of total assets of RMB2,422,124,400, the book value of total liabilities of RMB1,827,434,100, and the book value of owner's equity of RMB594,690,300. See the table below for details:

Schedule of book values of the valuation range

Unit of amount: RMB ten thousand

Item	**Book value**
Current asset	52,569.09
Non-current asset	189,643.35
Of which: Long-term equity investments	0.00
Fixed assets	11,353.70
Construction in progress	18,216.74
Right-of-use assets	137,719.27
Intangible asset	248.85
Deferred income tax assets	22,104.79
Total assets	**242,212.44**
Current liability	51,486.99
Non-current liability	131,256.42
Total liabilities	**182,743.41**
Owners' equity (net assets)	**59,469.03**

The main assets are listed below:

1. Inventory

Inventories – raw materials are mainly consumable parts of aeronautical materials for simulators, mainly including valves, circuit breakers, template components, power supply masters and sensors, etc., which are mainly stored in the warehouses in Haikou, Sanya and Beijing, and are usually managed by specialized personnel.

2. Fixed assets

(1) Machinery and equipment: a total of 320 items, mainly including B737NG simulators, B737 exit simulators, integrated simulation training cabins, and various high-priced turnover parts, which were activated from December 2016 to December 2024, and all of them are in normal use.

(2) Electronic equipment: a total of 1,390 items, mainly including various computers, air conditioners, IPADs, desks and chairs, etc., which were activated from December 2015 to December 2024, and all of them are in normal use.

3. Right-of-use assets – financial lease assets

There are 20 items of right-of-use assets – finance lease assets. The main models of simulators include 737-800 simulator, A320 simulator, 737NG simulator, A330 simulator, and the main models of other training simulators include A320IPT, B737 cabin simulator (static composite cabin), B737 exit simulator (including slide, OWE and on-wing simulation section), B737-800 fire extinguishing simulator, B787 exit simulator, A350 exit simulator, A330 water survival simulator (with circular life raft) and A320 exit simulator, which are mainly stored in Haikou and Beijing training base and are presently in normal use.

4. Construction in progress

Construction in progress are two simulators under construction, i.e., one A320NEO and one B737MAX, which are currently being installed and are expected to be completed and put to use in January 2025 and operational.

5. Intangible assets – other intangible assets

The intangible assets declared by the company are four pieces of software and one website purchased from outside, which were in normal use as of the valuation base date.

The intangible assets declared by the company not recorded in the balance sheet as at the valuation base date are 45 software copyrights, 1 work copyright and 6 trademarks, which have no book value because the corresponding costs are fully expensed for training income.

V. Types of values and their definitions

Unless otherwise stated, the type of value determined in the asset valuation is market value.

Market value is the estimated amount at which the subject of valuation would be worth in a normal and arm's length transaction on the valuation base date between a willing buyer and a willing seller, each acting rationally and without any coercion.

VI. Valuation base date

1. The base date of asset valuation for this project is 31 December 2024;

2. The valuation base date is determined by the principals in accordance with the realization of this economic act and the purpose of the valuation;

3. The main factors considered in selecting the valuation base date include: the valuation base date is the end of the accounting period and close to the realization date of the economic act;

4. All pricing criteria for the valuation of this project are the price criteria in effect or being implemented on the base date.

VII. Basis for valuation

(i) Documents of economic act

1. Minutes of the Meeting of the Office of the Chairman of the Board of Directors of Hainan Airports Holding (《海南機場股份董事長辦公會會議紀要》) dated 23 July 2024 [[2024] No. 39];

2. Minutes of Meeting of Hainan Airlines Holding Co., Ltd. (《海南航空控股股份有限公司會議紀要》) dated 13 January 2025 [Qionghang Securities (Special) Ji Zi [2025] No. 1].

(ii) Legal and regulatory basis

1. Law of the People's Republic of China on State-owned Assets of Enterprises (Decree No. 5 of the President of the People's Republic of China, adopted on 28 October 2008 at the fifth meeting of the Standing Committee of the Eleventh National People's Congress);

2. Interim Regulations on Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council of the People's Republic of China);

3. Provisions on Several Issues of State-owned Asset Appraisal Management (Decree No. 14 of the Ministry of Finance of the People's Republic of China);

4. Measures for the Administration of State-owned Asset Appraisal (2020 Revision) (Decree No. 732 of the State Council of the People's Republic of China);

5. Rules for the Implementation of the Administrative Measures for the Appraisal of State-owned Assets (former State Administration of State-owned Assets, State-owned Assets Office [1992] No. 36);

6. Interim Measures for the Administration of Enterprise State-owned Assets Appraisal (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);

7. Notice on Relevant Issues Concerning the Strengthening of the Management of Enterprise State-owned Asset Appraisal (Guo Zi Chan Quan [2006] No. 274);

8. Circular on Matters Concerning the Review and Audit of Enterprise State-owned Asset Appraisal Reports (Guo Zi Chan Quan [2009] No. 941);

9. Law of the People's Republic of China on Asset Appraisal (Decree No. 46 of the President of the People's Republic of China);

10. Company Law of the People's Republic of China (Decree No. 42 of the President of the People's Republic of China);

11. Accounting Law of the People's Republic of China (Decree No. 24 of the President of the People's Republic of China);

12. General Rules of Enterprise Finance (Decree No. 41 of the Ministry of Finance);

13. Accounting Standards for Business Enterprises-Basic Standards (revised by Decree No. 76 of the Ministry of Finance dated 23 July 2014);

14. Guo Zi Fa Chan Quan [2013] No. 64 Circular on the Issuance of Guidelines for the Filing of Enterprise State-owned Asset Appraisal Projects;

15. Measures for the Supervision and Administration of Enterprise State-owned Assets Transactions under Order No. 32 by the SASAC and the Ministry of Finance;

16. Other applicable relevant laws, regulations, documents policies, guidelines and provisions.

(iii) Basis for the guidelines

1. Basic guidelines and code of ethics

(1) Basic Guidelines for Asset Appraisal (Cai Zi [2017] No. 43);

(2) Code of Ethics for Asset Appraisal (Zhong Ping Xie [2017] No. 30).

2. Guidelines for the practice of asset appraisal

(1) Guidelines for the Practice of Asset Appraisal – Asset Appraisal Procedures (Zhong Ping Xie [2018] No. 35);

(2) Guidelines for the Practice of Asset Appraisal – Asset Appraisal Report (Zhong Ping Xie [2018] No. 36);

(3) Guidelines for the Practice of Asset Appraisal – Asset Appraisal Entrustment Contracts (Zhong Ping Xie [2017] No. 33);

(4) Guidelines for the Practice of Asset Appraisal – Asset Appraisal Methods (Zhong Ping Xie [2019] No. 35);

(5) Guidelines for the Practice of Asset Appraisal – Asset Appraisal Files (Zhong Ping Xie [2018] No. 37);

(6) Guidelines for Asset Appraisal Practice – Enterprise Value (Zhong Ping Xie [2018] No. 38);

(7) Guidelines for the Practice of Asset Appraisal – Intangible Assets (Zhong Ping Xie [2017] No. 37);

(8) Guidelines for the Practice of Asset Appraisal – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);

(9) Guidelines for the Practice of Asset Appraisal – Real Estate (Zhong Ping Xie [2017] No. 38);

(10) Guidelines for the Practice of Asset Appraisal – Utilization of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35).

3. Guidelines on asset valuation

(1) Guidelines on Business Quality Control for Asset Appraisal Organizations (Zhong Ping Xie [2017] No. 46);

(2) Guidelines for Enterprise State-owned Asset Appraisal Reports (Zhong Ping Xie [2017] No. 42).

4. Guidance on asset appraisal

(1) Guidance on Types of Asset Appraisal Values (Zhong Ping Xie [2017] No. 47);

(2) Guidance on Legal Ownership of Asset Appraisal Objects (Zhong Ping Xie [2017] No. 48).

(iv) Basis of ownership

1. Equipment purchase contract, engineering contract, invoice and other relevant information provided by Hainan Sky Plumage Flight Training Co., Ltd.;

2. Motor vehicle license;

3. Other documents proving ownership, etc.

(v) Basis of pricing

1. Handbook of Quotations for Electromechanical Products published by the Machinery Industry Press;

2. Handbook on Data and Parameters Commonly Used in Asset Valuation;

3. Presentation and explanation of the commissioned assets by the relevant personnel of Hainan Sky Plumage Flight Training Co., Ltd.;

4. Information on current market price information collected by valuation personnel;

5. On-site survey and market investigation by valuation personnel;

6. Price index for investment in fixed assets;

7. Company management's business plan and profit forecast;

8. Statistical and analytical data on the domestic securities market;

9. Beta coefficient values for capital markets of relevant industry sectors queried through the Tonghuashun Financial Terminal;

10. The list of assets for valuation, financial statements for recent years and as at the valuation base date and other relevant information provided by the principals and the valued entity;

11. Other relevant information.

(vi) Other references

1. The unqualified audit report [Zhonghuan Shen Zi (2025) 1700076] issued by Zhongshenzhonghuan Certified Public Accountants LLP;

2. Explanation on Matters Relating to the Conduct of Asset Appraisal jointly written by the principals and the valued entity;

3. Asset Appraisal Standards Terminology 2020 (Zhong Ping Xie [2020] No. 31);

4. Circular on the Issuance of Asset Appraisal Expert Guidance No. 12–Calculation of Discount Rate in the Income Approach for Enterprise Value Assessment issued by China Appraisal Society (CAS [2020] No. 38);

5. Appraisal declaration form.

VIII. Appraisal methods

(i) Introduction to the appraisal methods

Appraisal of enterprise value can usually be carried out through the market approach, the cost approach and the income approach. In the specific appraisal process, the applicability of the three basic asset valuation methods, namely the income method, the market method and the cost method, will be analyzed in the light of the appraisal subject, the type of value, the status of data collection and other relevant conditions, so that one or more of the three basic asset valuation methods can be appropriately selected.

The asset-based approach in enterprise value appraisal refers to the appraisal method of determining the value of the subject of appraisal by reasonably assessing the value of each of the on-balance sheet and off-balance sheet assets and liabilities of the enterprise based on the balance sheet of the enterprise under appraisal at the appraisal base date.

The income method in enterprise value appraisal refers to the appraisal method of determining the value of the subject of appraisal by capitalizing or discounting the expected income. It is a method of determining the value of the subject of appraisal by estimating the expected income of the appraised enterprise in the future effective years, discounting the expected future net income to its present value by applying an appropriate discount rate, and then adding up the sum.

The market method in enterprise value appraisal refers to the appraisal method of determining the value of the subject of appraisal by comparing it with comparable listed companies or comparable transactions.

(ii) Selection of appraisal methods

After understanding and analyzing Hainan Sky Plumage Flight Training Co., Ltd. itself, the market and related industries, we believe that although the domestic equity transfer market is gradually becoming more open, there are basically no companies that are close to Hainan Sky Plumage Flight Training Co., Ltd. in terms of asset size, asset characteristics, operational and financial risks, and growth capacity, etc., and it is difficult to select comparable references and it is impossible to identify reference companies or transactions with a reasonable basis for comparison. Therefore, the equity value of Hainan Sky Plumage Flight Training Co., Ltd. does not have the conditions for valuation using the market method.

The appraisal is based on the characteristics of the continuing operations and major assets of Hainan Sky Plumage Flight Training Co., Ltd., which satisfy the conditions for the selection of the income method for the appraisal, therefore the income method may be adopted.

As the information on all assets and liabilities of the appraised entity is clear, and the value of assets and liabilities can be appraised by appropriate methods individually, the conditions for asset-based appraisal are met, and it is therefore appropriate to appraise the entire shareholders' equity by the asset-based approach.

On the basis of the results of each of the two appraisal methods, and on the basis of a comprehensive analysis of the completeness of the information used in the application of the two appraisal methods, the reliability of the data, and the reasonableness of the results of the appraisal, the results of the appraisal by one of the methods were selected as the final conclusions of the appraisal in this report.

※Asset-based approach

The asset-based approach is a valuation method that determines the value of the subject of appraisal on the basis of a reasonable appraisal of the value of the assets and liabilities of the enterprise. In this valuation, on the assumption that Hainan Sky Plumage Flight Training Co., Ltd. is a going concern, specific valuation methods appropriate to the assets and liabilities of the enterprise are used to appraise the assets and liabilities of Hainan Sky Plumage Flight Training Co., Ltd. separately, and the appraised value of net assets is determined on the basis of the appraised total assets minus total liabilities.

The specific valuation process and valuation method for each individual asset is described below:

1. Valuation of current assets

(1) Valuation of monetary funds

Monetary funds are bank deposits and other monetary funds.

The bank deposits totaled 5 accounts, which are the basic and general accounts of Hainan Sky Plumage Flight Training Co., Ltd. On the basis of the reconciliation of the accounts and statements of the bank deposits of the appraised entity, the appraisal personnel reviewed the bank statements provided by the appraised entity and sampled the original documents, and determined the appraisal value on the basis of the verified book value after the above verification.

Book value of other monetary funds WeChat account of Hainan Sky Plumage Flight Training Co., Ltd. On the basis of the reconciliation of the accounts and statements of other monetary funds of the appraised entity, the appraisal personnel reviewed the statements provided by the appraised entity and sampled the original documents, and determined the appraisal value based on the verified book value after the above verification.

(2) Valuation of creditor assets

The creditor assets are accounts receivable, prepayments and other receivables.

In this valuation, on the basis of the reconciliation of the accounts, statements and lists, the appraisers understood and analyzed the time of occurrence of the payments, specific contents, reasons for their formation and the situation of the debtors, and carried out letters of credit for large claims. For the payments for which letters of credit had been obtained from the debtors in response to their letters of credit, the appraised value was determined by the amount of the letters of credit on the premise that the provisions of the correspondence procedures were complied with and the amounts of the letters of credit were in accordance with the book value. For payments for which letters of credit had not been received, the amount of the letters of credit did not correspond to the book value or no letter had been issued, the appraisers adopted alternative procedures such as reviewing financial books and randomly checking original documents, and after analysis and verification, the appraised value was determined on the basis of the amount of money that might be recovered.

The appraisers analyzed and verified each amount using the ageing analysis method and the individual determination method based on the detailed list of bad debt accruals provided by the auditing institution. By checking various relevant historical information and the enterprise's explanation and understanding of the situation, the recoverability of the amounts was analyzed on an item-by-item basis and the specific amount of its bad debt loss was determined.

Allowance for bad debts is provided by the enterprise for bad debts of other receivables using the allowance method. The assessed value of the provision for bad debts is determined to be zero after making a professional judgment on the recoverability of each creditor asset.

(3) Assessment of receivables financing

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and reasons for the formation of their payments, and through alternative procedures such as verifying the relevant vouchers, and after analyzing and verifying them, the appraised value is determined by the verified book value.

(4) Valuation of inventories

Inventories are inventories – raw materials.

Based on the verification of the purchase contracts and related documents of the appraised entity, the appraised value is determined at book value for raw materials that can be used normally and have normal turnover with no significant difference between the book unit price and the market price on the base date.

(5) Valuation of other current assets

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and reasons for the formation of their payments, and through alternative procedures such as verification of relevant vouchers, the appraisal value is determined by the verified book value after analysis and verification.

2. Valuation of long-term equity investments

If the long-term equity investment included in the scope of this valuation is a holding subsidiary, the investee unit included in the scope of appraisal is subject to an overall asset appraisal using the asset-based approach on the same valuation base date, and the appraisal value is determined by multiplying the value of the entire shareholders' equity determined after the overall appraisal of the investee enterprise by the proportion of the shareholding in the investee enterprise, using the formula set out below:

Appraised value of long-term equity investment = appraised value of the value of entire shareholders' equity as at the valuation base date × shareholding ratio

The information on all assets and liabilities of the investee company is clear, and the value of assets and liabilities can be assessed by appropriate methods separately, so the conditions for asset-based approach valuation are met. Therefore, the asset-based approach has been selected to assess the value of the entire shareholders' equity in this valuation.

3. Fixed assets – machinery and equipment category valuation

The category of machinery and equipment includes machinery and equipment and electronic equipment. In accordance with the purpose of this valuation and the condition of the assets under valuation, the cost approach has been adopted for the appraisal on the assumption that the assets under appraisal will continue to be used.

The replacement value of equipment and vehicles in normal use can be known or estimated by certain means, and can therefore be assessed using the cost approach with the following formula:

Appraised value = full replacement price x consolidated residual ratio

1) Determination of the replacement value of machinery, equipment and electronic equipment

Replacement cost = ex-tax equipment purchase price + ex-tax transportation and miscellaneous fees + ex-tax installation and commissioning fees

① Determination of the equipment purchase price

The equipment purchase price is determined by inquiring from the manufacturer about the market price on the valuation base date, or by looking up the current market price from the relevant quotation materials and by referring to the contract price of the equipment recently purchased by the enterprise.

② Determination of transportation and miscellaneous fees

Transportation and miscellaneous fees include the costs incurred for handling, transportation, purchasing and storage of the equipment from the manufacturing plant or place of shipment to the installation site, which are recognized in this valuation based on the installation location and industry equipment. For simple equipment, transportation and miscellaneous fees are not considered.

③ Determination of installation and commissioning fees

The equipment and auxiliary materials to be installed mainly represent the cost of carrying out installation and commissioning. This valuation is confirmed on the basis of industry installation rates or finalized audit reports. For simple equipment, installation and commissioning fees are not considered.

④ Determination of capital cost

Based on the size of the overall construction project, the appraiser approves its reasonable construction period, selects the appropriate LPR loan interest rate, and assuming that the investment and construction funds are evenly invested to calculates it capital cost. That is:

Capital cost = (equipment purchase price + transportation and miscellaneous fees + installation and commissioning fees) × 1/2 × loan interest rate × reasonable construction period

2) Determination of the consolidated residual ratio:

Through on-site inspections of the equipment's utilization status, review of the equipment's operating conditions, main technical indicators and other information, the appraisers determine the useful life of the equipment based on the actual utilization status and then determine the consolidated residual ratio.

① The residual ratio under the service life approach

The residual ratio under the service life approach = remaining service life ÷ (years of use + remaining service life) x 100%

② The residual ratio determined by the scoring method

Through on-site investigation and inquiries to the relevant engineers and technicians and operators to understand the technical condition, failure situation, maintenance and repair of the equipment, etc., and through the classification to determine the use of each part of the condition, each component is scored separately to confirm the residual ratio.

3) Determination of appraisal value

Multiply the full replacement price and the residual ratio to arrive at the appraised value.

4. Valuation of construction in progress

The appraisal officers understood the image progress of the construction in progress through on-site inspections and verified the expenditures incurred in the construction in progress, as well as the progress of payments. The appraised entity has standardized the financial management of the construction in progress, and the relevant expenses incurred during the construction period are accounted for in the corresponding accounting sections, and the book cost includes all the expenses related to the construction in progress, and the verified book value is taken as the appraised value.

5. Valuation of right-to-use assets

(1) For assets under finance leases, the "Replacement Cost Method" is used for valuation, and the formula is as follows:

Appraised Value = full replacement value × consolidated residual ratio

(2) In respect of leased assets, the appraisers understand and analyze the time of occurrence, specific contents and formation process of the payments, and on the basis of verifying the use of the leased assets, the contractual rent, the lease term, etc., investigate the market rent on the base date, and, in the event of determining that there is no material difference from the contractual rent, determine the appraised value from the verified book value.

6. Valuation of intangible assets – other intangible assets

Other intangible assets are purchased software and software copyrights, trademarks, and copyrights of works not recorded in the books within the scope of appraisal as declared by the appraised entity.

After understanding and confirming with the personnel of the appraised entity, for the outsourced software, software copyrights and other technical intangible assets are mainly applied to assist flight simulator training, therefore the intangible assets within the scope of the appraisal are appraised as a portfolio of technical intangible assets this time.

The excess earnings created for the enterprise by the combination of technical intangible assets are part of the enterprise's income, and the value depends on the amount of excess earnings, which can be determined by dividing them based on sales revenue, net profit or net cash flow; based on the enterprise's business situation and financial accounting methods, and taking into account the characteristics of the subject of this valuation, it is more appropriate to adopt the main business revenue as the basis for division. Therefore, the income approach has been adopted for this valuation, and the basic calculation formula is as follows:

$$V = \sum_{i=1}^{n} \frac{KR_i}{(1+r)^n}$$

Where: V – valuation of intangible asset portfolio
N – years of remaining economic life
K – Share rate
R_i – future income from main operations in year i
r – discount rate

7. Valuation of deferred tax assets

Deferred income tax assets are income tax assets arising from deductible temporary differences recognized in accordance with the income tax guidelines on an actual basis. For the assessment of deferred income tax assets arising from changes in the fair value of investments in other equity instruments, provision for impairment of assets, deductible losses, and leasing liabilities, the assessors check the tax returns relating to the assets that give rise to the timing differences, and verify that there are no errors, and then confirm the assessed value at the book value.

8. Assessment of liabilities

(1) Evaluation of short-term borrowings

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, and after verifying the nature of the banker's acceptance and the actual situation, understanding and analyzing the debt to be actually assumed as at the valuation date, the appraisal determined the appraisal value by the book value in this valuation.

(2) Assessment of accounts payable

On the basis of checking the consistency of the accounts, statements and lists, the appraisers sampled some of the equipment purchase contracts and accounting documents, and conducted correspondence or adopted alternative procedures for some large transactions to determine the appraised value from the verified book value.

(3) Assessment of contractual liabilities

On the basis of checking the consistency of the accounts, statements and lists, the appraisers randomly checked the relevant contracts and accounting documents to confirm the factual reliability of the accounting records, and determined the appraised value from the verified book value.

(4) Assessment of remuneration payable to employees

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, and on the basis of relevant information such as account audit information, understanding and analysis were carried out, all of which were liabilities to be actually assumed as at the valuation base date, and the appraisal was carried out with the appraisal value determined by the verified book value.

(5) Assessment of taxes payable

The assessor firstly understood the tax types and rates applicable to the assessed entity and investigated whether it enjoyed tax incentives; secondly, the assessor inspected the detailed accounts, tax returns and the tax payment vouchers for the actual payment of taxes in the subsequent period. Upon verification, the account records were true, all of which were debts to be actually incurred as at the valuation reference date, and the appraisal determined the appraised value at book value.

(6) Assessment of other payables

Each amount is understood and analyzed on the basis of checking the consistency of the accounts, statements and lists, and on the basis of relevant information such as account audit information, all of which are liabilities to be actually assumed as at the valuation date, and the valuation value is determined on the basis of the verified book value.

(7) Valuation of non-current liabilities due within one year

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and formation process of their payments, and through alternative procedures such as verification of relevant contracts and vouchers, the appraised value is determined by verifying the book value after the audit after the analysis and verification.

(8) Valuation of other current liabilities

On the basis of checking the consistency of the accounts, statements and lists, the book information and other relevant information were reviewed, and the assessed value was determined on the basis of the book value after verification of the correctness of the book value.

(9) Valuation of lease liabilities

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and formation process of their payments, and through alternative procedures such as verification of relevant contracts and vouchers, the appraised value is determined by verifying the book value after the audit after the analysis and verification.

(10) Valuation of deferred tax liabilities

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of their occurrence, specific contents and formation process, and through alternative procedures such as verification of vouchers, the appraised value is determined by verifying the book value after audit after analysis and verification.

※Income Approach

(I) Overview

Income approach is a general term for various appraisal methods for determining the value of an asset by estimating the present value of the expected future earnings of the asset under appraisal.

To assess the overall value of an enterprise using the income approach, the free cash flows of a number of years in the future are used as the basis for calculating the discounted free cash flows of the enterprise by applying an appropriate discount rate and summing them up to arrive at the discounted free cash flow value of the enterprise, which is then added to the value of surplus assets, the value of non-operating assets, the appraised value of long-term equity, and subtracted from interest-bearing debt to arrive at the value of the total shareholders' equity.

(II) Basic assessment ideas

Based on the due diligence of this valuation and the asset composition and main business characteristics of the enterprise, the basic idea of this valuation is to estimate the value of the entire shareholders' equity (net assets) based on the audited financial statements of the enterprise, i.e., firstly, the value of the operating assets of the enterprise is estimated by adopting the discounted cash flow (DCF) method in accordance with the income path, and then the value of the equity of its foreign long-term investment as at the base date and the value of other non-operating or surplus assets as at the base date are added to obtain the value of the enterprise. The value of other non-operating or surplus assets at the base date is used to obtain the value of the enterprise, and the value of the enterprise's total shareholders' equity (net assets) is derived from the enterprise's value after deducting the value of interest-paying debt.

The basic assessment idea of this assessment is:

(1) For assets and main businesses included in the scope of the statements, expected earnings (net cash flows) are estimated in accordance with the trend of historical operating conditions in the most recent years and the type of business, and discounted to obtain the value of operating assets;

(2) The value of long-term investments included in the scope of the statements is estimated separately by using appropriate valuation methods according to the specific circumstances of the long-term investment units;

(3) For those included in the scope of the statements but not considered in the estimation of expected earnings (net cash flows), such as money funds existing at the base date, receivables and payables not related to normal production and operations, defined as surplus or non-operating assets (liabilities) existing at the base date, are estimated separately;

(4) The enterprise value of the subject of appraisal is derived from the sum of the values of the assets and liabilities mentioned above, and the value of the subject's total shareholders' equity (net assets) is derived after deducting the value of interest-bearing debt.

(III) Prerequisites for the application of the income approach

1. The expected future earnings of the asset under appraisal are predictable and measurable in monetary terms;

2. The risk taken by the asset owner to obtain the expected return is also predictable and can be measured in monetary terms;

3. The expected profitability of the asset under appraisal is predictable.

(IV) Rationale and justification for the choice of the income approach

In accordance with the relevant regulations of the state management authorities, as well as valuation standards and international and domestic practices for the valuation of similar transactions, it was determined that the equity capital value of the appraised entity should be estimated in accordance with the income approach, using the discounted cash flow (DCF) method, in conjunction with the valuation of the asset-based approach.

The discounted cash flow method is a method of assessing the value of an asset by discounting the expected future net cash flows of a business to present value. The basic idea is to estimate the expected future net cash flows of an asset and convert them to present value using an appropriate discount rate to arrive at an appraised value. The basic conditions for the application of the discounted cash flow method are that the enterprise has the basis and conditions for continuing operations, that there is a stable relationship between operations and earnings, and that future earnings and risks can be predicted and quantified. The greatest difficulty in using the discounted cash flow method lies in the prediction of expected future cash flows and the objectivity and reliability of data collection and processing. When the forecast of expected future cash flows is objective and fair, and the selection of the discount rate is reasonable, the valuation results have better objectivity.

The specific idea behind this assessment is:

1. For assets and main businesses included in the scope of the statements, the expected earnings (net cash flows) are estimated in accordance with the trend of historical operating conditions in recent years and the different types of businesses, and discounted to obtain the value of operating assets;

2. The value of non-operating assets, non-operating liabilities, surplus assets and surplus liabilities included in the scope of the statements, after appraisal in accordance with the asset-based approach, is the net appraised value of the appraised assets minus appraised liabilities, which is the value of the non-operating (net) assets and surplus assets for this valuation project.

3. The value of the entire shareholders' equity of the subject of appraisal is arrived at by adding up the above assets.

(V) Appraisal model

1. Appraisal model: The equity free cash flow was selected as the valuation model for the income approach.

2. ***Calculation formula***

The basic model for this valuation is:

$$E = P + I + \sum C_i$$

Where:

P: The value of the operating assets of the subject of the appraisal;

$$P = \sum_{i=1}^{n} \frac{R_i}{(1 + r)^i}$$

Where:

Ri: Expected future earnings (equity cash flows) of the appraised object in the ith year in the future;
r: discount rate;
n: The future operating period of the subject of the appraisal.
I: Value of long-term equity investments
ΣC_i: the value of non-operating or surplus assets existing on the base date of the appraisal object.

$$\sum C_i = C_1 + C_2$$

Where:

C1: Value of cash-based assets (liabilities) at the base date;
C2: Value of other non-operating or surplus assets;

3. Earnings indicators

For this valuation, the equity cash flows of the business are used as an indicator of the return on the invested assets subject to the appraisal, which is basically defined as:

R = net profit + income tax + depreciation and amortization + net increase in interest-paying debt – additional capital

The expected future equity cash flows of the subject of appraisal are estimated based on its operating history and future market development. The equity cash flows in the future operating period are discounted and summed to obtain the value of the investment assets.

4. Discount rate

The Capital Asset Pricing Model (CAPM) was used to determine this valuation, i.e., the CAPM determines the discount rate, r:

$R_e = R_f + \beta e \times MRP + \varepsilon$

Where:

Rf: Risk-free rate of return;
MRP: Market Risk Premium;
ε : Risk adjustment factor for the characteristics of the assessment object;
βe: Expected market risk coefficient of the equity capital of the valuation object;

$$\beta_e = \beta_u \times (1 + (1 - t) \times \frac{D}{E})$$

βu: Unlevered market risk coefficient for comparable firms;
D: The value of interest-paying debt of the subject of the appraisal;
E: Fair value of equity capital of the appraised entity

5. Determination of the forecast period

Considering the fact that the assessed unit is already in normal operation and is operating in a relatively stable condition, the forecast period has been determined to be from 2025 to 2029.

6. Determination of the benefit period

According to the actual situation of the appraised entity and the characteristics of the enterprise's operating business, taking into account its operating conditions in previous years and the local market situation, the operation and development of the successor company can be guaranteed within a foreseeable period, so the income period is determined on a perpetual basis.

IX. Implementation process and status of valuation procedures

Immediately after accepting the appraisal commission, Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd. formed an asset appraisal team to formulate an appraisal plan, formally entered the site and carried out the appraisal work. We conducted the appraisal of the assets within the scope of the appraisal in accordance with the regulations of the relevant state departments on asset appraisal and the general rules of accounting, and the specific steps are as follows:

1. Listening to the introduction of the basic situation of the assets commissioned for appraisal by the relevant personnel and clarifying the basic matters of the appraisal business;

2. Signing an asset appraisal commissioning contract with the principal;

3. Preparing appraisal plans, organizing appraisal personnel, and instructing appraised units to inventory assets and prepare appraisal information;

4. Analyzing and verifying the list of assets commissioned for valuation, relevant property rights certification information, accounting records and related information to determine the scope and object of valuation;

5. On-site investigation of assets within the scope of this valuation, as well as verification and analysis, and on-site spot-check inventory of physical assets;

6. Determining the method of appraisal in accordance with the purpose of the appraisal and the conditions possessed by the assets to be appraised;

7. Conducting market research, collecting relevant information, and assessing and estimating all types of assets and liabilities;

8. Approving amendments to the assessed value and preparing and completing the relevant assessment forms;

9. Summarizing and organizing appraisal information, and writing various appraisal technical notes and asset appraisal reports;

10. Analyzing, reviewing and issuing asset valuation reports on valuation conclusions;

11. Organizing and binding the assessment work papers and file them.

X. Valuation assumptions

(I) General assumptions

1. The prerequisite for the establishment of this valuation report is that the economic acts targeted are in compliance with the relevant provisions of national laws and regulations. The responsibility of the appraiser and the appraisal institution is to make a professional judgment on the amount of the value of the assets under the appraisal purpose stated in this report, and it does not involve the appraiser and the appraisal institution in making any judgment on the legality of the economic act to which the appraisal purpose is addressed.

2. The appraisal work relies to a large extent on the relevant information provided by the client and the appraised entity. Therefore, the appraisal work is premised on the truthfulness, completeness and legality of the relevant economic behavior documents, asset ownership documents, papers and other relevant legal documents and appraisal information provided by the principal and the appraised entity.

3. The appraisal is subject to the specific appraisal purposes set out in this asset valuation report.

4. Assuming that all assets to be appraised are already in the process of being traded, the appraiser simulates the market for valuation based on the trading conditions of the assets to be appraised.

5. Assuming that assets traded or to be traded in the market, both parties to the asset transaction are on an equal footing with each other and have access to sufficient market information and time for each other to make rational judgments about the function and use of the asset and its transaction price.

6. There are no significant changes in the relevant laws and regulations, policies and national macroeconomic situation in force in the country, no significant changes in the political, economic and social environment of the region in which the parties to this transaction are located, and no significant adverse effects caused by other unpredictable and force majeure factors.

7. The valuation assumptions that the existing use of the assets under appraisal remains unchanged and that the appraised business continues to operate.

8. It is assumed that the operators of the assessed entity are responsible and the management is capable of assuming their positions.

9. Unless otherwise stated, it is assumed that the assessed entity fully complies with all relevant laws and regulations.

10. It is assumed that the accounting policies to be adopted by the Company in the future will be substantially the same in material respects as those adopted in the preparation of this report.

11. It is assumed that there will be no significant changes in relevant interest rates, exchange rates, tax bases and rates, inflation, policy levies, etc.

12. There are no other human force majeure and unforeseeable factors that have a significant adverse impact on the enterprise.

(II) Targeting Assumptions

1. The scope of business, mode of operation and mode of management of the appraised entity have remained consistent, the main business has been relatively stable, and the objectives and measures formulated by the appraised entity can be realized as scheduled in accordance with the predetermined time and progress, and actual profit forecast targets have been provided.

2. It is assumed that the expenditures on operating income, costs and expenses, renewals and remodeling, etc. of the assessed entity for each year are evenly incurred during the year.

3. It is assumed that there will be no significant changes in the accounting policies and methods of accounting of the assessed entity during the forecast period.

4. The appraisal does not take into account the impact on the appraised value of collateralized security matters that may be assumed in the future and the additional price that may be paid by special counterparties.

5. The appraisal was conducted on the basis of stock assets.

6. The future profit forecasts of the appraised entity involved in this valuation are based on the profit forecasts formulated by the management of the appraised entity, and the management of the appraised entity is responsible for the truthfulness, scientificity and completeness of the relevant data and information provided by it in respect of the forecasts of the future profits of the enterprise, as well as for the reasonableness and realizability of the forecasts of the future profits of the enterprise. This valuation report is made on the basis of the forecast data and information provided by the appraised entity.

This valuation report and the valuation conclusions herein are based on the above valuation assumptions and limitations, as well as the principles, basis, conditions, methods and procedures stated herein, and shall cease to be valid upon any change in the above premises in general.

XI. Valuation conclusions

In accordance with the relevant national regulations on asset appraisal and based on the analysis of the basic situation of Hainan Sky Plumage Flight Training Co., Ltd., this valuation has adopted the asset-based approach and the income approach and performed the necessary valuation procedures to appraise the market value of the assets under appraisal as at the valuation date, and after analyzing the appraisal situation of the two appraisal methods, it has been determined that the appraisal results under the income approach will be taken as the conclusion of this asset valuation.

(I) Asset-based approach results

The book value of the assets under valuation amounted to RMB2,422,124,400 and the valuation value was RMB2,579,045,600, with a valuation value increase of RMB156,921,200, representing a value-added rate of 6.48%. This was mainly due to the appreciation in the valuation of right-of-use assets, fixed assets and intangible assets.

The book value of the commissioned liabilities was RMB1,827,434,100 and the valuation value was RMB1,827,434,100, with no increase or decrease in value.

The book value of the owner's equity (net assets) was RMB594,690,300 and the valuation value was RMB751,611,400, with a valuation value increase of RMB156,921,200, representing a value-added rate of 26.39%.

Summary of Asset Valuation Results of Hainan Sky Plumage Flight Training Co., Ltd.

Valuation base date: 31 December 2024 *Amount unit: RMB ten thousand*

Item	Book value A	Valuation value B	Increase or decrease C=B-A	Appreciation (impairment) rate (%) D=C/A×100%
Current assets	52,569.09	52,569.09	0.00	0.00
Non-current assets	189,643.35	205,381.01	15,692.12	8.27
Of which: Long-term equity investments	0.00	0.00	0.00	
Fixed assets	11,353.70	12,103.85	750.16	6.61
Construction in progress	18,216.74	19,080.21	863.47	4.74
Right-of-use assets	137,719.27	142,792.59	5,073.32	3.68
Intangible assets	248.85	9,254.01	9,005.16	3,618.68
Deferred income tax assets	22,104.79	22,104.79	0.00	0.00
Total assets	**242,212.44**	**257,904.56**	**15,692.12**	**6.48**
Current liability	51,486.99	51,486.99	0.00	0.00
Non-current liability	131,256.42	131,256.42	0.00	0.00
Total liabilities	**182,743.41**	**182,743.41**	**0.00**	**0.00**
Owners' equity (net assets)	**59,469.03**	**75,161.14**	**15,692.12**	**26.39**

Details of the valuation conclusions are detailed in the valuation schedule.

(II) Income approach results

Having been appraised using the income approach, on the premise of going concern as at 31 December 2024, the book value of the value of the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. was RMB594,690,300 and the valuation value was RMB799,070,000, with a valuation value increase of RMB204,379,700, representing a value-added rate of 34.37%.

(III) Analysis of valuation conclusions

After the appraisal of Hainan Sky Plumage Flight Training Co., Ltd. as a whole by the appraisers using the asset-based approach and the income approach respectively, the value of the entire shareholders' equity measured by the asset-based approach was RMB751,611,400; and the value of the entire shareholders' equity measured by the income approach was RMB799,070,000. The value of the entire shareholders' equity of the enterprise valued using the income approach is higher than the value of the entire shareholders' equity of the enterprise valued using the asset-based approach by RMB47,458,600, representing a difference rate of 6.31%.

The main reason for the difference in the valuation results between the two approaches is analyzed: the two valuation approaches consider different perspectives, with the income approach being based on the future profitability of the enterprise, while the asset-based approach is based on the re-acquisition of the assets, which is mainly determined on the basis of the full replacement cost of the existing assets of the enterprise as at the valuation base date.

The valuation entity has flight training qualifications, strong training faculty, a good training environment and advanced flight simulators, and maintains close and long-term cooperative relationships with a number of airlines such as Hainan Airlines, Tianjin Airlines and Capital Airlines, and has a strong future profitability, and the asset-based approach cannot reasonably reflect the profitability of the valuation entity. Therefore, the results of the income approach were adopted as the final valuation conclusion.

After analysis, this valuation concluded that the appraised value of the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. was RMB799,070,000.

XII. Statement of special matters

(I) The appraisal was made under the principles of independence, impartiality, objectivity and science, and Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd. and all the personnel who participated in this valuation work did not have any special interest in any of the parties involved in the economic behavior, and the appraisal personnel scrupulously abided by the professional ethics and norms in the process of appraisal and made full efforts to do so.

(II) This valuation report only provides value reference opinions for the purpose of this specific appraisal and does not consider the impact of other economic behaviors and derived value bases on the appraisal conclusions, therefore, this valuation report and the appraisal conclusions generally cannot be applied to other appraisal purposes.

(III) Hainan Sky Plumage Flight Training Co., Ltd. shall be responsible for the authenticity, legality and completeness of the information provided on the legal title of the assets subject to valuation. According to the Guidance on Legal Ownership of Asset Evaluation Subject (CAS [2017] No. 48) (《資產評估對象法律權屬指導意見》(中評協[2017]48)), the purpose of the asset appraiser and its professionals in performing the asset appraisal business is to estimate the value of the subject of appraisal and express professional opinions, pay necessary attention to the legal ownership of the subject of appraisal and disclose the status of the checking but do not provide any form of assurance in respect of the legal ownership, nor bear the responsibility for verifying the authenticity, legality and completeness of the information on the legal ownership of the subject of appraisal.

(IV) The asset appraisal organization and the undersigned asset appraiser do not assume responsibility for defective and subsequent matters of the appraised entity that may affect the conclusion of the asset appraisal in the absence of any special explanations from the principal and the relevant parties, which the asset appraisal professional is generally unable to learn about on the basis of his/her professional experience.

(V) The book values of assets and liabilities used in this valuation are derived from the valued entity, and the statement data included in the scope of this valuation have been audited by Zhongshenzhonghuan Certified Public Accountants LLP, which issued an "unqualified" audit report (reference number: Zhonghuan Shen Zi (2025) No. 1700076) on the accounting statements of Hainan Sky Plumage Flight Training Co., Ltd. as at 31 December 2024. This valuation was made on the basis of the audited and confirmed accounting statements.

(VI) When appraisers identify the following matters in the course of an appraisal that may affect the appraisal conclusion but are beyond the appraisers' level of practice and ability to assess and estimate, they shall draw the attention of the users of the report to the impact of such matters on the appraisal conclusion and use the appraisal conclusion in a reasonable manner:

1. Hainan Sky Plumage Flight Training Co., Ltd. mortgaged five simulators obtained under finance leases to Foshan Haisheng Financial Leasing Co., Ltd. (佛山海晟金融租賃股份有限公司) with the value of the leased property amounting to RMB230,477,818.60 and the mortgage term up to 21 December 2031, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

2. Hainan Sky Plumage Flight Training Co., Ltd. mortgaged six simulators obtained under finance leases to ABC Financial Leasing Co., Ltd. (農銀金融租賃有限公司) with the value of the leased property amounting to RMB498,518,007.81 and the mortgage term up to 31 October 2030, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

3. Hainan Sky Plumage Flight Training Co., Ltd. obtained one A320 simulator and two IPTs under finance leases from Shanghai Yuanxin Business Service Co., Ltd. (上海圓新商務服務有限公司), while Shanghai Yuanxin Business Service Co., Ltd. (上海圓新商務服務有限公司) mortgaged one A320 simulator and two IPTs to China Construction Bank Corp. Foshan Branch, with the contract amount of RMB290,000,000.00 and the mortgage term up to 30 April 2028, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

(VII) This valuation conclusions do not take into account premiums or discounts arising from factors such as controlling interests and minority interests, or the impact of liquidity on the valuation target.

(VIII) The changes in tax liabilities that may result from increases or decreases in valuation values have not been taken into account in this valuation conclusion.

(IX) The data in this report are all computed using computerized sequential calculations. Since two decimals or rounding is applied in the calculations, individual equations may not be exactly equal to each other, but this does not affect the accuracy of the results of the calculations and the final conclusions.

(X) Material subsequent matters

1. When the number of assets changes after the date of the valuation report during the validity period of the report, the amount of assets shall be adjusted accordingly based on the original valuation method.

2. If there is a significant change in the asset price standard during the validity period after the valuation benchmark date and the valuation price of an asset has been seriously affected, the principal shall promptly engage an appraisal organization to re-determine the appraised value.

3. The appraisers are not aware of the occurrence of any other material subsequent matters affecting the assets entrusted for valuation.

4. This valuation report shall not be used directly in the event of material matters occurring after the valuation base date.

(XI) In accordance with the requirements of the asset appraisal, the appraisal measurements are based, in part, on existing policy provisions and, in part, on industry practices, statistical parameters or generic parameters commonly used in appraisals. In the event of significant changes in the economic environment in the future, the appraisers will not be liable for results different from those in the current appraisal as a result of changes in the prerequisites.

The above special matters are brought to the attention of the users of the report.

XIII. Statement of limitations on the use of the valuation report

1. This valuation report shall be used only for the appraisal purposes and uses set forth in the report

   An asset appraisal institution and its asset appraiser shall not be liable if the principal or other user of the asset appraisal report fails to use the asset appraisal report in accordance with the provisions of the laws and administrative regulations and the scope of use set out in the asset appraisal report.

2. This valuation report can only be used by the person who uses the asset valuation report as stated in the report

   Except for the principal, other users of the asset appraisal report agreed in the asset appraisal entrustment contract and the users of the asset appraisal report stipulated by laws and administrative regulations, any other organization or individual cannot be the user of the asset appraisal report.

3. The user of the asset appraisal report shall correctly understand the appraisal conclusion, which is not equivalent to the realizable price of the subject of appraisal, and the appraisal conclusion shall not be regarded as a guarantee of the realizable price of the subject of appraisal.

4. The results of the appraisal reflect the current fair market value of the subject of the appraisal for the purpose of the appraisal, which was determined in accordance with the principles of the open market on the assumption that the appraised enterprise is a going concern, without taking into account the impact on the appraisal price of the price that may be paid by special counterparties in addition to the price or a reduction to the price, and without taking into account the impact on the price of the asset of changes in the national macroeconomic policy and the impact of the force of nature and other force majeure. The appraisal results are generally invalidated when other circumstances change such as the aforementioned conditions and the going concern principle followed in this valuation.

5. The appraisal conclusions are valid under the appraisal assumptions and are limited to use for the purpose of this valuation.

6. If all or part of the appraisal report is extracted, quoted or disclosed in the public media, the appraisal institution shall be required to review the relevant contents, unless otherwise stipulated by laws and regulations or agreed by the relevant parties.

7. This valuation project involves state-owned assets, and according to the relevant regulations, this valuation report can be used only after fulfilling the state-owned assets appraisal filing (or approval) procedures.

8. Validity period for the use of valuation conclusions

   In accordance with relevant state regulations, the validity period for the use of the valuation conclusions in this report is one year, calculated within one year from the asset valuation base date of 31 December 2024, i.e., from 31 December 2024 to 30 December 2025, when the use is valid. This valuation report may be used only if the gap between the valuation base date and the date of realization of the economic act does not exceed one year.

9. Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd. is responsible for the interpretation of all or part of this report.

XIV. Valuation report date

The date of the asset valuation report is the date on which the valuation conclusions are finalized in this valuation report, and the report date for this valuation project is 16 May 2025.

XV. Signature and seal

Asset valuer:

Asset valuer:

Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd.
16 May 2025

Appendices

1. Copy of economic behavior document

2. Copies of the business license of the principal and the valuation entity

3. Copies of the audit report and audited statements of the valuation entity as at the valuation base date

4. The certification information of the main title involving the valuation targets

5. Photographs of physical assets

6. Letter of commitment from the principal and the valuation entity

7. Asset valuation commissioning contract

8. Letter of commitment from the signatory asset valuer

9. Explanation of the difference between the book value of assets and the valuation balances

10. Copies of the business license and qualification certificate of the legal person of the appraisal institution

11. Copy of the qualification documents of the asset valuer in charge of this valuation business

12. Valuation schedule

Appendix II

Extract of the MAP Report and the Other Information

(English translation for reference only)

PART I. THE PRICING OF THE TARGET ASSETS BEING FAIR

The listed company has engaged auditing and valuation agencies qualified for securities and futures-related businesses to conduct audits and valuations of the target assets. In addition, an independent financial advisor has been retained to review matters such as the pricing of the assets involved in this transaction and the ownership status of the target assets. Furthermore, the independent financial advisor and legal counsel will review the implementation process, the fulfilment of relevant agreements and commitments, and the compliance and risks associated with subsequent matters, and issue clear opinions to ensure that the pricing of the target assets in this transaction is fair and just, the pricing process is lawful and compliant, and the interests of the listed company's shareholders are not harmed. The Board of Directors of the Company will express its clear opinions on the independence of the valuation firms engaged in this transaction, the reasonableness of valuation assumptions, the alignment of the selection of valuation methodologies, valuation objectives with the assessed asset conditions, and the fairness of the valuation pricing. No independent directors voted against or abstained on the above proposals.

PART II. MEASURES ADOPTED BY THE COMPANY TO DILUTE IMMEDIATE RETURNS AND ENHANCE FUTURE PROFITABILITY FROM THE SIGNIFICANT ASSET RESTRUCTURING

- **Strengthening synergistic integration to improve profitability**

  The company will accelerate resource integration and synergy by improving management and scheduling efficiency, optimizing flight training resource allocation, and stimulating corporate innovation awareness. Concurrently, the Company will further consolidate its principal business operations and explore new growth points, and leverage economies of scale to reduce unit costs and expenses, thereby enhancing the Company's profitability.

PART III. SIGNIFICANT RISK WARNING

- **Risk of substantial premium of the transaction price over the book value**

  The final transaction price was determined through negotiations among the parties involved, with reference to the valuation results issued by the valuation agency. The valuation of Sky Plumage Flight Training in this transaction was based on the income approach, and the parties mutually agreed to set the final transaction price at RMB799,070,000, representing a premium of 34.37% over the book value of the target company's net asset as of 31 December 2024. Investors are hereby advised to note the risk associated with the substantial premium of the transaction price over the book value of the target assets.

- **Risk of high customer concentration of the target company**

  Sky Plumage Flight Training derives the majority of its revenue from Aviation Group (航空集團) and other enterprises under its common control. During 2023, 2024, and January to April 2025, the aggregate sales revenue from Sky Plumage Flight Training's top five customers amounted to RMB403,496,900, RMB373,197,600 and RMB126,878,100, representing 95.82%, 97.00% and 96.59% of its total operating revenue for the respective periods, respectively. Among them, revenue from its largest customer, Aviation Group and other enterprises under its common control, accounted for 82.83%, 82.49% and 81.13%, respectively. If the demand of these key clients for the target assets declines due to intensified market competition, operational difficulties or other internal or external factors, Sky Plumage Flight Training could experience a material decline in its operating performance.

- **Risk of declining operating performance of the target company**

  In 2023 and 2024, the target company generated an operating income of RMB421,092,300 and RMB384,739,400, with net profits attributable to shareholders of the parent company of RMB184,645,500 and RMB69,864,500, respectively. The declines in both revenue and profit levels of the target company were primarily attributable to reduced flight training hours from clients in 2024 as compared to 2023. If the civil aviation market experience volatility or face obstacles in the recovery of domestic and international flight routes in the future, the target company may encounter decreased demand for flight training services, leading to further deterioration in its performance. Investors are hereby advised to pay attention to the risks associated with the target company's declining operating results.

- **Risks caused by changes in the operating environment**

  The target company's performance is subject to multiple external operational factors. On one hand, unforeseen public health events may trigger temporary flight route blockages, resulting in declined demand in the air transport industry and, in turn, a reduction in demand for flight training services, adversely impacting the target company's revenue scale. On the other hand, the target company's full-flight simulators are primarily imported and require foreign currency payments. Potential increases in import tariff rates for such equipment, coupled with depreciation of the RMB exchange rate, would elevate the Company's operating costs and consequently weaken its profitability. Investors are hereby advised to pay attention to the risks to the target company's performance posed by these changes in the operating environment.

PART IV. BASIC INFORMATION OF THE TARGET COMPANY

I. Basic information

Company name	:	Hainan Sky Plumage Flight Training Co., Ltd.
Date of establishment	:	3 November 2015
Duration of operation	:	3 November 2015 to 3 November 2065
Company type	:	Limited liability company (wholly owned by a legal person invested or controlled by non-natural person)
Legal representative	:	Zhao Hongqi
Registered capital	:	RMB374,953,130
Unified social credit code	:	91460000MA5RC58008
Domicile	:	Tankou Village, Longtang Town, Qiongshan District, Haikou City, Hainan Province
Scope of operation	:	training services for pilots, flight attendants and other aviation-related personnel, simulator maintenance, repair and other related technical services, training in aviation business knowledge, flight experience, after-sale support for simulator spare parts, development and sale of simulator application software and visual airport, accommodation services and housing rental.

II. History of the Company

(i) Establishment of Sky Plumage Flight Training in November 2015

Sky Plumage Flight Training was established on 3 November 2015 as a limited liability company solely funded by a monetary contribution of RMB300,000,000 from Aviation Group. It was registered with and incorporated by the Hainan Administration for Industry and Commerce, which issued a corporate business license with the Unified Social Credit Code 91460000MA5RC58008, with a registered capital of RMB300,000,000.

As of 12 April 2016, Sky Plumage Flight Training had received a total of RMB300,000,000 in registered capital from Aviation Group, representing a shareholding ratio of 100%.

The shareholding structure of Sky Plumage Flight Training at the time of its establishment was as follows:

No.	**Name of shareholder**	**Amount of capital contribution (RMB10,000)**	**Shareholding ratio (%)**
1	Aviation Group	30,000.00	100.00
Total		**30,000.00**	**100.00**

(ii) Capital increase by shareholder in May 2017

On 10 May 2017, Sky Plumage Flight Training convened a general meeting, at which a resolution was passed to approve Beijing Capital Airlines Co., Ltd. as a new shareholder to make a capital contribution to Sky Plumage Flight Training of RMB74,953,130 in kind. The aforementioned capital contribution was verified by China United Assets Appraisal Group Co., Ltd., which issued the Asset Valuation Report (Zhong Lian Ping Bao Zi [2017] No. 157).

The shareholding structure of the Company after the capital increase was as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	Aviation Group	30,000.00	80.01
2	Beijing Capital Airlines Co. Ltd.	7,495.313	19.99
Total		**37,495.313**	**100.00**

(iii) First equity transfer in May 2018

On 20 March 2018, Sky Plumage Flight Training convened a general meeting, at which a resolution was passed to approve the transfer of Beijing Capital Airlines Co., Ltd.'s 19.99% equity interest in Sky Plumage Flight Training, representing a capital contribution of RMB74,953,130, to Aviation Group at a valuation-based price.

On 3 May 2018, Beijing Capital Airlines Co., Ltd. entered into the Equity Transfer Agreement to transfer its 19.99% equity in the target company to the Aviation Group at a price of RMB103,774,800.

The shareholding structure of the Company after the equity transfer was as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	Aviation Group	37,495.313	100.00
Total		**37,495.313**	**100.00**

(iv) Second equity transfer in April 2019

On 28 April 2019, Aviation Group entered into the Sky Plumage Flight Training Equity Transfer Agreement, to transfer its 100% equity interest in Sky Plumage Flight Training to HNA at a consideration of RMB695,706,200.

On 30 April 2019, Sky Plumage Flight Training convened a general meeting, at which a resolution was passed to approve the transfer of Aviation Group's 100% shareholding in Sky Plumage Flight Training to HNA.

The shareholding structure of the Company after this change was as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	HNA	37,495.313	100.00
Total		**37,495.313**	**100.00**

(v) Third equity transfer in June 2020

On 11 June 2020, Sky Plumage Flight Training convened a general meeting, at which a resolution was passed to approve the transfer of HNA's 100% equity interest in Sky Plumage Flight Training to HNA Infrastructure Industry Group Limited.

On 12 June 2020, HNA entered into the Sky Plumage Flight Training Equity Transfer Agreement, to transfer its 100% equity interest in Sky Plumage Flight Training to HNA Infrastructure Industry Group Limited at a consideration of RMB749,118,300.

The shareholding structure of the Company after this change was as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	HNA Infrastructure Industry Group Limited	37,495.313	100.00
Total		**37,495.313**	**100.00**

In October 2022, HNA Infrastructure Industry Group Limited changed its name to Hainan Airport Development Industry Group Co., Ltd.

As of the date hereof, the shareholding structure of the Company is as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	Airport Group (空港集團)	37,495.313	100.00
Total		**37,495.313**	**100.00**

III. Share transfers in the past three years

Neither the target company nor its subsidiaries have engaged in any share transfer during the past three years.

As of the signing date of this report, the share capital structure of Sky Plumage Flight Training is as follows:

No.	Name of shareholder	Amount of capital contribution (RMB10,000)	Shareholding ratio (%)
1	Airport Group	37,495.313	100.00
Total		**37,495.313**	**100.00**

IV. Explanation on whether there is any false capital contribution or any situation that affects its legal continuity

On 3 November 2015, HNA Aviation Group established Sky Plumage Flight Training (originally known as Hainan Sky Plumage Flight Training Co., Ltd.) by a monetary contribution of RMB300,000,000. The aforementioned capital contribution was verified by Hainan Huahe Accounting Firm LLP (海南華合會計師事務所（普通合夥）), which issued the Capital Verification Report (Hai Hua He Hui Yan Zi [2016] No. 806001).

On 10 May 2017, Sky Plumage Flight Training convened a general meeting, at which a resolution was passed to approve Beijing Capital Airlines Co., Ltd. to increase its capital contribution to Sky Plumage Flight Training of RMB74,953,130 in kind. China United Assets Appraisal Group Co., Ltd. issued the Asset Valuation Report (Zhong Lian Ping Bao Zi [2017] No. 157) regarding such capital increase. After valuation, the target equipment was valued at RMB75,459,100.

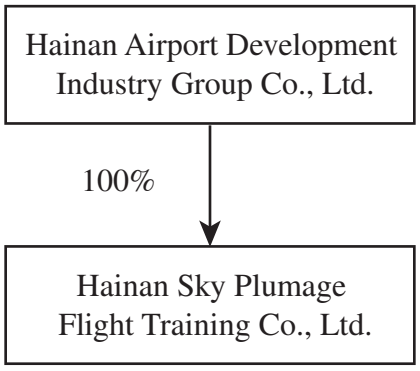
Airport Group has issued a written undertaking that: "The target assets held by the Company have clear ownership, and are free from any disputes or potential disputes. There are no irregularities in capital contributions including but not limited to false capital contributions or capital withdrawal, nor do any circumstances exist that may affect the target company's legal continuity."

In conclusion, there have been no major capital contribution defects or situations that materially affect the legal continuity of Sky Plumage Flight Training in its historical development.

V. Shareholding structure and control relationships

(i) Shareholding structure

As of the signing date of this report, the shareholding control relationship of Sky Plumage Flight Training is as follows:



(ii) Basic information of controlling shareholder

As of the signing date of this report, the controlling shareholder of Sky Plumage Flight Training is Airport Group.

For the basic information of Airport Group, please refer to "Chapter III Basic Information of the Counterparty" in this report.

(iii) Basic information of the actual controller

The Hainan SASAC is the actual controller of Sky Plumage Flight Training.

(iv) Changes in control in the past thirty-six months

Sky Plumage Flight Training has maintained Airport Group as its controlling shareholder throughout the past thirty-six months without any changes. The actual controller of Sky Plumage Flight Training has consistently been the Hainan SASAC throughout the past thirty-six months without any changes.

(v) Major provisions of the Company's articles of association or relevant investment agreements that may have an impact on the transaction, the arrangements for senior management, and the existence of any agreements or other arrangements that may affect the independence of assets

The articles of association of Sky Plumage Flight Training do not contain any provision or arrangements for senior management that would have a significant impact on this transaction.

In June 2020, as the listed company transferred its 100% equity interest in Sky Plumage Flight Training to Airport Group, Airport Group became the controlling shareholder of Sky Plumage Flight Training. The airlines under Aviation Group are the largest customers of Sky Plumage Flight Training. Given that aviation safety constitutes the fundamental priority for airline operations, and to ensure compliance with aviation safety management requirements for flight training services, as of the date of issuance of this reorganization report, Aviation Group has dispatched on-site supervisors to participate in the daily operations management of Sky Plumage Flight Training, subject to the standardized operation requirements of Sky Plumage Flight Training's controlling shareholder. The details are as follows:

In July 2022, with the authorization of the then chairman of Sky Plumage Flight Training, senior management of Aviation Group, as authorized personnel, participated in the daily operations of Sky Plumage Flight Training in the name of the acting chairman. Major matters involving the Company are subject to standard decision-making procedures initiated by the chairman. From 13 March 2024 onward, Sky Plumage Flight Training has received a notice from its shareholder Airport Group to elevate its management hierarchy, change the Company's articles of association and legal representative. Pursuant to the notice, Sky Plumage Flight Training will not establish a board of directors, but only an executive director, and will issue a written notice to its subordinate units to clearly terminate the signature of the authorized company leaders. Decision-making matters involving contract signing, use of business licenses, etc. shall be reported to the shareholder in accordance with the requirements of the articles of association for approval according to the shareholder's decision-making procedures. The specific reasons and rationality are as follows:

First, the Civil Aviation Administration of China (CAAC) has continuously strengthened its regulatory oversight in recent years, exemplified by the comprehensive implementation of CCAR-121 standards, which mandate elevated qualification requirements for airlines in areas such as crew resource management and safety training. As the core flight training service provider for Aviation Group's related airlines, Sky Plumage Flight Training must ensure full alignment between its training systems and the operational standards of these airline operators.

Second, pilot training directly affects the airline's safe flight record. As Sky Plumage Flight Training undertakes approximately 150,000 hours of flight training tasks each year, the collaboration in management between the airline and the shareholder and management team of Sky Plumage Flight Training helps reduce the loss of cross-enterprise communication and ensure consistent implementation of safety protocols.

Finally, Aviation Group's flight safety management is at the forefront of the industry. Aviation Group requires its airlines to rigorously implement various civil aviation safety oversight systems and conducts daily oversight of safety management within its subsidiaries, with particular attention paid to the implementation of proactive risk prevention measures. Flight training for specialized personnel is a core component of proactive risk prevention, and effective monitoring of this process is essential.

The above participation in operational operations will not affect decision-making on significant matters of the shareholder of Sky Plumage Flight Training. Upon completion of this transaction, Sky Plumage Flight Training will be included in HNA's consolidated financial statements and will undergo revisions and improvements to its internal control systems in alignment with HNA's governance structure. The above actions are necessary for the development of the civil aviation training business and are in line with industry practices. They will not adversely affect the independence of Sky Plumage Flight Training.

VI. Litigation, arbitration and administrative penalties

(I) Litigation and arbitration

As of the date of this report, the major pending litigation and arbitration cases involving Sky Plumage Flight Training and its controlled subsidiaries are as follows:

No.	Plaintiff/ Claimant	Defendant/ Respondent	Cause of Action	Amount in Dispute	Jurisdiction	Status
1	Sky Plumage Flight Training	Air Guilin Co., Ltd. (桂林航空有限公司)	Service contract dispute	RMB 34,203,746 + liquidated damages	First Intermediate People's Court of Hainan Province	Case Accepted for First Instance

(II) Administrative penalties

In the past three years, Sky Plumage Flight Training and its subsidiaries within the scope of its merger have not been subject to administrative penalties from relevant departments such as industry and commerce, taxation, land, environmental protection, and customs.

VII. Main operations in the past three years

(I) Major products and services

Sky Plumage Flight Training is a comprehensive modern aviation flight training service provider. Over the past three years, its primary business operations include flight training business, cabin training business (including flight experience business), and simulator maintenance. During the reporting period, the main operation of Sky Plumage Flight Training remained unchanged.

1. Flight training business

Sky Plumage Flight Training provides pilot training for various aircraft types, including initial conversion, type transfer, recurrent training, upgrades, differences training, instructor transfers, and special operations training for pilots on the A320/A330/B737/B787/E190. It also delivers training in basic aviation knowledge, including aviation theory and aviation English. Through innovative teaching methods, advanced simulation training equipment, customized courses, and visual models, it is equipped with instructors with extensive operational experience to ensure that aviation professionals receive high-quality training.

Sky Plumage Flight Training provides pilot training services to customers through two simulator training models: dry lease and wet lease. Simulator dry lease refers to customers utilizing only Sky Plumage Flight Training's simulators without requiring simulator instructors provided by Sky Plumage Flight Training. Simulator wet lease means customers use Sky Plumage Flight Training's simulators while also requiring simulator instructors provided by Sky Plumage Flight Training, thereby incurring both simulator training fees and instructor service fees. Sky Plumage Flight Training also offers theoretical training, including training on various aircraft models, basic aviation theory, and aviation English.

Sky Plumage Flight Training has developed corresponding training outlines and training courses based on different service categories. Full-chain management has been implemented to strengthen training quality control, ensuring that the training services provided by Sky Plumage Flight Training to customers consistently maintain a high standard. In actual training, Sky Plumage Flight Training strengthens coordination and cooperation with customers, strictly implements training in accordance with the customer's training outline and training standards, and ensures that the training quality and standards meet the customer's operational needs.

No.	Product	Specific Description
1	Airline Transport Pilot License (ATPL) Theoretical Course	The ATPL theoretical training course equips trainees with essential aviation knowledge, ensuring that ATPL applicants acquire aviation regulations knowledge, basic aviation theory knowledge, and flight operations knowledge that meet regulatory requirements, enabling them to competently perform diverse duties in a transport environment.
2	Type Rating Instructor (TRI) Basic Theoretical Training	Suitable for all pilots applying for or renewing their Type Instructor Rating. It provides basic theoretical training for Type Instructors. This training allows participants to learn the methods and principles of flight instruction, meet the knowledge, skills, and attitude requirements of flight instructors, and facilitate their transition from general pilots to qualified instructors.
3	Training Services for Different Aircraft Types	Applicable to the Company's E190, B787, B737, A330, and A320 pilot training, including initial, type conversion, upgrade, recurrent, requalification, differences, and special operations training.

4	Airline Copilot Preparation Course (ACPC)	This preparatory course for pilots of public transport airlines operating under CCAR-121, prior to initial training on Group II aircraft, can replace the high-performance multi-engine aircraft training required by the appendix to the Regulations for the Certification of Civil Aircraft Pilot Schools (CCAR-141). This training equips pilots with the fundamental aviation theory and aircraft type knowledge necessary for high-performance flight, mastering the flight control characteristics of Group II aircraft, instrument flight and autopilot procedures, and the flight procedures and characteristics of route operations. Sky Plumage Flight Training offers ACPC training services for the A320, B737, E190, and A330 aircraft.
5	Customized Training	Tailored training programs are developed based on the customer's personalized needs, where trainings are carried out in accordance with the contract or training plan after obtaining the customer's approval.

Sky Plumage Flight Training currently operates three training bases in Haikou, Sanya, and Beijing, with a total of 27 operational flight simulators and supporting hardware and software teaching facilities. Certified by the CAAC Simulator Evaluation Team, its flight simulator equipment meets the requirements of China's Civil Aviation Regulations (CCAR-60) and operates under a compliant flight simulator equipment quality assurance system. Sky Plumage Flight Training boasts full-flight simulator brands from leading international suppliers such as CAE and L3, aiming to provide first-class simulator training solutions.

The full flight simulator (FFS) can meet the training needs of simulating actual driving and meet the regulatory requirements of Level D aviation training. The flight training device (FTD), also known as a fixed flight training device, can meet the training needs of simulated driving, but is not required to provide a dynamic motion system and a visual system for the scene outside the cockpit. The Sky Plumage Vision Center enhances the realism of pilot training by extensively using satellite imagery to simulate dynamic airport environments and realistic weather effects. IPT equipment (Integrated Procedure Trainer) is a comprehensive ground training device for flight crew training. The IPT equipment uses a professional, highly simulated touch screen and a series of corresponding hardware facilities to create a training environment similar to real flight. Trainees master various standard procedure training requirements by gaining knowledge the IPT equipment.

No.	Description	Schematic diagram
1	Full Flight Simulator (FFS)	
2	Fixed Flight Training Device (FTD)	

No.	Description	Schematic diagram
3	Training simulation scene	
4	IPT equipment	

2. Cabin training services

Sky Plumage Flight Training provides customers with professional aviation training, including cabin crew simulator equipment rental and cabin emergency survival training. Subject to regulatory compliance training standards, and in light of the job requirements and characteristics of cabin crew, it is committed to improving the professionalism, skills, and emergency response capabilities of cabin crew, cultivating and exporting outstanding talent to airlines.

Sky Plumage Flight Training also holds the qualifications of Hainan Provincial Science Education Base (海南省科普教育基地), Hainan Provincial Primary and Secondary School Study Tour Practice Base (海南省中小學研學旅行實踐基地), and Civil Aviation Science Education Base of China (中國民航科普教育基地). It provides innovative products and services such as aviation experiences, study tours, and aviation and business etiquette. By promoting flight safety knowledge, teaching emergency survival skills, and raising public awareness of aviation safety, it aims to plants the seeds of an aviation dream in the hearts of young learners.

No.	Description	Schematic diagram
1	Crew training cabin	
2	Research and study experience	

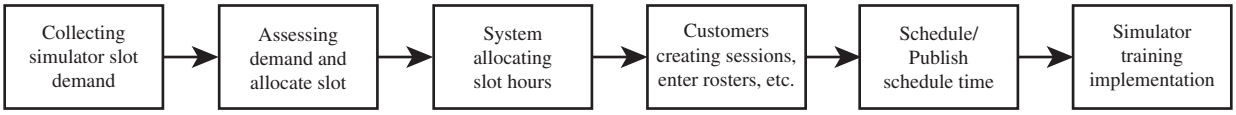
3. Simulator maintenance service

The professional maintenance team of Sky Plumage Flight Training has more than 20 years of experience in maintaining flight simulators, cabin simulators, IPT and other training equipment, which can meet the maintenance needs of major brands of simulators around the world, and also provide a full range of maintenance services such as daily maintenance of simulators, scheduled inspections, fault repairs, visual modeling, system research and development, aviation material procurement and repair.

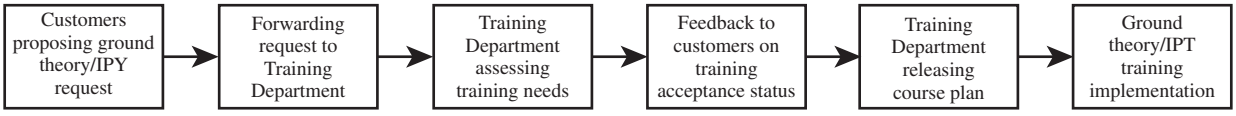
(II) Flowchart of main services

1. Flight training services

(1) Simulator training



(2) Ground theory/IPT training

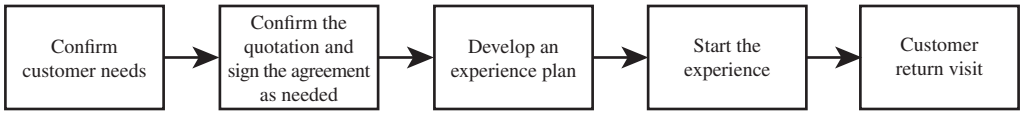


2. Cabin training services

(1) Crew training

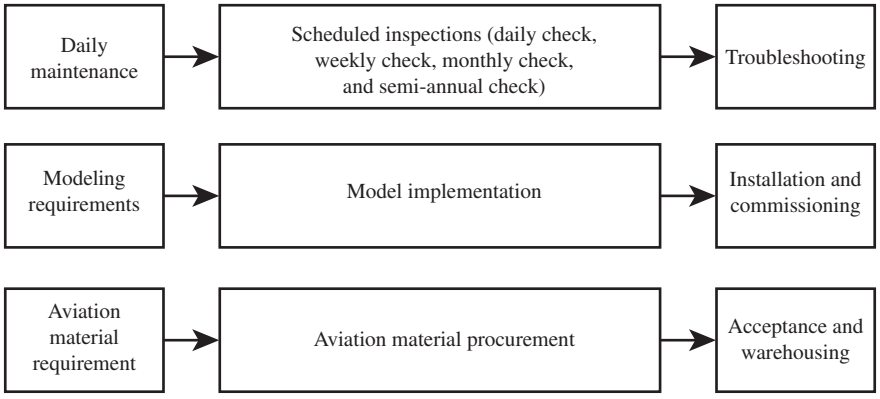


(2) Research and study experience



3. Simulator maintenance service

To meet customers' simulator maintenance needs, Sky Plumage Flight Training offers a full suite of basic services, including daily maintenance, scheduled inspections, and troubleshooting. Scheduled inspections include daily check, weekly check, monthly check, and semi-annual check. To ensure the smooth operation of basic services, it also provides auxiliary services such as visual modeling, system development, and aircraft material procurement and repair.



(III) Major business model

1. Service Model

Sky Plumage Flight Training is a company that provides pilot training services to its customers, with its main revenue derived from flight training services. The company's marketing and sales department is responsible for the sales of flight training business, which mainly includes ground-based theoretical training for pilots and dry-lease and wet-lease simulator training, increasing the company's simulator training and theoretical training revenue. Dry-lease simulator training: is a leasing method that only provides training equipment, and the lessee uses their own instructors to conduct training. Wet-lease simulator training: is a leasing method that not only provides training equipment, but also provides the lessee with instructors or inspectors to conduct various types of training. In addition, Sky Plumage Flight Training also generates revenue through simulator hosting services and simulator maintenance services.

2. Income Settlement Model

Currently, the settlement models between Sky Plumage Flight Training and its customers mainly include hourly fixed fee settlement, settlement based on the number of training persons and quarterly fixed fee settlement.

Business	**Settlement Method**
Simulator training and simulator instructor fees	A fixed training fee is charged per hour, and settlement is based on the training time multiplied by the hourly training fee
Theoretical training	A fixed training fee is charged based on the course and the number of participants, and the settlement is based on the unit price of the theoretical training course multiplied by the number of participants
Simulator maintenance	The fixed annual commission fee agreed in the contract is multiplied by the actual number of service days for settlement

Business	Settlement Method
Experience income	Settlement is made based on experience duration and unit price
Other businesses	The settlement amount is confirmed separately based on the actual amount incurred according to the nature of the individual business.

Simulator training services are provided for different aircraft models such as B737, A330, A320, B787, E190, etc. Sky Plumage Flight Training settles at a fixed hourly rate, with different fixed hourly prices charged depending on whether accommodation and meals are provided.

Simulator instructor fees are paid by customers when they lease instructors from Sky Plumage Flight Training, which pays instructors for their teaching services on an hourly basis.

Theory training includes initial conversion theory training, aircraft type conversion theory training, upgrade ground theory training, basic theory training for transport aviation flight instructors, basic aviation theory and aviation English, and other ground courses. Theory training fees are charged based on training courses, number of participants or hours.

Simulator custodian and maintenance services refer to airlines entrusting their flight simulators to Sky Plumage Flight Training for management.

Sky Plumage Flight Training conducts daily maintenance and upkeep of training simulators to keep them in usable condition, and charges a fixed entrustment fee for simulator maintenance services.

3. Procurement Model

Sky Plumage Flight Training has currently formulated relevant procurement systems in various aspects, including procurement process, procurement price control, acceptance management, supplier inspection and cooperation principles. The main procurement business types are divided into sporadic procurement, price inquiry and comparison procurement and bidding procurement. For sporadic procurement businesses below RMB50,000, the business demand department selects the supplier with the lowest quotation based on market sourcing and comparison of three quotations, submits a procurement project approval document, and then executes the procurement. For procurement businesses of RMB50,000 or more, a project team (including project leader, demand representative, procurement representative, financial representative, legal representative, etc.) shall be established to carry out inquiry or bidding procedures in accordance with project requirements and procurement system regulations. The final procurement result shall be comprehensively evaluated by project team members based on market prices and historical procurement prices, reported to the company's responsible leader for approval, and relevant procurement agreements shall be signed with suppliers upon approval.

(1) Simulator procurement model

In light of the characteristics of complete simulators, Sky Plumage Flight Training has formulated corresponding simulator introduction systems, mainly adopting bidding and competitive negotiation for procurement. The involved simulators mainly include flight simulators, cabin simulators, and IPT, with procedures including project initiation, establishment of a bidding team, formulation of bidding documents, issuance of bidding invitation announcements, supplier bidding, bid opening, bid evaluation, competitive negotiation, agreement signing, payment, and acceptance.

(2) Aviation material procurement

In line with the characteristics of simulator materials, Sky Plumage Flight Training has formulated corresponding aviation material procurement systems. The aviation materials used in simulators, including general aircraft parts and special simulator parts, are generally sourced from original OEMs. The main procurement method is inquiry and comparison, involving procedures such as demand initiation, inquiry and comparison, price negotiation, budget application, order issuance, payment, acceptance, and warehousing.

(3) Training support procurement

Training support services of Sky Plumage Flight Training mainly involve catering and accommodation support and vehicle service support.

In terms of catering and accommodation support: procurement is conducted through inquiry. After on-site research, it is confirmed that all hotel items meet the guarantee standards. The standards mainly include food provision, number of rooms, round-trip driving time from the hotel to the training base, and the comfort of hotel rooms. After inquiry, the supplier with the lowest unit price wins the bid.

In terms of vehicle service support: procurement is carried out through inquiry. After on-site research, it is confirmed that each item of the supplier meets the support standards, which mainly include vehicle model, number of vehicles, number of drivers, dispatch mode, etc. After inquiry, combined with the estimated use of trips during the contract period, the supplier with the lowest overall cost wins the bid.

4. Sales Model

(1) Flight training services

The company understands and gathers market information and identifies potential target customers through channels such as the CAAC website, airlines' official websites, partner networks, and sales agents. It primarily formulates systems for market development management and contract management to carry out flight training services. There are two major sales models: directly docking with airlines to sell simulator slots and ground theory training, based on the division of labor by simulator models; and collaborating with sales agents to undertake simulator training for selected international clients through agents. The main business (simulator slot sales) process is: collecting simulator slot demand → customers feedback slot demand → assessing slot demand and communicating with airlines to adjust slots if necessary (to maximize the utilization of slot resources) → allocating slot hours → feedback slot guarantee status to customers.

(2) Cabin training services (including research and study experience)

Cabin training service sales are carried out in accordance with the Cabin Training Department Management Manual and SOP manual. Efforts are made to formulate market strategic plans, identify market information needs, develop corresponding market activity plans, to build a sales, product research and development, and marketing competition system. It enhances the visibility of crew training products through public media such as WeChat official accounts, Douyin, and TV stations, as well as communication promotion meetings and event marketing.

Research and study experience business sales are carried out in accordance with the Cabin Training Department Management Manual and SOP manual. Combined with market research results, the Company visits customers to connect cooperation intentions, identifies market information needs, and formulates corresponding market activity plans based on product marketing strategies. Communication channels are selected according to the activity plans, including H5 interfaces, WeChat official accounts, Douyin, TV stations, and leaflets.

(3) Simulator maintenance services

Sky Plumage Flight Training mainly provides simulator maintenance services to customers through maintenance hosting. Customers only need to provide the complete simulator and bear relevant costs, without the need to establish their own teams for equipment maintenance, engineering repair, visual modeling, and aviation material support, so as to achieve one-stop maintenance custodian.

(IV) Sales of Main Products and Services during the Reporting Period

1. Operation of flight simulators during the reporting period

The operating hours of simulators of Sky Plumage Flight Training during the reporting period are as follows:

Unit: hours

Aircraft Models		January to April 2025	2024	2023
Primary models	B737NG, A330, A320, E190, B787	**48,877.88**	140,239.26	139,508.37
Secondary models	B738FTD, B733 (B733 phased out in 2024)	**1,140.00**	3,876.00	8,995.37

2. Operation of the crew simulators during the reporting period

Unit: hours

Aircraft Models	January to April 2025	2024	2023
Dynamic cabin simulators	**649**	2,068	2,680
Other static cabin simulators	**2,733**	8,374	13,106

3. Top five customers and sales during the reporting period

During the reporting period, the operating income from the top five customers (calculated on a consolidated basis under the same control) of Sky Plumage Flight Training and their proportion of the operating income for the period are as follows:

Unit: RMB10,000

Period	No.	Customer name	Sales revenue	Proportion of operating income	Is it a related party
January to April 2025	**1**	**Aviation Group and other enterprises under its common control**	**10,619.92**	**81.13%**	**Note**
		Among which: HNA	**7,817.79**	**59.72%**	**Note**
	2	**Tianjin Airlines Co., Ltd.**	**1,512.86**	**11.56%**	**No**
	3	**Tibet Airlines Co., Ltd.**	**238.66**	**1.82%**	**No**
	4	**Colorful Guizhou Airlines Co., Ltd.**	**180.11**	**1.38%**	**No**
	5	**9 Air Co., Ltd.**	**118.26**	**0.90%**	**No**
		Total	**12,687.81**	**96.59%**	
2024	1	Aviation Group and other enterprises under its common control	31,737.59	82.49%	Note
		Among which: HNA	23,387.14	60.79%	Note
	2	Tianjin Airlines Co., Ltd.	4,784.83	12.44%	No
	3	Tibet Airlines Co., Ltd.	273.55	0.71%	No
	4	Shanghai Juneyao Airlines Co., Ltd.	189.62	0.49%	No
	5	Colorful Guizhou Airlines Co., Ltd.	334.17	0.87%	No
		Total	37,319.76	97.00%	

Period	No.	Customer name	Sales revenue	Proportion of operating income	Is it a related party
2023	1	Aviation Group and other enterprises under its common control	34,877.64	82.83%	Note
		Among which: HNA	24,258.57	57.61%	Note
	2	Tianjin Airlines Co., Ltd.	4,446.29	10.56%	No
	3	Colorful Guizhou Airlines Co., Ltd.	438.58	1.04%	No
	4	Air Guilin Co., Ltd.	318.85	0.76%	No
	5	Tibet Airlines Co., Ltd.	268.33	0.64%	No
		Total	40,349.69	95.82%	

Note: Aviation Group and other enterprises under its common control include: HNA, Beijing Capital Airlines Co., Ltd., Grand China Airlines Co., Ltd. (大新华航空有限公司), West Air Co., Ltd. (西部航空有限責任公司), Suparna Airlines Co., Ltd. (金鹏航空有限責任公司), Tianjin Cargo Airlines Co., Ltd. (天津貨運航空有限公司), Deer Jet (Beijing) Business Aviation Co., Ltd. (金鹿(北京)公务航空有限公司), Haikou Branch of Hainan HNA Aviation Property Services Co., Ltd. (海南海航航空物业服务有限公司海口分公司), Shanghai Deer Jet Business Aviation Co., Ltd. (上海金鹿公务航空有限公司), Hainan Xintu Holiday International Travel Service Co., Ltd. (海南新途假期國際旅行社有限責任公司), and Trade Union Committee of HNA Cargo Co., Ltd. (海航貨運有限公司工會委員會). HNA includes its parent company and its subsidiaries, including HNA, HNA Technic Co., Ltd. (海航航空技術有限公司), Yunnan Lucky Air Co., Ltd. (雲南祥鵬航空有限責任公司), Grand China Aircraft Maintenance Service Co., Ltd. (大新華飛機維修服務有限公司), Chang'an Airlines Co., Ltd. (長安航空有限責任公司), Urumqi Airlines Co., Ltd. (烏魯木齊航空有限責任公司), Fuzhou Airlines Co., Ltd. (福州航空有限責任公司), and Guangxi Beibu Gulf Airlines Co., Ltd. (廣西北部灣航空有限責任公司). Among them, HNA Technic Co., Ltd. and Grand China Aircraft Maintenance Service Co., Ltd. are other related parties of Sky Plumage Flight Training.

The proportion of sales revenue from Aviation Group and other enterprises under its common control in total revenue of Sky Plumage Flight Training exceeds 80%, which is relatively high, mainly due to the following reasons:

Sky Plumage Flight Training was initially established with investment from Aviation Group to provide flight training services for pilots of airlines under Aviation Group. In addition, the flight training industry is subject to the low mobility of simulators, and training is mainly conducted by pilots going to flight training companies. In the aviation industry, pilots are important production factors of airlines, and the direct economic value corresponding to their time is relatively high. If the flight training company is far away, it will significantly increase the capital cost of flight training and the time cost of pilots. Therefore, each flight training company has a certain service radius and strong regional characteristics.

Sky Plumage Flight Training currently has three training bases located in Haikou, Sanya, and Beijing respectively, close to the headquarters bases of HNA and Aviation Group, and has geographical convenience advantages in providing cost-effective services to them. In addition, the simulator models owned by Sky Plumage Flight Training are highly matched with the aircraft models operated by airlines under HNA, which can meet their flight training needs. Therefore, given the aforementioned regional characteristics, economic advantages, and matching of training models, the revenue from Sky Plumage Flight Training, Aviation Group and its related parties accounts for a relatively high proportion.

None of the directors, supervisors, senior management, core technical personnel, other major related parties, or shareholders holding more than 5% of the shares of Sky Plumage Flight Training have interests in the top five customers.

(V) Procurement and Supplier Situation during the Reporting Period

1. Procurement of major raw materials

Sky Plumage Flight Training is principally engaged in flight training business and is a non-production-oriented enterprise. Its procurement mainly includes training support services such as hotels and shuttle buses, simulator maintenance fees, property services, and procurement of water and electricity energy. The details are as follows:

The particulars of procurement of Sky Plumage Flight Training during the reporting period is as follows:

Unit: RMB10,000

Item	**January to April 2025**	2024	2023
Training support services	**634.55**	1,778.71	2,796.74
Simulator maintenance fees	**333.90**	660.06	747.17
Property management fees	**55.76**	254.46	552.20
Electricity fees	**276.39**	922.49	949.83
Total	**1,300.61**	3,615.72	5,045.94

In 2024, the procurement of training support services decreased, which was partly due to the reduction in training volume, resulting in a simultaneous reduction in corresponding support costs. And on the other hand, starting from 2024, West Air and Tianjin Airlines provided accommodation and meals for trainees by themselves, so the target company no longer needed to provide such services for them. In 2024, the property management fees decreased significantly, mainly due to the incorporation of comprehensive management fees of Sanya College into the rent in 2024, which was charged in depreciation and financial expenses.

2. Top five suppliers during the reporting period

The top five suppliers of Sky Plumage Flight Training during the reporting period are as follows:

Period	No.	Supplier name	Procurement amount (RMB10,000)	Procurement item	Proportion of total procurement	Is it a related party
January to April 2025	1	Hainan Power Grid Co., Ltd. * (海南電網有限責任公司)	220.13	Electricity fees	16.93%	No
	2	Aviation Group and other enterprises under its common control	200.35	Simulator maintenance fees, training support fees, property management fees, electricity fees	15.40%	Note
		Among which: HNA	96.24	Simulator maintenance fees, electricity fees	7.40%	Note
	3	Jinyinlong Hotel of Hainan Jinyinlong Industrial Co., Ltd. * (海南金銀龍實業有限公司金銀龍大酒店)	153.50	Training support fees	11.80%	No
	4	Tianya Branch of Sanya Rongtong Haitang Bay No.9 Resort Hotel Co., Ltd.* (三亞融通海棠灣九號度假酒店有限責任公司天涯分公司)	139.73	Training support fees	10.74%	No
	5	Sanya Kangtel Wangfu Hotel Management Co., Ltd.* (三亞康特爾王府酒店管理有限公司)	134.23	Training support fees	10.32%	No
		Total	847.94		65.20%	

Period	No.	Supplier name	Procurement amount (RMB10,000)	Procurement item	Proportion of total procurement	Is it a related party
2024	1	Hainan Power Grid Co., Ltd. * (海南電網有限責任公司)	725.80	Electricity fees	21.31%	No
	2	Sanya Kangtel Wangfu Hotel Management Co., Ltd.* (三亞康特爾王府酒店管理有限公司)	602.30	Training support fees	16.66%	No
	3	Aviation Group and other enterprises under its common control	438.54	Simulator maintenance fees, training support fees, property management fees, electricity fees	12.13%	Note
		Among which: HNA	113.12	Simulator maintenance fees, training support fees, property management fees, electricity fees	3.13%	Note
	4	Jinyinlong Hotel of Hainan Jinyinlong Industrial Co., Ltd.* (海南金銀龍實業有限公司金銀龍大酒店)	378.59	Training support fees	10.47%	No
	5	Tianya Branch of Sanya Rongtong Haitang Bay No.9 Resort Hotel Co., Ltd.* (三亞融通海棠灣九號度假酒店有限責任公司天涯分公司)	186.95	Training support fees	5.17%	No
		Total	2,391.92		66.15%	

Period	No.	Supplier name	Procurement amount (RMB10,000)	Procurement item	Proportion of total procurement	Is it a related party
2023	1	Hainan Power Grid Co., Ltd.* (海南電網有限責任公司)	903.00	Electricity fees	17.90%	No
	2	Jinyinlong Hotel of Hainan Jinyinlong Industrial Co., Ltd.* (海南金銀龍實業有限公司金銀龍大酒店)	612.14	Training support fees	12.13%	No
	3	Aviation Group and other enterprises under its common control	520.78	Simulator maintenance fees, training support fees, property management fees, electricity fees	10.32%	Note
		Among which: HNA	149.68	Simulator maintenance fees, training support fees, property management fees, electricity fees	2.97%	Note
	4	Yantai Automobile Engineering Professional College	375.29	Training support fees	7.44%	No
	5	Sanya Grand Skylight Hotel Management Co., Ltd.* (三亞格蘭雲天酒店管理有限公司)	368.59	Training support fees	7.30%	No
		Total	2,779.80		55.09%	

Note: Aviation Group and other enterprises under its common control include: HNA, Haikou Branch of Hainan HNA Aviation Property Services Co., Ltd.* (海南海航航空物業服務有限公司海口分公司), Beijing Branch of Hainan HNA Aviation Property Services Co., Ltd.* (海南海航航空物業服務有限公司北京分公司), Sanya Branch of Hainan HNA Aviation Property Services Co., Ltd.* (海南海航航空物業服務有限公司三亞分公司), Sanya Aviation & Tourism College (incorporated into Aviation Group's consolidated scope in 2024), and Sanya Aviation College Property Management Co., Ltd.* (三亞航院物業管理有限責任公司) (incorporated into Aviation Group's consolidated scope in 2024). HNA includes its parent company and its subsidiaries, including HNA, HNA Technic Co., Ltd. (海航航空技術有限公司), Grand China Aircraft Maintenance Service Co., Ltd. (大新華飛機維修服務有限公司), and China Xinhua Airlines Group Co., Ltd. (中國新華航空集團有限公司). Among them, HNA Technic Co., Ltd. and Grand China Aircraft Maintenance Service Co., Ltd. are other related parties of Sky Plumage Flight Training.

During the reporting period, none of the directors, supervisors, senior management, core technical personnel, other major related parties, or shareholders holding more than 5% of the shares of Sky Plumage Flight Training have interests in the top five suppliers.

(VI) Quality Control of Major Services

1. Quality control standards

In accordance with the requirements of Civil Aviation Administration of China (CAAC) regulations, the Rules for the Qualification of Flight Training Centers (CCAR-142) (《飛行訓練中心合格審定規則》(CCAR-142部)), Rules for the Management and Operation of Flight Simulation Training Equipment (CCAR-60R1) (《飛行模擬訓練設備管理和運行規則》(CCAR-60R1部)), and its advisory circular, the Quality Management System for Flight Simulation Training Equipment (AC-60-FS-01R1) (《飛行模擬訓練設備質量管理系統》(AC-60-FS-01R1)), Sky Plumage Flight Training has established a quality management system, formed documents, implemented evaluations, and continuously improved the established quality management system. It has established management responsibilities, divided the organizational structure, formulated quality policies and quantifiable quality objectives, to ensure that the quality system is accessible to necessary resources and information. The top management has appointed a management representative, who is authorized to establish and implement policies, measures and procedures of the quality system, and arranged sufficient professional and technical personnel to ensure that flight simulation training equipment continuously meets the requirements of CCAR-60R1 regulations and its certification performance standards. It has developed and issued a quality manual, and conducted necessary document control over internal and external documents related to the quality system. It has processes and procedures related to the quality of flight simulation training equipment in place to ensure that records generated by quality activities are properly preserved, complete in content and traceable. It has implemented internal audits with independent opinion feedback to identify and correct defects in quality activities, and conducted management reviews to ensure that the quality system meets the requirements of CCAR-60R1 and this advisory circular, and continuously improved its effectiveness. The company identifies the processes required for the quality management system and compiles corresponding system documents, which can be the main processes of the company's flight training or sub-processes of specific quality activities. Through inspection, regular certification, and corresponding maintenance, the Company

ensures that the hardware, software and program functions of flight simulation training equipment comply with the performance standards of CCAR-60R1, continuously maintain the certification level, and meet the requirements of training, inspection, examination, or acquisition of flight experience. The control methods of the flight training service process and the sequence and interface relationships between processes are managed through identification, certification, monitoring, measurement, analysis and other methods; measurements, monitoring and analysis of processes are conducted, and necessary improvement measures are taken to achieve the planned results of processes and continuous improvement of processes.

2. Quality control measures

The quality control measures adopted by Sky Plumage Flight Training mainly include the following aspects:

(1) Internal quality audit and supervision: In accordance with Rules for the Qualification of Flight Training Centers (CCAR-142) and Rules for the Management and Operation of Flight Simulation Training Equipment (CCAR-60), based on the company's annual quality assessment objectives, it focuses on the CCAR-142 and CCAR-60 operation systems, manual standards, statutory self-inspection, training style and management review to conduct compliance supervision on the implementation of operation process standards by key positions, solve quality deviation problems in operation and production, standardize supervision content and standards, apply typical exposed problems in performance assessment in alignment with the company's appraisal plan, and ensure that the operation compliance quality results of Haikou and Sanya bases are controllable.

(2) Manual standards: Sky Plumage has established a manual system management mode of unified planning and decentralized management, with the president in charge, the quality supervision department as the leader, and standard management units of various departments cooperating with each other. The quality supervision department is responsible for the design of the company's manual management system architecture, takes the lead in continuously maintaining the company's manual management system, organizes the revision of the company's manuals on a half-year basis, standardizes and monitors the manual compilation process and urges various departments to continuously improve and enhance. It also ensures the standardization, effectiveness, compliance, and consistency of the company's standard system manuals through manual compilation control, manual management control, and manual review control, sorts out standards at all levels, integrates systems at all levels, and improves the standard management level of the company's manual system.

(3) Statutory self-inspection: An electronic integrated management mode is adopted. It has established a statutory self-inspection system meeting the requirements of the aviation authority, organized all units to implement and develop business systems, clarified the "three-in-one" mechanism of on-the-job self-inspection, line manager review and quality inspection, and strengthened the integration of statutory self-inspection with core risk and daily monitoring mechanisms. At the same time, the Company incorporates statutory self-inspection into the annual safety work safety performance assessment and establishes a re-inspection and accountability mechanism. It maintains the effectiveness of the statutory self-inspection system and ensures the quality of the company's operations. To a certain extent, it can realize that all work is carried out in accordance with laws, rules, and regulations, with basis for inspection, ensuring the safety and quality of the company's operations.

(4) Training style: The PDCA quality cycle management logic is fully adopted to continuously find deficiencies in work execution, establish and improve a relatively complete work process, thus ensuring that work standards are in place, and everything is subject to implementation, review, spot-check and closed-loop. It ensures that the company's training style supervision work can be implemented regularly, and training quality is improved through style management and control.

(5) Management review: In accordance with the work requirements of the company's Quality Manual, Sky Plumage Flight Training initiates an annual management review every year, organizes various units to analyze the annual operation of the quality management system through six aspects, including summarizing measures taken in previous management reviews, changes in internal and external factors related to the quality management system, system performance and effectiveness, and measures to respond to risks and opportunities, to ensure the integrity and effectiveness of the company's quality system.

3. Quality disputes during the reporting period

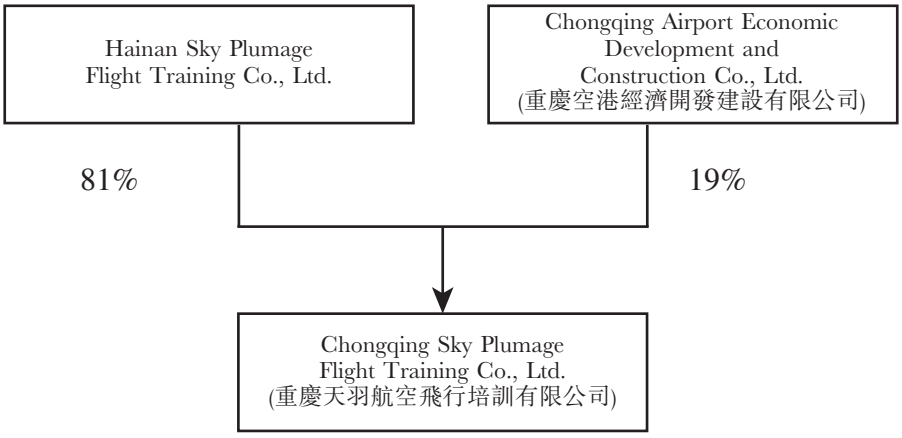
During the reporting period, Sky Plumage Flight Training had no quality disputes.

VIII. Particulars of Subsidiaries and Branches

Sky Plumage Flight Training has one first-level subsidiary, the details of which are as follows:

No.	Subsidiary name	Establishment date	Registered capital/ share capital	Equity ratio	Scope of operation
1	Chongqing Sky Plumage Flight Training Co., Ltd. (重慶天羽航空飛行培訓有限公司)	2 April 2018	RMB 500,000,000	81%	Commercial pilot training (after obtaining the relevant administrative license, engage in business activities within the scope of the license); aviation business knowledge information consulting; simulation cabin maintenance, repair and related technology development; sales of simulation cabin spare parts; development and sales of application software for aircraft simulators; experience services of simulation flight; machinery and equipment leasing; rental housing (excluding lodging services); hotel management; conference and exhibition services; property management services; business information consulting; fitness information consulting (excluding medical treatment and therapy); retail: daily necessities, tobacco (after obtaining the relevant administrative license, engage in business activities within the scope of the license); food business (after obtaining the relevant administrative license, engage in business activities within the scope of the license). (Items subject to approval in accordance with the law can only be operated after approval by the relevant authorities).

Equity control relationship diagram of Sky Plumage Flight Training's subsidiary:



During the reporting period, Chongqing Sky Plumage Flight Training Co., Ltd. did not carry out business operations.

IX. Situation of Major Contracts

(I) Sales Contracts of Sky Plumage Flight Training

As of 30 April 2025, the major sales contracts being performed by Sky Plumage Flight Training are as follows:

No.	Contract name	Customer name	Contract content	Signing date
1	Flight Training Service Agreement	Tianjin Airlines	Flight training services	30 December 2024
2	Flight Training Service Agreement	HNA	Flight training services	30 December 2024
3	Flight Training Service Agreement	Lucky Air	Flight training services	30 December 2024
4	Flight Training Service Agreement	West Air	Flight training services	30 December 2024
5	Flight Training Service Agreement	Capital Airlines	Flight training services	25 December 2024
6	Flight Training Service Agreement	Beibu Gulf Airlines	Flight training services	24 December 2024
7	Flight Training Service Agreement	Fuzhou Airlines	Flight training services	20 December 2024

(II) Major Operating Lease Contracts of Sky Plumage Flight Training

As of 30 April 2025, the major operating lease contracts being performed by Sky Plumage Flight Training are as follows:

No.	Contract name	Supplier name	Contract content	Signing date
1	Simulator Lease Agreement and Supplementary Agreement	Tianjin Airlines	Lease contract	20 December 2024
2	Simulator Lease Agreement	HNA	Lease contract	1 February 2024
3	Supplementary Agreement to Simulator Lease Agreement	Sanya Aviation & Tourism College	Lease contract	7 May 2023

(III) Finance Lease Contracts of Sky Plumage Flight Training

As of 30 April 2025, the finance lease contracts being performed by Sky Plumage Flight Training are as follows:

No.	Contract name	Lessee	Lessor	Loan amount/ maximum financing amount (RMB)	Lease term
1	Simulator Finance Lease Contract	Sky Plumage Flight Training	Shanghai Yuanjin Finance Lease Co., Ltd. (上海圓金融資租賃有限公司)	71,398,875.04	78 months
2	Simulator Lease Contract	Sky Plumage Flight Training	Foshan Haisheng Finance Lease Co., Ltd. (佛山海晟金融租賃股份有限公司)	187,278,834.18	1 November 2021 – 21 December 2031
3	Simulator Lease Contract	Sky Plumage Flight Training	ABC Finance Lease Co., Ltd. (農銀金融租賃有限公司)	316,550,602.68	108 months

X. Particulars of Main Fixed Assets and Intangible Assets

(I) Property Lease

1. Basic information of leased properties

Sky Plumage Flight Training has no self-owned real estate, and its operation and production mainly relies on leased properties. As of the issue of this report, the housing lease of Sky Plumage Flight Training and its domestic holding subsidiaries is as follows:

No.	Lessee	Lessor	Gross floor area (m^2)	Location	Lease purpose	Lease term
1	Sky Plumage Flight Training	Yunxiang Education (雲翔教育)	60,842	Tankou Village, Longtang Town, Qiongshan District, Haikou City	Office, production	1 January 2025 – 31 December 2027
2	Sky Plumage Flight Training	Sanya Aviation & Tourism College	6,552.233	No. 218 Fenghuang Road, Tianya District, Sanya City, Hainan Province	Simulator training and office	1 January 2025 – 31 December 2025
3	Sky Plumage Flight Training	China Xinhua Airlines Group Co., Ltd. (中國新華航空集團有限公司)	384	Part of the No.1 Special Garage in Beijing Base Park, No.3 Huoyun North Road, Shunyi District, Beijing	Simulator training premise	3 May 2023 – 2 May 2026
4	Sky Plumage Flight Training	China Xinhua Airlines Group Co., Ltd.	463.22	Part of the first floor of FBO Building and the first floor of the Sports Center in HNA Operation Base, No.3 Huoyun North Road, Shunyi District, Beijing	Simulator training and equipment storage premise	1 January 2025 – 31 December 2025
5	Sky Plumage Flight Training	China Xinhua Airlines Group Co., Ltd.	–	Swimming Pool, No.3 Huoyun North Road, Shunyi District, Beijing	Skill training	1 January 2025 – 31 December 2027

As of the signing date of this report, Sky Plumage Flight Training has leased a total of 5 premises. Sky Plumage Flight Training has signed housing lease contracts with the lessors for the aforementioned leased properties, and the contents of the relevant lease contracts do not violate the mandatory provisions of the PRC laws and regulations.

2. *Property ownership of leased properties*

(1) Haikou area

The leased property of the Haikou headquarters training base of Sky Plumage Flight Training has not yet obtained a real estate registration certificate. The land use right holder and the above-ground building owner of the property is Yunxiang Education.

Yunxiang Education obtained the land use right of TK02 plot in Longtang Town, Qiongshan District, Haikou City, and the ownership of above-ground buildings and other facilities through public bidding, auction, and listing, and the acquisition method is legal and compliant. Up to now, the real estate registration procedures for the above-ground buildings are under processing. The business premises are replaceable. If the Company fails to continue to lease or use the premises, it will find other replaceable properties for operations. According to the Housing Lease Contract signed between Sky Plumage Flight Training and Yunxiang Education, the lessor guarantees that it legally owns the property right of the leased house and that Sky Plumage Flight Training legally owns the right to use the leased house during the lease term. Except for force majeure, if Sky Plumage Flight Training cannot normally use the leased housing due to reasons not attributable to Sky Plumage Flight Training, resulting in the need to relocate or be subject to administrative penalties, the lessor shall bear the costs and losses incurred by Sky Plumage Flight Training due to production suspension, relocation, and penalties.

In conclusion, the lease of Haikou's simulator training base by Sky Plumage Flight Training, will not have a significant and adverse impact on its production, operation and profitability.

(2) Beijing area

Sky Plumage Flight Training leases the swimming pool located at No.3 Huoyun North Road, Shunyi District, Beijing as a crew forced landing training venue. The real estate registration certificate for this venue is currently under processing. The swimming pool is only a training venue with strong replaceability and will not affect the normal production and operation of Sky Plumage Flight Training.

Except for the above situations, the lessors of the leased properties by Sky Plumage Flight Training have obtained relevant real estate ownership certificates.

3. Registration and filing of property leases

The abovementioned property leases of Sky Plumage Flight Training have not been registered for lease filing. The Article 706 of the Civil Code of the People's Republic of China requires that, "the failure of the parties to go through the formalities for registration and filing of the lease contract in accordance with the provisions of laws and administrative regulations shall not affect the validity of the contract." Therefore, the failure to go through the lease registration and filing procedures does not affect the validity of the lease contracts, and the lease contracts signed by Sky Plumage Flight Training and relevant lessors are legally valid.

In conclusion, the lease contracts signed by Sky Plumage Flight Training and relevant lessors are legally valid and constitute legal and valid lease acts. The failure to go through lease registration and filing will not have a significant and adverse impact on the production and operation of Sky Plumage Flight Training.

(II) Intangible Assets

The intangible assets of Sky Plumage Flight Training mainly consist of trademarks, domain names, etc., with the details as follows:

1. Trademarks

No.	Trademark name	Trademark owner	Registration number	Designated goods/services	Valid period	Acquisition method	Trademark graphic
1	Sky Plumage Flight Training	Sky Plumage Flight Training	59839358	Teaching; training services using simulators; vocational retraining; provision of online educational information; arranging and organizing training courses; text publishing (excluding advertising texts); videotape distribution; videotape recording; club services (entertainment or education); rental of training simulators	14 September 2023 to 13 September 2033	Original acquisition	天羽飞训
2	SKY PLUMAGE Sky Plumage Flight Training	Sky Plumage Flight Training	40651427	Interactive touchscreen terminals; ticket vending machines; face recognition equipment; navigation signaling devices; mobile phones; head-mounted virtual reality devices; video display screens; fire-fighting equipment; glasses; exposed motion picture films	7 February 2021 to 6 February 2031	Original acquisition	Sky Plumage 天羽飞训
3	SKY PLUMAGE Sky Plumage Flight Training	Sky Plumage Flight Training	40651425	Advertising; commercial management of franchising; marketing; personnel recruitment; business enterprise relocation; updating and maintaining data in computer databases; preparing bills and account statements; automatic vending machine rental; seeking sponsorship; retail services for medicinal, veterinary, hygiene preparations and medical supplies	28 February 2021 to 27 February 2031	Original acquisition	Sky Plumage 天羽飞训

No.	Trademark name	Trademark owner	Registration number	Designated goods/services	Valid period	Acquisition method	Trademark graphic
4	SKY PLUMAGE Sky Plumage Flight Training	Sky Plumage Flight Training	40651423	Technical research; quality control; weather forecasting; vehicle performance testing; industrial product design; development of construction projects; costume design; computer software design; computer hardware design and development consultation; map drawing services	28 February 2021 to 27 February 2031	Original acquisition	
5	Sky Plumage Flight Training	Sky Plumage Flight Training	40651422	Libraries lending books	7 June 2021 to 6 June 2031	Original acquisition	
6	SKY PLUMAGE	Sky Plumage Flight Training	40651421	Education; training services using simulators; vocational retraining; arranging and organizing training courses; libraries lending books; text publishing (excluding advertising texts); videotape distribution; providing non-downloadable online videos; club services (entertainment or education); fitness clubs (fitness and physical training)	14 February 2021 to 13 February 2031	Original acquisition	

As of the signing date of this report, the above registered trademarks of Sky Plumage Flight Training are all legal and valid, and free from mortgages or any third-party rights. There are no other major ownership controversies, disputes, or potential disputes over the above trademarks owned by Sky Plumage Flight Training.

2. Domain name

No.	Domain name	Owner	ICP filing number	Valid until	Supplier
1	skyplumage.com	Sky Plumage Flight Training	Qiong ICP Bei No. 16000589-1	14 March 2028	**Zhengbang Creative (Beijing) Brand Technology Co., Ltd. (正邦創意(北京)品牌科技有限公司)**
2	skyplumage.cn	Sky Plumage Flight Training	Qiong ICP Bei No. 16000589-1	14 March 2028	**Zhengbang Creative (Beijing) Brand Technology Co., Ltd.**

As of the signing date of this report, the domain names of Sky Plumage Flight Training are legal and valid, and free from mortgages or any third-party rights. There are no other major ownership disputes, disputes, or potential disputes over the domain names owned by Sky Plumage Flight Training.

3. Software Copyrights

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
1	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Aviation Mobile Communication Self-organizing Network Platform V1.0 (天羽飛訓航空飛行移動通信自組網絡平台V1.0)	2017SR124920	5 January 2017	19 April 2017	**Real-time data transmission**	**Original acquisition**
2	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Guidance Route Editing System V1.0 (天羽飛訓飛行引導線路編輯系統V1.0)	2017SR128769	Unpublished	20 April 2017	**Generating routes through the graphical interface**	**Original acquisition**

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
3	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Helicopter Flight Simulation Flight Training System V1.0 (天羽飛訓直升機模擬飛行訓練系統V1.0)	2017SR127209	16 January 2017	20 April 2017	**High-fidelity training for helicopters**	**Original acquisition**
4	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Simulator Control System V1.0 (天羽飛訓飛行模擬機控制系統V1.0)	2017SR127147	Unpublished	20 April 2017	**Realizing integrated management of simulator control systems**	**Original acquisition**
5	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Record Report System V1.0 (天羽飛訓飛行記錄報告系統V1.0)	2017SR127142	Unpublished	20 April 2017	**Generating flight training data**	**Original acquisition**
6	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Airport Real-time Monitoring and Control System V1.0 (天羽飛訓機場實時監視調控系統V1.0)	2017SR128989	6 January 2017	20 April 2017	**Dynamic monitoring and adjustment of simulated airports**	**Original acquisition**
7	Hainan Sky Plumage	Flight Training Co., Ltd. Sky Plumage Flight Training Cloud Platform Virtual Machine Management System V1.0 (天羽飛訓雲平台虛擬機管理系統V1.0)	2017SR129432	12 January 2017	20 April 2017	**Supporting rapid creation/ destruction of virtual machines in different environments**	**Original acquisition**
8	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Training Management System V1.0 (天羽飛訓飛行訓練管理系統V1.0)	2017SR128877	Unpublished	20 April 2017	**Integrated intelligent management platform**	**Original acquisition**

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
9	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training On-board Heating Control Panel Automatic Test Control Software V1.0 (天羽飛訓機載加熱控制面板自動測試控制軟件V1.0)	2017SR128945	9 January 2017	20 April 2017	**Automatically simulating switch commands of heating control panels**	**Original acquisition**
10	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Visual Management System V1.0 (天羽飛訓飛行視景管理系統V1.0)	2017SR129409	Unpublished	20 April 2017	**Creating high-fidelity training environments**	**Original acquisition**
11	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Area Map Consultation and Annotation System V1.0 (天羽飛訓飛行航域地圖查閱註釋系統V1.0)	2017SR130799	Unpublished	21 April 2017	**Multi-dimensional airspace visualization**	**Original acquisition**
12	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training On-board LCD Control Display Module Automatic Test Control Software V1.0 (天羽飛訓機載液晶控制顯示組件自動測試控制軟件V1.0)	2017SR130780	10 January 2017	21 April 2017	**Automatic testing and verification platform for avionics display systems**	**Original acquisition**
13	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Aircraft Manifest Data Management System V1.0 (天羽飛訓飛機艙單數據管理系統V1.0)	2017SR130766	2 January 2017	21 April 2017	**Simulating intelligent load balance calculation**	**Original acquisition**

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
14	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Navigation Data Recording System V1.0 (天羽飛訓飛行導航數據記錄系統V1.0)	2017SR130753	Unpublished	21 April 2017	Collecting simulated flight attitude, navigation data, etc.	Original acquisition
15	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Aircraft Avionics Information Data Update System V1.0 (天羽飛訓飛機航電信息數據更新系統V1.0)	2017SR143505	3 January 2017	26 April 2017	Multi-source avionics data management	Original acquisition
16	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Aviation Material Management System V1.0 (天羽飛訓航材管理系統V1.0)	2018SR097546	25 October 2017	7 February 2018	Information-based management of aviation materials	Original acquisition
17	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Simulator Use and Maintenance System V1.0 (天羽飛訓模擬機使用維護系統V1.0)	2018SR097553	23 November 2017	7 February 2018	Simulator operation monitoring and maintenance process management	Original acquisition
18	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Training Data Collection and Management System V1.0 (天羽飛訓訓練數據採集管理系統V1.0)	2018SR097602	14 November 2017	7 February 2018	Realizing manual operation and automatic collection equipment data	Original acquisition

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
19	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Training Plan Management System V1.0 (天羽飛訓訓練計劃管理系統V1.0)	2018SR097607	12 October 2017	7 February 2018	**Intelligent training plan arrangement**	**Original acquisition**
20	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Simulator Control System V2.0 (天羽飛訓飛行模擬機控制系統V2.0)	2018SR096858	30 October 2017	7 February 2018	**Realizing integrated management of simulator control systems**	**Original acquisition**
21	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Visual Management System V2.0 (天羽飛訓飛行視景管理系統V2.0)	2018SR096905	10 November 2017	7 February 2018	**Creating high-fidelity training environments**	**Original acquisition**
22	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Cloud Platform Virtual Machine Management System V2.0 (天羽飛訓雲平台虛擬機管理系統V2.0)	2018SR096834	2 November 2017	7 February 2018	**Supporting rapid creation/ destruction of virtual machines in different environments**	**Original acquisition**
23	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Training Management System V2.0 (天羽飛訓飛行訓練管理系統V2.0)	2018SR096841	18 November 2017	7 February 2018	**Integrated intelligent management platform**	**Original acquisition**
24	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Quality Management System V1.0 (天羽飛訓質量管理系V1.0)	2018SR096454	10 October 2017	7 February 2018	**For training quality evaluation**	**Original acquisition**

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
25	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Guidance Route Editing System V2.0 (天羽飛訓飛行引導線路編輯系統V2.0)	2018SR095834	9 November 2017	6 February 2018	Generating routes through graphical interface	Original acquisition
26	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Simulator Fault Diagnosis and Analysis System V1.0 (天羽飛訓飛行模擬機故障診斷與分析系統V1.0)	2019SR0765210	31 December 2018	23 July 2019	Multi-dimensional fault monitoring	Original acquisition
27	Hainan Sky Plumage	Flight Training Co., Ltd. Sky Plumage Flight Training Aviation Simulation Training System V1.0 (天羽飛訓航空模擬仿真訓練系統V1.0)	2019SR0759009	10 December 2018	22 July 2019	Visual training auxiliary system	Original acquisition
28	Hainan Sky Plumage	Flight Training Co., Ltd. Sky Plumage Flight Training Flight Simulator Fault Exclusion Submission System V1.0 (天羽飛訓飛行模擬機故障排除提交系統V1.0)	2019SR0765207	18 February 2019	23 July 2019	Facilitating trainees to submit real-time faults and optimizing	Original acquisition
29	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Cabin Crew Service Virtual Teaching System V1.0 (天羽飛訓空乘服務虛擬教學系統V1.0)	2019SR0759015	22 April 2019	22 July 2019	Full-process cabin service simulation system	Original acquisition

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
30	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Aircraft Maintenance Simulation Training System V1.0 (天羽飛訓飛機維修模擬訓練系統V1.0)	2019SR0758319	14 May 2019	22 July 2019	Learning platform for simulator maintenance personnel	Original acquisition
31	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Simulator Instructor Console System V1.0 (天羽飛訓飛行模擬機教員控制台系統V1.0)	2019SR0765215	23 November 2018	23 July 2019	System for instructors to independently control and manage flight simulation training	Original acquisition
32	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Simulator Data Collection System V1.0 (天羽飛訓飛行模擬機數據採集系統V1.0)	2019SR0765219	7 November 2018	23 July 2019	Realizing manual operation and automatic collection of equipment data	Original acquisition
33	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Training Quality Intelligent Evaluation System V1.0 (天羽飛訓飛行訓練質量智能評估系統V1.0)	2019SR0759223	20 March 2019	22 July 2019	Training Evaluation system for trainees	Original acquisition
34	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Training Room Power Environment Monitoring System V1.0 (天羽飛訓訓練機房動力環境監控系統V1.0)	2019SR0759054	3 April 2019	22 July 2019	Real-time monitoring platform for room environment	Original acquisition

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
35	Hainan Sky Plumage Flight Training Co., Ltd.	Sky Plumage Flight Training Flight Service Mini Program Software V1.0 (天羽飛訓飛行服務小程序軟件V1.0)	2019SR0763584	1 March 2019	23 July 2019	Training management system for trainees	Original acquisition
36	Hainan Sky Plumage Flight Training Co., Ltd.	Pilot Training Data Information Management Software V1.0 (飛行員訓練數據信息管理軟件V1.0)	2020SR0784847	3 August 2019	16 July 2019	Independent flight training data file system for trainees	Original acquisition
37	Hainan Sky Plumage Flight Training Co., Ltd.	Operation Network ODS Interface System V1.0 (运行网ODS接口系统V1.0)	2020SR0783351	7 December 2019	16 July 2020	Docking management between training management system and operation network	Original acquisition
38	Hainan Sky Plumage Flight Training Co., Ltd.	Flight Training Course Design Management System V1.0 (飛行訓練課程設計管理系統V1.0)	2020SR0784843	21 September 2019	16 July 2020	For training course design	Original acquisition
39	Hainan Sky Plumage Flight Training Co., Ltd.	Simulator Instructor Teaching Management Platform V1.0 (模擬機教員教學管理平台V1.0)	2020SR0785276	9 November 2019	16 July 2020	For instructor file management and training arrangement	Original acquisition

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
40	Hainan Sky Plumage Flight Training Co., Ltd.	Training Logistics Support Plan Arrangement Management System V1.0 (訓練後勤保障計劃安排管理系統V1.0)	2020SR0783583	10 August 2019	16 July 2020	For accommodation and catering support of trainees	Original acquisition
41	Hainan Sky Plumage Flight Training Co., Ltd.	Flight Training Environment Simulation Facility Control System V1.0 (飛行訓練環境仿真設施管控系統V1.0)	2020SR0784839	14 December 2019	16 July 2020	Simulator cluster management	Original acquisition
42	Hainan Sky Plumage Flight Training Co., Ltd.	Simulator Maintenance Scheduling and Operation Management System V1.0 (模擬機維護排班及運行管理系統V1.0)	2020SR0782764	12 October 2019	16 July 2020	Integrated platform for maintenance plan formulation, personnel scheduling, operation monitoring, and compliance management	Original acquisition
43	Hainan Sky Plumage Flight Training Co., Ltd.	Simulator Training Scheduling Management System V1.0 (模擬機訓練排班管理系統V1.0)	2020SR0782771	6 July 2019	16 July 2020	Training plan arrangement system for airline side	Original acquisition

No.	Copyright owner	Software name	Registration number	First publication date	Registration date	Purpose	Acquisition method
44	Hainan Sky Plumage Flight Training Co., Ltd.	Training Fee Settlement and Statistics System V1.0 (訓練費用結算統計系統V1.0)	2020SR0782778	13 July 2019	16 July 2020	For training fee settlement	Original acquisition
45	Hainan Sky Plumage Flight Training Co., Ltd.	Training Quality Active Reporting Business System V1.0 (訓練質量主動報告業務系統V1.0)	2020SR0782616	7 September 2019	16 July 2020	Feedback and response system for the quality of training equipment and other training services	Original acquisition

As of the issue date of this report, the above computer software copyrights of Sky Plumage Flight Training are all legal and valid, and free from mortgages or any third-party rights. There are no other major ownership disputes, disputes, or potential disputes over the above software copyrights owned by Sky Plumage Flight Training.

4. Copyrights of Works

As of the issue date of this report, Sky Plumage Flight Training owns 1 copyright of a work as follows:

No.	Software name	Copyright owner	Registration number	First publication date	Registration date	Purpose	Acquisition method	Other rights
1	Sky Plumage Flight Training Core Inspector Training Course	Sky Plumage Flight Training	Qiong Zuo Deng Zi-2019-L-00000185	26 June 2019	30 December 2019	Training course	Original acquisition	None

As of the issue date of this report, the copyright of the work owned by Sky Plumage Flight Training is legal and valid, and free from mortgages or any third-party rights. There are no other major ownership disputes, disputes, or potential disputes over the copyright of the work owned by Sky Plumage Flight Training.

(III) Situation of Main Production and Operation Equipment

As of the issue date of this report, the main production and operation equipment of Sky Plumage Flight Training are flight simulators and crew simulators, with the details as follows:

1. Flight simulators

No.	Storage location	Model	Certificate number	Acquisition form
1	Sanya	B738	FSD-057	Operating lease
2		B738	FSD-058	Operating lease
3		B738-FTD	FSD-059	Operating lease
4		E190 FFS	FSD-117	Operating lease
5		E190 FFS	FSD-217	Operating lease
6		A320	FSD-174	Operating lease
7	Haikou	B787-8	FSD-259	Operating lease
8		B787-9	FSD-286	Operating lease
9		B738	FSD-243	Finance lease
10		A320	FSD-255	Finance lease
11		A320	FSD-262	Finance lease
12		B738	FSD-257	Finance lease
13		B738	FSD-258	Finance lease
14		A320	FSD-270	Finance lease
15		A320	FSD-280	Finance lease
16		A320	FSD-288	Finance lease
17		A320	FSD-295	Finance lease
18		A320	FSD-306	Finance lease
19		A330	FSD-291	Finance lease
20		B738	FSD-296	Finance lease
21		B738	FSD-525	Self-purchase
22		A330	FSD-371	Operating lease
23		A330	FSD-319	Operating lease
24		B738	FSD-254	Operating lease
25		B738	FSD-251	Operating lease
26		B737MAX	FSD-571	Self-purchase
27		A320NEO	FSD-572	Self-purchase

2. Crew simulators

No.	Storage location	Model	Acquisition form
1	Haikou	B737 exit simulator (B737出口模拟器)	Self-purchase
2		Comprehensive simulation training cabin (综合模拟训练舱)	Self-purchase
3		A330/340 water evacuation training simulator (A330/340水上撤离训练模拟器)	Self-purchase
4		A330 land evacuation simulator (A330陆上撤离模拟器)	Self-purchase
5		B737-800 dynamic emergency evacuation training simulation cabin (B737-800动態應急撤離訓練模擬舱)	Operating lease
6		B737 water-land evacuation cabin (B737水陆撤离舱)	Operating lease
7		A330 comprehensive training cabin (A330综合訓練舱)	Operating lease
8		B737 fire-fighting cabin (B737滅火舱)	Operating lease
9		B787-8 door trainer (B787-8舱門訓練器)	Operating lease
10		B787 exit simulator (B787出口模拟器)	Installment purchase

No.	Storage location	Model	Acquisition form
11	Beijing	B737 cabin simulator (static comprehensive cabin) (B737客艙模擬器(靜態綜合艙))	Installment purchase
12		B737 exit simulator (including slide, OWE, and wing simulation section) (B737出口模拟器 (含梯、OWE及翼上模拟段))	Installment purchase
13		B737-800 fire-fighting simulator (B737-800滅火模擬器)	Installment purchase
14		B787 exit simulator (B787出口模拟器)	Installment purchase
15		A350 exit simulator (A350出口模拟器)	Installment purchase
16		A330 water simulator (with circular boat on water) (A330水上模拟器 (水上帶圓形船))	Installment purchase
17		A320 exit simulator (A320出口模拟器)	Installment purchase

Note: Operating lease: pursuant to the contract, the ownership of the simulator belongs to the lessor during the lease term, and the ownership remains with the lessor after the lease term expires. Installment purchase: pursuant to the contract, the ownership of the simulator belongs to the lessor during the lease term, and the ownership is transferred to the lessee after the lease term expires. Finance lease: pursuant to the contract, the ownership of the simulator belongs to the lessor during the lease term, and the lessee has the option to obtain the ownership of the simulator after the lease term expires.

XI. Major Business Licenses and Operating Qualifications

The qualifications currently owned by Sky Plumage Flight Training are as follows:

No.	Qualification holder	Certificate name	Certificate number/ approval document number	Issuing authority	Licensed items	Issuance date	Valid period
1	Sky Plumage Flight Training	Flight Training Center Certificate	001-ZN	Civil Aviation Administration of China Central and Southern Regional Administration (中國民用航空中南地區管理局)	Engaging in the following training specified in the operation specifications: A320/A330/B737/B787/E190: initial; conversion; upgrade; difference; regular recurrent training; re-qualification; proficiency check; type rating training; type rating check; special types of training (ATPL, RNP, RNAV, RVSM, CAT II, TRI). A320/A330/B737/E190: special types of training (ACPC).A320/B737/B787: special types of training (HUD). A330/B787: special types of training (ETOPS).	26 June 2023	Valid until abandoned, suspended, or revoked.
2	Sky Plumage Flight Training	Recognition Letter for Flight Simulation Equipment Quality Assurance System (飛行模擬設備質量保證系統認可函)	Civil Aviation Flight Letter〔2017〕No.1 (民航飛函〔2017〕1號)	Flight Standards Department of Civil Aviation Administration of China (中國民用航空局飛行標準司)	Recognizing that the flight simulation equipment quality assurance system established by Sky Plumage Flight Training meets the requirements of Article 60.55 of CCAR-60 and the Advisory Circular (AC-60FS-01) of the Flight Standards Department of Civil Aviation Administration of China.	3 July 2023	3 July 2023-2 July 2026

PART V. VALUATION OF THIS TRANSACTION

I. Overview of Valuation of the Target Asset

(I) Basic information of this valuation

According to the valuation report (Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5054) issued by Zhongwei Zhengxin, after the appraisal of Hainan Sky Plumage Flight Training Co., Ltd. as a whole by the appraisers using the asset-based approach and the income approach respectively, the value of the entire shareholders' equity measured by the asset-based approach was RMB751,611,400; and the value of the entire shareholders' equity measured by the income approach was RMB799,070,000. After analyzing the valuation results of the two methods, the valuation result of the income approach is determined as the final result of this asset valuation, with a valuation value increase of RMB204,379,700 as compared to the book net asset value of RMB594,690,300, representing a value-added rate of 34.37%.

The transaction parties agree and confirm to take this valuation value as the reference and basis for the pricing of this transaction, and the two parties determine that the consideration for 100% equity of Sky Plumage Flight Training is RMB799,070,000 after negotiations.

(II) Valuation results

As of the valuation base date, the book value of the total assets in the consolidated financial statements of Hainan Sky Plumage Flight Training Co., Ltd. reported for valuation and audited by Zhongshenzhonghuan Certified Public Accountants LLP is RMB2,422,124,400, the book value of the total liabilities in the consolidated financial statements is RMB1,827,434,100, and the book value of the owner's equity in the consolidated financial statements is RMB594,690,300.

1. Results of the asset-based approach

The book value the assets under valuation of Sky Plumage Flight Training amounted toRMB2,422,124,400 and the valuation value was RMB2,579,045,600, with a valuation value increase of RMB156,921,200, representing a value-added rate of 6.48%. This was mainly due to the appreciation in the valuation of right-of-use assets, fixed assets and intangible assets. The book value of the commissioned liabilities was RMB1,827,434,100 and the valuation value was RMB1,827,434,100, with no increase or decrease in value. The book value of the owner's equity (net assets) was RMB594,690,300 and the valuation value was RMB751,611,400, with a valuation value increase of RMB156,921,200, representing a value-added rate of 26.39%. The summary of asset valuation conclusions using the asset-based approach was as follows:

Unit: RMB ten thousand

Item	Book value A	Valuation value B	Increase or decrease C=B−A	Appreciation (impairment) rate (%) D=C/A×100%
Current assets	52,569.09	52,569.09	0.00	0.00
Non-current assets	189,643.35	205,381.01	15,692.12	8.27
Of which: Long-term equity investments	0.00	0.00	0.00	
Fixed assets	11,353.70	12,103.85	750.16	6.61
Construction in progress	18,216.74	19,080.21	863.47	4.74
Right-of-use assets	137,719.27	142,792.59	5,073.32	3.68
Intangible assets	248.85	9,254.01	9,005.16	3,618.68
Deferred income tax assets	22,104.79	22,104.79	0.00	0.00
Total assets	**242,212.44**	**257,904.56**	**15,692.12**	**6.48**
Current liability	51,486.99	51,486.99	0.00	0.00
Non-current liability	131,256.42	131,256.42	0.00	0.00
Total liabilities	**182,743.41**	**182,743.41**	**0.00**	**0.00**
Owners' equity (net assets)	**59,469.03**	**75,161.14**	**15,692.12**	**26.39**

2. Income approach results

Having been appraised using the income approach, on the premise of going concern as at 31 December 2024, the book value of the value of the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. was RMB594,690,300 and the valuation value was RMB799,070,000, with a valuation value increase of RMB204,379,700, representing a value-added rate of 34.37%.

3. Analysis of valuation conclusions

After the appraisal of Hainan Sky Plumage Flight Training Co., Ltd. as a whole by the appraisers using the asset-based approach and the income approach respectively, the value of the entire shareholders' equity measured by the asset-based approach was RMB751,611,400; and the value of the entire shareholders' equity measured by the income approach was RMB799,070,000. The value of the entire shareholders' equity of the enterprise valued using the income approach is higher than the value of the entire shareholders' equity of the enterprise valued using the asset-based approach by RMB47,458,600, representing a difference rate of 6.31%.

The main reason for the difference in the valuation results between the two approaches is analyzed: the two valuation approaches consider different perspectives, with the income approach being based on the future profitability of the enterprise, while the asset-based approach is based on the re-acquisition of the assets, which is mainly determined on the basis of the full replacement cost of the existing assets of the enterprise as at the valuation base date.

The valuation entity has flight training qualifications, strong training faculty, a good training environment and advanced flight simulators, and maintains close and long-term cooperative relationships with a number of airlines such as Hainan Airlines, Tianjin Airlines and Capital Airlines, and has a strong future profitability, and the asset-based approach cannot reasonably reflect the profitability of the valuation entity. Therefore, the results of the income approach were adopted as the final valuation conclusion.

After analysis, this valuation concluded that the appraised value of the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. was RMB799,070,000.

(III) Valuation assumptions

The main asset valuation assumptions used in the Asset Valuation Report include:

1. General assumptions

(1) The prerequisite for the establishment of this valuation report is that the economic acts targeted are in compliance with the relevant provisions of national laws and regulations. The responsibility of the appraiser and the appraisal institution is to make a professional judgment on the amount of the value of the assets under the appraisal purpose, and it does not involve the appraiser and the appraisal institution in making any judgment on the legality of the economic act to which the appraisal purpose is addressed.

(2) The appraisal work relies to a large extent on the relevant information provided by the client and the appraised entity. Therefore, the appraisal work is premised on the truthfulness, completeness and legality of the relevant economic behavior documents, asset ownership documents, papers and other relevant legal documents and appraisal information provided by the principal and the appraised entity.

(3) The appraisal is subject to the specific appraisal purposes set out in the Asset Valuation Report.

(4) Assuming that all assets to be appraised are already in the process of being traded, the appraiser simulates the market for valuation based on the trading conditions of the assets to be appraised.

(5) Assuming that assets traded or to be traded in the market, both parties to the asset transaction are on an equal footing with each other and have access to sufficient market information and time for each other to make rational judgments about the function and use of the asset and its transaction price.

(6) There are no significant changes in the relevant laws and regulations, policies and national macroeconomic situation in force in the country, no significant changes in the political, economic and social environment of the region in which the parties to this transaction are located, and no significant adverse effects caused by other unpredictable and force majeure factors.

(7) The valuation assumptions that the existing use of the assets under appraisal remains unchanged and that the appraised business continues to operate.

(8) It is assumed that the operators of the assessed entity are responsible and the management is capable of assuming their positions.)

(9) Unless otherwise stated, it is assumed that the assessed entity fully complies with all relevant laws and regulations.

(10) It is assumed that the accounting policies to be adopted by the subject company in the future will be substantially the same in material respects as those adopted in the preparation of the Asset Valuation Report.

(11) It is assumed that there will be no significant changes in relevant interest rates, exchange rates, tax bases and rates, inflation, policy levies, etc.

(12) There are no other human force majeure and unforeseeable factors that have a significant adverse impact on the enterprise.

2. Targeting Assumptions

(1) The scope of business, mode of operation and mode of management of the target company have remained consistent, the main business has been relatively stable, and the objectives and measures formulated by the target company can be realized as scheduled in accordance with the predetermined time and progress, and actual profit forecast targets have been provided.

(2) It is assumed that the expenditures on operating income, costs and expenses, renewals and remodeling, etc. of the target company for each year are evenly incurred during the year.

(3) It is assumed that there will be no significant changes in the accounting policies and methods of accounting of the target company during the forecast period.

(4) The appraisal does not take into account the impact on the appraised value of collateralized security matters that may be assumed in the future and the additional price that may be paid by special counterparties.

(5) The appraisal was conducted on the basis of stock assets.

(6) The future profit forecasts of the target company involved in this valuation are based on the profit forecasts formulated by the management of the target company, and the management of the target company is responsible for the truthfulness, scientificity and completeness of the relevant data and information provided by it in respect of the forecasts of the future profits, as well as for the reasonableness and reliability of the forecasts of the future profits. The Asset Valuation Report is made on the basis of the forecast data and information provided by the target company.

(7) The Asset Valuation Report and the valuation conclusions herein are based on the above valuation assumptions and limitations, as well as the principles, basis, conditions, methods and procedures stated herein, and shall cease to be valid upon any change in the above premises in general.

(IV) Assessment under the income approach

1. Overview

Income approach is a general term for various appraisal methods for determining the value of an asset by estimating the present value of the expected future earnings of the asset under appraisal.

To assess the overall value of an enterprise using the income approach, the free cash flows of a number of years in the future are used as the basis for calculating the discounted free cash flows of the enterprise by applying an appropriate discount rate and summing them up to arrive at the discounted free cash flow value of the enterprise, which is then added to the value of surplus assets, the value of non-operating assets, the appraised value of long-term equity, and subtracted from interest-bearing debt to arrive at the value of the total shareholders' equity.

2. Basic assessment ideas

Based on the due diligence of this valuation and the asset composition and main business characteristics of the Subject Company, the basic idea of this valuation is to estimate the value of the entire shareholders' equity (net assets) based on the audited financial statements of the Subject Company, i.e., firstly, the value of the operating assets of the Subject Company is estimated by adopting the discounted cash flow (DCF) method in accordance with the income path, and then the value of the equity of its foreign long-term investment as at the base date and the value of other non-operating or surplus assets as at the base date are added to obtain the value of the enterprise. The value of other non-operating or surplus assets at the base date is used to obtain the value of the enterprise, and the value of Sky Plumage Flight Training's total shareholders' equity (net assets) is derived from the enterprise's value after deducting the value of interest-paying debt.

The basic assessment idea of this assessment is:

(1) For assets and main businesses included in the scope of the statements, expected earnings (net cash flows) are estimated in accordance with the trend of historical operating conditions in the most recent years and the type of business, and discounted to obtain the value of operating assets;

(2) The value of long-term investments included in the scope of the statements is estimated separately by using appropriate valuation methods according to the specific circumstances of the long-term investment units;

(3) For those included in the scope of the statements but not considered in the estimation of expected earnings (net cash flows), such as money funds existing at the base date, receivables and payables not related to normal production and operations, surplus or non-operating assets (liabilities) defined as existing at the base date, the value is estimated separately;

(4) The enterprise value of the Subject Company is derived from the sum of the values of the assets and liabilities mentioned above, and the value of the total equity of the shareholders of the Subject Company (net assets) is derived after deducting the value of interest-bearing debt.

3. Prerequisites for the application of the income approach

(1) The expected future earnings of the asset under appraisal are predictable and measurable in monetary terms;

(2) The risk taken by the asset owner to obtain the expected return is also predictable and can be measured in monetary terms;

(3) The expected profit period of the asset under appraisal is predictable.

4. Rationale and justification for the choice of the income approach

In accordance with the relevant regulations of the state management authorities, as well as valuation standards and international and domestic practices for the valuation of similar transactions, it was determined that the equity capital value of the appraised entity should be estimated in accordance with the income approach, using the discounted cash flow (DCF) method, in conjunction with the valuation of the asset-based approach.

The discounted cash flow method is a method of assessing the value of an asset by discounting the expected future net cash flows of the Subject Company to present value. The basic idea is to estimate the expected future net cash flows of an asset and convert them to present value using an appropriate discount rate to arrive at an appraised value. The basic conditions for the application of the discounted cash flow method are that the Subject Company has the basis and conditions for continuing operations, that there is a stable relationship between operations and earnings, and that future earnings and risks can be predicted and quantified. The greatest difficulty in using the discounted cash flow method lies in the prediction of expected future cash flows and the objectivity and reliability of data collection and processing. When the forecast of expected future cash flows is objective and fair, and the selection of the discount rate is reasonable, the valuation results have better objectivity.

The specific idea behind this assessment is:

(1) For assets and main businesses included in the scope of the statements, the expected earnings (net cash flows) are estimated in accordance with the trend of historical operating conditions in recent years and the different types of businesses, and discounted to obtain the value of operating assets;

(2) The value of non-operating assets, non-operating liabilities, surplus assets and surplus liabilities included in the scope of the statements, after appraisal in accordance with the asset-based approach, is the net appraised value of the appraised assets minus appraised liabilities, which is the value of the non-operating (net) assets and surplus assets for this valuation project.

(3) The value of the entire shareholders' equity of the Subject Company is arrived at by adding up the above assets.

5. Appraisal model

(1) The income approach is a method of estimating enterprise value by discounting the expected future cash flows of the enterprise to present value, i.e., the enterprise value is obtained by estimating the expected future cash flows of the enterprise and adopting an appropriate discount rate to discount the expected cash flows to present value. The basic conditions for the application of the income approach are that the enterprise has the basis and conditions for continuing operations, that there is a stable relationship between operations and earnings, and that future earnings and risks can be predicted and quantified. The key to using the discounted cash flow method lies in the prediction of expected future cash flows and the objectivity and reliability of data collection and processing. When the forecast of expected future cash flows is objective and fair, and the selection of the discount rate is reasonable, the valuation results have better objectivity and are easily accepted by the market.

(2) Basic assessment ideas

① This assessment of the value of the entire shareholders' equity of the appraised entity is conducted using the income approach, based on the audited statements of the enterprise, and adopting the discounted cash flow (DCF) method in accordance with the income approach, i.e. the free cash flows of a number of years in the future are used as the basis for calculating the discounted free cash flows of the enterprise by applying an appropriate discount rate and summing them up to arrive at the discounted cash flow value of the enterprise's equity, which is then added to the value of the long-term equity investment and other non-operating or surplus assets at the base date to arrive at the value of the entire shareholders' equity (net assets) of the enterprise.

② The basic assessment idea of this assessment is:

a. For assets and main businesses included in the scope of the statements, the expected earnings (net cash flows) are estimated and discounted to obtain the value of operating assets in accordance with the trend of historical operating conditions in recent years and types of businesses, as well as the appraised entity's plans for future years;

b. The value of non-operating assets, non-operating liabilities, surplus assets and surplus liabilities, after appraisal in accordance with the asset-based approach, is the net appraised value of the appraised assets minus appraised liabilities, which is the value of the non-operating (net) assets and surplus assets for this valuation project;

c. The value of the entire shareholders' equity of the subject of appraisal is arrived at by adding up the above assets.

(3) Appraisal model

① Appraisal model: The equity free cash flow was selected as the valuation model for the income approach.

② Calculation formula

The basic model for this valuation is:

$$E = P + I + \sum C_i$$

Where:

P: The value of the operating assets of the subject of the appraisal;

Where:

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i}$$

R_i: Expected future earnings (equity cash flows) of the subject of the appraisal in the ith year in the future;
r: Discount rate;
n: The future operating period of the subject of the appraisal.
I: Value of long-term equity investments
ΣC_i: The value of non-operating or surplus assets existing on the base date of the subject of the appraisal.

Where:

$$\sum C_i = C_1 + C_2$$

C_1: Value of cash-based assets (liabilities) at the base date;
C_2: Value of other non-operating or surplus assets;

③ Earnings indicators

For this valuation, the equity cash flows of the business are used as an indicator of the return on the invested assets of subject of the appraisal, which is basically defined as:

R= net profit + income tax + depreciation and amortization + net increase in interest-paying debt − additional capital

The expected future equity cash flows of the subject of appraisal are estimated based on its operating history and future market development. The equity cash flows in the future operating period are discounted and summed to obtain the value of the investment assets.

④ Discount rate

The Capital Asset Pricing Model (CAPM) was used in this valuation to determine, the discount rate r:

$$R_e = R_f + \beta e \times MRP + \varepsilon$$

In the formula:

R_f: risk-free rate of return;
MRP: market risk premium;
ε: the characteristic risk adjustment factor of the appraisal object;
β_e: expected market risk coefficient of equity capital of the appraisal object;

$$\beta_e = \beta_u \times (1 + (1 - t) \times \frac{D}{E})$$

β_u: unlevered market risk coefficient of comparable companies;
D: value of interest-bearing debt of the appraisal object;
E: fair value of the appraisal object's equity capital.

6. Determination of income years

(1) Determination of forecast period

Considering that Sky Plumage Flight Training has been in normal operation and its operating conditions are relatively stable, the forecast period is determined to be from 2025 to 2029.

(2) Determination of the revenue period

Considering that Sky Plumage Flight Training can guarantee the subsequent operation and development of the Company within a foreseeable period, the revenue period is determined on a perpetual basis.

7. Net cash flow forecast

(1) Relevance of production and operation mode to the subject and caliber of income

It is assumed in this appraisal and forecast that the enterprise will keep the existing production and operation mode unchanged, and the main body of production and income will be the appraised entity itself.

(2) Forecast of business revenue and cost

Hainan Sky Plumage Flight Training Co., Ltd. is a comprehensive modern aviation training service enterprise with existing training bases in Haikou, Sanya and Beijing, which is mainly engaged in simulator training, simulator maintenance and repair business for flight, crew and other aviation specialties. Revenue from operations in recent years is as follows (Unit: RMB ten thousand):

Name	2021	2022	2023	2024
I. Main business income	**36,250.26**	**34,767.90**	**41,407.92**	**37,827.25**
Income from cabin training	1,040.49	1,526.41	3,911.87	2,523.77
Income from flight experience	104.77	106.19	116.14	150.04
Income from flight training	34,779.53	32,828.47	36,726.41	34,500.96
Income from simulator maintenance	325.47	306.84	653.51	652.48
II. Other operating income	**1,542.23**	**1,087.07**	**701.31**	**646.69**
Total operating income	**37,792.49**	**35,854.97**	**42,109.23**	**38,473.94**

Hainan Sky Plumage Flight Training Co., Ltd. charges for simulator training on an hourly basis, and its customers are mainly the airlines of HNA Group. As of the valuation base date, a total of 25 simulators have been put into use for training, including nine B737-800 simulators, eight A320 simulators, three A330 simulators, two E190 simulators, two B787 simulators and one B737FTD simulator, with an average daily training duration of approximately 17 to 19 hours per simulator. Hainan Sky Plumage Flight Training Co., Ltd. has purchased two simulators, being B737MAX and A320, which will be put into use in 2025. The total number of simulators will reach 27.

Due to the different actual usage of each simulator, the historical utilization rate, average daily training hours and average charges of each simulator are analyzed and summarized for forecasting. Training income is forecasted based on the recent utilization rate, training hours, and average charges of each simulator, and a few of businesses such as simulator training and simulator experiences are considered to maintain the current business scale and achieve growth. Other business income includes sublease income of buildings, service income and other income, which is mainly derived from part of the income generated from the sublease of the crew building leased by the appraisal entity to Beijing Capital Airlines Co. Ltd., and the various types of other business income are forecasted based on the historical annual levels. The business income forecasts are as follows (Unit: RMB ten thousand):

Name	2025	2026	2027	2028	2029	Stabilization period
I. Main business income	**39,816.83**	**39,922.83**	**40,029.13**	**40,119.48**	**40,226.43**	**40,226.43**
Income from cabin training	2,500.00	2,600.00	2,700.00	2,800.00	2,900.00	2,900.00
Income from flight experience	120.00	126.00	132.30	138.92	145.86	145.86
Income from flight training	36,768.83	36,768.83	36,768.83	36,752.57	36,752.57	36,752.57
Income from simulator maintenance	428.00	428.00	428.00	428.00	428.00	428.00
II. Other operating income	**654.00**	**654.00**	**654.00**	**654.00**	**654.00**	**654.00**
Management fee income	130.00	130.00	130.00	130.00	130.00	130.00
Rental and royalty income	510.00	510.00	510.00	510.00	510.00	510.00
Other income	14.00	14.00	14.00	14.00	14.00	14.00
Total operating income	**40,470.83**	**40,576.83**	**40,683.13**	**40,773.48**	**40,880.43**	**40,880.43**

Main business costs mainly include employee compensation, depreciation of fixed assets, training and security costs, utilities, depreciation of right-of-use assets, etc. With reference to the historical annual breakdown of main business costs, of which the depreciation of right-of-use assets under the new leasing guidelines is adjusted to actual payment of current rent in accordance with the direct forecast method, taking into account that costs with a high correlation to income growth are forecasted at a certain rate of growth, e.g., the forecasts for employee compensation (from 2025 to 2029, an annual growth rate of 2%), training and guarantee fees (from 2025 to 2029, an annual growth rate of 3%), simulator maintenance fees (from 2025 to 2029, an annual growth rate of 5%), etc., and having considered a certain percentage of growth in conjunction with the business plan provided by the appraisal entity, the specific forecasts are as follows (Unit: RMB ten thousand):

Item	2025	2026	2027	2028	2029	Stabilization year
Training guarantee fee	2,000.00	2,060.00	2,121.80	2,185.45	2,251.02	2,251.02
Aircraft and passenger insurance	50.00	50.00	50.00	50.00	50.00	50.00
Simulator validation fee	6.00	6.00	6.00	6.00	6.00	6.00
Simulator maintenance fee	800.00	840.00	882.00	926.10	972.41	972.41
Equipment rental costs	380.00	391.40	403.14	415.24	427.69	427.69
Depreciation of fixed assets	1,654.00	1,648.52	1,639.52	1,628.52	1,566.96	1,566.96
Lease charges for right-of-use assets	18,810.69	18,595.96	18,398.19	18,341.16	18,367.22	18,367.22
Amortization of intangible assets – software	0.25	0.25	0.00	0.00	0.00	0.00
Business hospitality	4.17	4.17	4.17	4.17	4.17	4.17
Personnel travel expenses	10.00	10.00	10.00	10.00	10.00	10.00
Printing costs	0.50	0.50	0.50	0.50	0.50	0.50
Office supplies	2.00	2.00	2.00	2.00	2.00	2.00
Mailing fee	0.50	0.50	0.50	0.50	0.50	0.50
Administrative office rental fee	100.00	103.00	106.09	109.27	112.55	112.55
Property management fee	208.51	212.68	216.93	221.27	225.70	225.70
Heating (cooling) fee	20.00	20.00	20.00	20.00	20.00	20.00
Cafeteria cost expenditure	2.00	2.00	2.00	2.00	2.00	2.00
Utilities	1,060.00	1,060.00	1,060.00	1,060.00	1,060.00	1,060.00
Office communication expenses	8.00	8.00	8.00	8.00	8.00	8.00
Business system operation fee	40.00	40.00	40.00	40.00	40.00	40.00
Minor maintenance costs	45.00	46.35	47.74	49.17	50.65	50.65
Employee shuttle bus guarantee fee	2.16	2.16	2.16	2.16	2.16	2.16
Wages	3,274.56	3,340.05	3,406.85	3,474.99	3,544.49	3,544.49
Statutory benefits	972.92	992.38	1,012.23	1,032.47	1,053.12	1,053.12
Corporate welfare	148.84	151.81	154.85	157.95	161.11	161.11
Training costs	5.83	5.83	5.83	5.83	5.83	5.83
Labor insurance costs	7.00	7.00	7.00	7.00	7.00	7.00
Total operating costs	**29,611.93**	**29,600.56**	**29,607.50**	**29,759.76**	**29,951.07**	**29,951.07**

(3) Forecast of taxes and surcharges

Taxes and surcharges mainly include urban maintenance and construction tax, education surcharge, local education surcharge and stamp duty, VAT − output tax is calculated by referring to the output tax rate of each business income, VAT − input tax is calculated by screening the input tax rate of each expense in the cost that can be obtained input tax, and VAT − input tax is calculated by adopting VAT − output tax less VAT − input tax to arrive at the paid-in VAT, so as to forecast the taxes and surcharges. The forecasts are as follows (Unit: RMB ten thousand):

Item	2025	2026	2027	2028	2029	Stabilization period
Urban maintenance and construction tax	13.77	14.77	15.62	15.50	14.88	14.88
Education surcharge	5.90	6.33	6.70	6.64	6.38	6.38
Local education surcharge	3.93	4.22	4.46	4.43	4.25	4.25
Stamp duty	13.70	13.77	13.84	13.91	13.99	13.99
Total taxes and surcharges	**37.31**	**39.08**	**40.63**	**40.48**	**39.50**	**39.50**

(4) Forecast of selling expenses

Selling expenses mainly include employee compensation, benefits and business entertainment expenses, etc. In the forecast of future selling expenses, the forecast is based on the Company's expense control, the actual situation of selling expenses in previous years and the operating activities during the forecast period, and the forecast of selling expenses for the coming years are as follows (Unit: RMB ten thousand):

Item	2025	2026	2027	2028	2029	Stabilization year
Business hospitality	3.94	3.98	4.02	4.06	4.10	4.10
Personnel travel expenses	3.31	3.35	3.38	3.41	3.45	3.45
Transportation within the city	0.13	0.13	0.13	0.13	0.13	0.13
Office supplies	0.19	0.19	0.19	0.19	0.19	0.19
Mailing fee	0.41	0.41	0.41	0.42	0.42	0.42
Office communications expenses	0.07	0.07	0.07	0.07	0.07	0.07
Business system operating costs	0.17	0.17	0.18	0.18	0.18	0.18
Depreciation of fixed assets	0.12	0.12	0.12	0.12	0.12	0.12
Wages	408.00	416.16	424.48	432.97	441.63	441.63
Statutory benefits	125.78	128.30	130.86	133.48	136.15	136.15
Corporate Welfare	25.40	25.91	26.42	26.95	27.49	27.49
Total selling expenses	**567.50**	**578.77**	**590.26**	**601.98**	**613.93**	**613.93**

(5) Forecast of administrative expenses

The Company's administrative expenses mainly include employee compensation, welfare expenses, shuttle bus guarantee fees, property management fees, depreciation of right-of-use assets, etc. Based on the breakdown of historical annual administrative expenses and accounting standards, and in conjunction with the business plan provided by the appraisal entity, the forecasts are adjusted as follows:

Referring to the historical employee compensation (from 2025 to 2029, an annual increase of 2%), welfare expenses (from 2025 to 2029, an annual growth rate of 2%), and property management fee (from 2025 to 2029, an annual growth rate of 2%), etc., the forecasts for the future years will be adjusted in conjunction with the business plan;

The depreciation expense of right-of-use assets with reference to the new leasing standards is adjusted to the actual payment of current rent according to the direct forecast method.

After calculation, the forecast of management expenses for future years is as follows (Unit: RMB ten thousand):

Item	2025	2026	2027	2028	2029	Stabilization year
Depreciation of fixed assets	9.55	9.16	7.59	1.97	0.21	0.21
Amortization of intangible assets	39.40	39.40	39.40	39.40	28.34	28.34
Lease charges for right-to-use assets	687.20	687.20	687.20	687.20	687.20	687.20
Business hospitality	3.30	3.33	3.36	3.40	3.43	3.43
Travel expenses for company leaders	0.10	0.10	0.10	0.10	0.10	0.10
Personnel travel expenses	3.79	3.83	3.87	3.91	3.95	3.95
Concessionary airfare	70.00	70.00	70.00	70.00	70.00	70.00
Transportation within the city	0.31	0.31	0.31	0.31	0.31	0.31
Office supplies	4.86	4.86	4.86	4.86	4.86	4.86
Mailing fee	0.57	0.57	0.57	0.57	0.57	0.57
Property management fee	592.84	604.69	616.79	629.12	641.70	641.70
Cafeteria cost expenditure	67.66	67.66	67.66	67.66	67.66	67.66
Utilities	52.42	52.42	52.42	52.42	52.42	52.42
Communication expenses	11.16	11.16	11.16	11.16	11.16	11.16
Business system operation fee	35.00	35.00	35.00	35.00	35.00	35.00
Minor maintenance costs	40.00	40.00	40.00	40.00	40.00	40.00
Litigation expenses	7.71	7.71	7.71	7.71	7.71	7.71
Audit and capital verification fees	0.59	0.59	0.59	0.59	0.59	0.59
Agency service fee	0.07	0.07	0.07	0.07	0.07	0.07
Wages	632.56	645.21	658.11	671.27	684.70	684.70
Statutory benefits	196.82	200.75	204.77	208.86	213.04	213.04
Corporate welfare	106.69	108.83	111.00	113.22	115.49	115.49
Training costs	4.60	4.60	4.60	4.60	4.60	4.60
Party and labor union activity fee	71.00	71.00	71.00	71.00	71.00	71.00
Employee shuttle bus guarantee fee	98.48	99.46	100.46	101.46	102.48	102.48
Total administrative expenses	**2,736.66**	**2,767.91**	**2,798.59**	**2,825.86**	**2,846.58**	**2,846.58**

(6) Forecast of finance charges

As at the valuation base date, the appraised entity had no interest-paying debts, and finance costs mainly included handling fees, interest income and lease liabilities-unrecognized financing costs. As the right-of-use assets had been adjusted in accordance with the direct forecast method, lease liabilities-unrecognized financing costs no longer arose, and were not to be included in forecasts for future years, and also due to the fact that the monetary funds of the enterprise or its bank deposits, etc., changed frequently or changed significantly during the course of production and operation, the significant changes in the amount incurred in the historical year, which is uncertain, the forecast is not considered in this appraisal.

(7) Forecast of income tax

Since the issuance of the Overall Scheme for the Construction of Hainan Free Trade Port (《海南自由貿易港建設總體方案》), the current income tax incentives are the Notice on Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port (《關於海南自由貿易港企業所得税優惠政策的通知》) (Cai Shui [2020] No. 31) issued by the Ministry of Finance and the State Administration of Taxation on 30 June 2020, and the Notice on the Renewal of Implementation of Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port (《關於延續實施海南自由貿易港企業所得税優惠政策的通知》) (Cai Shui [2025] No. 3) issued by the Ministry of Finance and the State Administration of Taxation on 24 January 2025, the business of the appraised entity belongs to the encouraged industries and the income tax is levied at a rate of 15%, and the income tax incentives will be considered in accordance with the provisions of this policy until 2027.

The forecast period is projected from 2025 onwards at an enterprise income tax incentive of 15%, and 2028 and subsequent years are forecast at an income tax rate of 25%. The forecast results are shown in the net cash flow forecast table.

(8) Forecast of depreciation and amortization

The fixed assets of Sky Plumage Flight Training are mainly simulators and office equipment. Fixed assets are valued at actual cost at the time of acquisition and depreciated using the average annual life method. In this valuation, in accordance with the fixed asset depreciation policy implemented by the enterprise, the depreciation amount for the future operating period was estimated based on the audited original book value of the fixed assets at the base date, the useful life, etc. The stabilization period was based on the size of the various types of assets at the base date of the valuation, the useful life, and other parameters, and the annual depreciation amount was taken as the stabilization period depreciation. The results of the depreciation and amortization projections are shown in the net cash flow projection table.

(9) Forecast of capital expenditures and capital renewals

Asset renewal will only take into account renewal investment expenditures that are necessary to meet the requirements for maintaining the current production and operation capacity. Based on the assumptions of this appraisal, taking into account the depreciable life of the fixed assets of the enterprise and other relevant factors, capital renewal during the forecast period will only consider the renewal of electronic equipment fixed assets with a shorter life maintained at a scale comparable to the scale of depreciation, and the stabilization period will be based on the economic life span of the fixed assets to maintain the existing scale of operation, and the annuitization of capital expenditure will be taken into account as the capital expenditure during the stabilization period. The results of the forecast of future asset renewal and renovation expenditures of the subject of assessment are shown in the net cash flow forecast table.

(10) Forecast of working capital, determination of increase in working capital

Generally speaking, with the expansion of the scope or scale of the enterprise's business activities, the normal commercial credit provided by the enterprise to its customers will increase accordingly, and at the same time the cash balance required to be maintained to meet the enterprise's daily operating payments will also increase, thus requiring the occupation of more working capital, but the enterprise will at the same time save part of its working capital accordingly by obtaining normal commercial credit from its suppliers and reducing the instantaneous payment of funds.

The additional working capital needs to consider the impact of accounts receivable, cash to be maintained for normal operations, and accounts payable.

The formula for calculating the forecast of additional working capital is:

Working capital at the end of the year= Minimum cash holdings+ Inventories+ Receivables − Payables

Minimum cash holdings= Cash paid costs/12

Payment cost= Full cost − depreciation and amortization

Working capital as a percentage of revenue= Working capital/operating income

Working capital is the flow of funds required for the production and operation of the appraised entity, which is related to the scale of main business income realized by the appraised entity, and additional working capital is often required when the scale of main business income expands.

Based on the analysis of the historical indicators of relevant capital working capital and the forecast of the enterprise's future operation, the increase in working capital is calculated as follows (Unit: RMB ten thousand):

Item	2025	2026	2027	2028	2029	Stabilization year
Working Capital	8,576.06	8,704.28	8,812.21	8,736.80	8,638.24	8,638.24
Increase in working capital	−7,725.81	128.23	107.92	−75.40	−98.56	0.00

8 Determination of the Discount Rate

Discount rate is a coefficient that discounts the future revenue to its present value, which reflects the time value of money. The Capital Asset Pricing Model (CAPM) is used to determine the rate in this valuation. Its calculation formula is as follows:

$R_e = R_f + \beta e \times MRP + \varepsilon$

Where:

R_f:	Risk-free rate of return
MRP:	Market Risk Premium
βe:	Expected market risk coefficient of the equity capital of the valuation subject
ε :	Enterprise-specific risk rate of return

(1) Risk-free rate of return Rf. For this valuation, it is determined based on the average yield to maturity of currently issued 10-year treasury bonds. According to the Wind Information Data System, the average yield to maturity of issued 10-year treasury bonds is 1.68%, thus Rf = 1.68%. The risk-free rate of return is determined to be 1.68%.

(2) PRC Market Risk Premium MRP

PRC Market Risk Premium= Average rate of return on the PRC stock market − PRC risk-free interest rate

With reference to the relevant information, the China market risk premium is determined to be 8.03%.

The average rate of return of the PRC stock market is based on the monthly data of the CSI 300 Index, with 31 December 2004 as the base period, and the geometric average rate of return for each period of investment is measured according to the investment period of not less than 10 years, using the arithmetic average method for measurement until the valuation benchmark date; the risk-free interest rate is represented by the yield to maturity of the 10-year treasury bonds. According to calculation, the PRC Market Risk Premium is 8.03%.

(3) β e value

The expected unleveraged market risk coefficient of comparable listed companies is queried through iFinD information, and determine that β u= 0.6777.

$$\beta_e = \beta_u \times (1 + (1 - t) \times \frac{D}{E})$$

As the corporate income tax rate of the assessed entity is 15% for the preferential period until 2027 and 25% from 2028 onwards, t is determined to be 15% and 25% respectively; interest-bearing debt D = RMB0 million, the expected market risk factors of equity capital are calculated as follows:

2025	2026	2027	2028	2029	Stable period
0.6777	0.6777	0.6777	0.6777	0.6777	0.6777

(4) Specific risk adjustment factor ε

For this valuation, taking into account factors such as the subject's financing conditions, capital liquidity, and the Company's size, governance structure, and the Company's assets and liabilities, the Company-specific risk adjustment factor ε is set at ε =3%.

Cost of equity capital Re

$$R_e = R_f + \beta_e \times MRP + \varepsilon$$

The specific calculation is shown in the table below:

Discount rate calculation	2025	2026	2027	2028	2029	Stable year
Unlevered beta βu	0.6777	0.6777	0.6777	0.6777	0.6777	0.6777
Income tax rate T	15%	15%	15%	25%	25%	25%
Leveraged beta βe	0.6777	0.6777	0.6777	0.6777	0.6777	0.6777
Risk-free rate rf	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%
Market risk premium MRP	8.03%	8.03%	8.03%	8.03%	8.03%	8.03%
Individual risk adjustment ε	3%	3%	3%	3%	3%	3%
Shareholders' expected rate of return	10.12%	10.12%	10.12%	10.12%	10.12%	10.12%

9. Process and Results of the Valuation of Operating Assets

The estimation of future revenue in this valuation represents a professional judgement based on the verification of historical operating income, costs and financial data as disclosed in the statements of the subject of the valuation, as well as market research and analyses of the industry, and on the basis of a combination of its operating history, future market development and other circumstances. Gains and losses arising from non-operating income and expenses, subsidy income (which is added back to the income statement to match the corporate income statement and deducted in the calculation of net cash flow) and other non-recurring operations are not considered in the valuation.

In this valuation model

P: the value of operating assets of the valuation subject

The valuation formula is:

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n}$$

Based on the process of projecting future revenue, the projection of future net cash flow is shown in the table below:

Net cash flow projection table

Unit: RMB10,000

Project name	2025	2026	2027	2028	2029	Stable year
Operating revenue	40,470.83	40,576.83	40,683.13	40,773.48	40,880.43	40,880.43
Less: Operating costs	29,611.93	29,600.56	29,607.50	29,759.76	29,951.07	29,951.07
Taxes and surcharges	37.31	39.08	40.63	40.48	39.50	39.50
Selling expenses	567.50	578.77	590.26	601.98	613.93	613.93
Management fee	2,736.66	2,767.91	2,798.59	2,825.86	2,846.58	2,846.58
Finance costs	0.00	0.00	0.00	0.00	0.00	0.00

Project name	2025	2026	2027	2028	2029	Stable year
Operating profit	7,517.42	7,590.51	7,646.14	7,545.41	7,429.34	7,429.34
Total profit	7,517.42	7,590.51	7,646.14	7,545.41	7,429.34	7,429.34
Income tax	1,127.61	1,138.58	1,146.92	1,886.35	1,857.33	1,857.33
Net profit	6,389.81	6,451.93	6,499.22	5,659.05	5,572.00	5,572.00
Depreciation	1,663.73	1,657.87	1,647.16	1,630.49	1,567.17	1,567.17
Amortisation	39.64	39.64	39.40	39.40	28.34	28.34
Capital renewal	903.11	897.24	893.76	880.71	817.40	817.40
Additional working capital	−7,725.81	128.23	107.92	−75.40	−98.56	0.00
Net cash flow	**14,915.88**	**7,123.97**	**7,184.09**	**6,523.63**	**6,448.69**	**6,350.12**

Substituting the expected net cash flow obtained (net cash flow projection table) and the discount rate determined into the formula, the value of the operating assets of Hainan Sky Plumage Flight Training Co., Ltd. is calculated at RMB755,100,800.

10. Valuation of Other Assets and Liabilities (Non-Income-Producing, Operating Assets and Liabilities)

(1) Value of long-term equity investments

There are no long-term equity investments as at the base date for the appraised entity as disclosed in the statement.

(2) Value of non-operating assets or surplus assets

It has been verified that there are some assets (liabilities) with the following values in the books as at the valuation base date that have not been considered in the net cash flows estimated in this valuation, which should be classified as non-operating or surplus assets other than the cash flows estimated in this valuation, and whose values should be separately and individually estimated in the estimation of the enterprise value.

a. Value of cash-based assets at the base date C_1

In this valuation, the value of the following cash-based assets (liabilities) is not considered in the cash flow projection:

As disclosed in the audited statements, the book balance of monetary funds as at the valuation base date is RMB23,467,300. Based on the operational status of the appraised entity at this date, a minimum cash retention of RMB24,004,600 is measured, as below:

Value of cash assets as at the base date =2,346.73-2,400.46
=-RMB537,200

b. Non-operating assets and liabilities at the base date

Non-operating assets and liabilities are assets and liabilities that are not directly related to the production and operation activities of the enterprise and can be removed from the enterprise without impairing the normal operation of the enterprise. Other receivables, which mainly consist of guarantee deposits, have no impact on subsequent operations and are assessed as non-operating assets as at the base date.

Through the analysis of each asset of the subject of assessment, the following are determined to be non-operating assets or liabilities (upon verification, the difference of RMB271,207,400 between the right-of-use assets and the lease liabilities, which is mainly attributable to the accounting treatment of the enterprise, has been included in the operating assets for the purpose of measurement and is not regarded as a non-operating asset or liability.):

No.	Item	Book value (RMB10,000)	Appraised value (RMB10,000)	Remarks
I	**Non-operating assets**	**29,932.42**	**29,932.42**	
1	Accounts receivable financing	2,129.41	2,129.41	Bank acceptance bills
2	Other receivables	1,812.86	1,812.86	Guarantee deposits, etc.
3	Other current assets	3,885.37	3,885.37	Input tax to be recognised
4	Deferred income tax assets	22,104.79	22,104.79	Leasehold liabilities, bad debt provisions and recoverable losses
II	**Non-operating liabilities**	**25,481.29**	**25,481.29**	
1	Deferred income tax liabilities	20,657.89	20,657.89	Formation of right-of-use asset
2	Other payables	2,693.99	2,693.99	Guarantee deposits, etc.
3	Short-term borrowings	2,129.41	2,129.41	Discounting of bank acceptance bills in advance, not real operating borrowings

Total non-operating assets amounted to RMB299,324,200 and total non-operating liabilities amounted to RMB254,812,900.

$$\sum Ci=-53.72+29,932.42-25,481.29$$
$$=RMB43,974,100$$

11. Valuation Results

The value of operating assets P=RMB755,100,800, the value of non-operating or overflow assets on the base date Σ Ci=RMB43,974,100 and long-term equity investment nil are added together to calculate the value of the total shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. as follows:

B=P+∑Ci+I

=75,510.08+4,397.41 +0.00

=RMB799,070,000 (rounded to the nearest thousand)

12. Calculation Table

Unit: RMB10,000

Project name	**2025**	**2026**	**2027**	**2028**	**2029**	**Stable year**
I. Net cash inflow	14,915.88	7,123.97	7,184.09	6,523.63	6,448.69	6,350.12
II. Discounted life	0.50	1.50	2.50	3.50	4.50	0.00
III. Discount rate	10.12%	10.12%	10.12%	10.12%	10.12%	10.12%
IV. Discount factor	0.9529	0.8653	0.7858	0.7136	0.6480	6.4018
V. Discounted amount	14,213.86	6,164.69	5,645.31	4,655.12	4,178.68	40,652.42
VI. Forecast period value			34,857.66			
VII. Perpetual period value			40,652.42			
VIII. Add: Value of non-operating or surplus assets			4,397.41			
IX. Add: Long-term investment value at the base date			0.00			
X. Valuation of shareholders' equity			**79,907.00**			

(V) Valuation by the asset-based approach

The asset-based approach is a valuation method that determines the value of the subject of appraisal on the basis of a reasonable appraisal of the value of the assets and liabilities of the Subject Company. In this valuation, on the assumption that the Company is a going concern, specific valuation methods appropriate to the assets and liabilities of the Company are used to appraise the assets and liabilities of the Company separately, and the appraised value of net assets is determined on the basis of the appraised total assets minus total liabilities.

The specific valuation process and valuation approach for each individual asset are described below:

1. Valuation of Current Assets

(1) Valuation of monetary funds

Monetary funds are bank deposits and other monetary funds with a carrying value of RMB23,467,345.90.

The bank deposits totaled 5 accounts, which are the basic and general accounts of Sky Plumage Flight Training. On the basis of the reconciliation of the accounts and statements of the bank deposits of Sky Plumage Flight Training, the appraisal personnel reviewed the bank statements provided by Sky Plumage Flight Training and sampled the original documents, and determined the appraisal value on the basis of the verified book value after the above verification.

Book value of other monetary funds WeChat account of Sky Plumage Flight Training. On the basis of the reconciliation of the accounts and statements of other monetary funds of the appraised entity, the appraisal personnel reviewed the statements provided by Sky Plumage Flight Training and sampled the original documents, and determined the appraisal value based on the verified book value after the above verification.

① valuation of bank deposits

The bank deposits, with a carrying value of RMB23,462,780.98, totaled 5 accounts, which are the basic and general accounts of Hainan Sky Plumage Flight Training Co., Ltd.. On the basis of the reconciliation of the accounts and statements of the bank deposits of the appraised entity, the appraisal personnel reviewed the bank statements provided by the appraised entity and sampled the original documents, and determined the appraisal value on the basis of the verified book value after the above verification.

As a result of the appraisal, the appraised value of bank deposits is assessed to be RMB23,462,780.98, with no increase or decrease in value.

② Valuation of other monetary funds

Other monetary funds, with a carrying value of RMB4,564.92, which are the WeChat account of Hainan Sky Plumage Flight Training Co., Ltd.. On the basis of the reconciliation of the accounts and statements of the bank deposits of other monetary funds, the appraisal personnel reviewed the statements provided by the appraised entity and sampled the original documents, and determined the appraisal value on the basis of the verified book value after the above verification.

As a result of the appraisal, the appraised value of other monetary funds is assessed to be RMB4,564.92, with no increase or decrease in value.

As a result of the appraisal, the appraised value of monetary funds is assessed to be RMB23,467,345.90, with no increase or decrease in value.

(2) Valuation of creditor assets

The creditor assets are accounts receivable, prepayments and other receivables.

In this valuation, on the basis of the reconciliation of the accounts, statements and lists, the appraisers understood and analyzed the time of occurrence of the payments, specific contents, reasons for their formation and the situation of the debtors, and carried out letters of credit for large claims. For the payments for which letters of credit had been obtained from the debtors in response to their letters of credit, the appraised value was determined by the amount of the letters of credit on the premise that the provisions of the correspondence procedures were complied with and the amounts of the letters of credit were in accordance with the book value. For payments for which letters of credit had not been received, the amount of the letters of credit did not correspond to the book value or no letter had been issued, the appraisers adopted alternative procedures such as reviewing financial books and randomly checking original documents, and after analysis and verification, the appraised value was determined on the basis of the amount of money that might be recovered.

The appraisers analysed and verified each amount using the ageing analysis method and the individual determination method based on the detailed list of bad debt accruals provided by the auditing institution. By checking various relevant historical information and the enterprise's explanation and understanding of the situation, the recoverability of the amounts was analyzed on an item-by-item basis and the specific amount of its bad debt loss was determined.

Allowance for bad debts is provided by Sky Plumage Flight Training for bad debts of other receivables using the allowance method. The assessed value of the provision for bad debts is determined to be zero after making a professional judgment on the recoverability of each creditor asset.

Details of the valuation are as follows:

① Account receivable

The carrying amount of account receivables amounted to RMB464,644,158.14, totaling 31 items. Provision for bad debts amounted to RMB45,290,168.89, resulting in a net carrying amount of RMB419,353,989.25, which mainly consists of training fees and system usage fees receivable.

Based on the available information provided by the appraised entity and the understanding of the appraisal personnel, the account receivables are analysed and verified on a case-by-case basis, and the recoverable amounts are assessed by the ageing analysis method and the individual recognition method.

As a result of the assessment, the appraised value of account receivables is RMB419,353,989.25, with no increase or decrease in value.

② Prepayments

The carrying value of prepayments amounted to RMB2,177,088.29, totaling 7 items, for which no provision for impairment has been made. These prepayments are mainly for prepaid aviation material guarantee, medical examination fees and material procurement fees.

Based on the available information provided by the appraised entity and the understanding of the appraisal personnel, professional judgement has been made on the recoverability of each of the creditor assets. As at the valuation base date, there is no indication of bad debts and they are expected to be recovered in the normal course, and are therefore recognised at their verified carrying amounts.

As a result of the assessment, the appraised value of prepayments is RMB2,177,088.29, with no increase or decrease in value.

③ Other receivables

The carrying amount of other receivables amounted to RMB18,133,660.00, totaling 5 items. A provision for bad debts of RMB5,100.00 was made, resulting in a net carrying amount of RMB18,128,560.00, which mainly consists of guarantee deposits and settlements.

Based on the available information provided by the appraised entity and the understanding of the appraisal personnel, professional judgement has been made on the recoverability of each of the creditor assets. The recoverable amount is assessed by the ageing analysis method and the individual recognition method.

As a result of the assessment, the appraised value of other receivables is RMB18,128,560.00, with no increase or decrease in value.

(3) Assessment of receivables financing

The carrying value of receivables financing is RMB21,294,065.00, which is bank acceptance bills.

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and reasons for the formation of their payments, and through alternative procedures such as verifying the relevant vouchers, and after analyzing and verifying them, the appraised value is determined by the verified book value.

As a result of the assessment, the appraised value of receivables financing is RMB21,294,065.00, with no increase or decrease in value.

(4) Valuation of inventories

Inventories are inventories − raw materials.

Inventories, with a carrying value of RMB2,416,190.61, represent inventories − raw materials, which mainly consist of consumables for flight simulators and daily office supplies, etc. and are stored in specific warehouses.

Based on the verification of the purchase contracts and related documents of the appraised entity, the appraised value is determined at book value for raw materials that can be used normally and have normal turnover with no significant difference between the book unit price and the market price on the base date.

As a result of the assessment, the appraised value of inventories − raw materials is RMB2,416,190.61, with no increase or decrease in value.

(5) Valuation of other current assets

The carrying value of other current assets is RMB38,853,698.37, totaling 1 item, which is input tax to be certified.

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and reasons for the formation of their payments, and through alternative procedures such as verification of relevant vouchers, and the appraisal value is confirmed at the verified book value after analysis and verification.

As a result of the assessment, the appraised value of other current assets is RMB38,853,698.37, with no increase or decrease in value.

2. Valuation of Long-Term Equity Investments

The carrying value of long-term equity investment is RMB0.00, holding 81% equity interest in Chongqing Sky Plumage Flight Training Co., Ltd.

If the long-term equity investment included in the scope of this valuation is a holding subsidiary, the investee unit included in the scope of appraisal is subject to an overall asset appraisal using the asset-based approach on the same valuation base date, and the appraisal value is determined by multiplying the value of the entire shareholders' equity determined after the overall appraisal of the investee enterprise by the proportion of the shareholding in the investee enterprise, using the formula set out below:

Appraised value of long-term equity investment = appraised value of the value of entire shareholders' equity as at the valuation base date × shareholding ratio

The information on all assets and liabilities of the investee company is clear, and the value of assets and liabilities can be assessed by appropriate methods separately, so the conditions for asset-based approach valuation are met. Therefore, the asset-based approach has been selected to assess the value of the entire shareholders' equity in this valuation.

According to the statement of Chongqing Sky Plumage Flight Training Co., Ltd. provided by the appraised entity, as at the valuation base date, the shareholders have not yet made any actual capital contribution and have not commenced any actual operation, and the assets, liabilities and owner's equity are all nil, then: the appraised value of 81% equity interest in Chongqing Sky Plumage Flight Training Co., Ltd. = 0.00 × 81% = RMB0.00.

As a result of the assessment, the appraised value of the long-term equity investment is RMB0.00, with no increase or decrease in value.

3. Valuation of Fixed Assets – Machinery and Equipment

The original book value of the equipment-based assets under appraisal is RMB134,185,046.14 and the net book value was RMB113,536,959.28, as prepared by Sky Plumage Flight Training. Among them, the original book value of machinery and equipment is RMB129,732,076.10 with a net book value of RMB112,776,606.20; the original book value of electronic equipment is RMB4,452,970.04 with a net book value of RMB760,353.08. The category of machinery and equipment includes machinery and equipment and electronic equipment. Based on the purpose of the valuation and the condition of the assets under appraisal, the valuation is conducted using the cost approach on the assumption that the assets under appraisal will continue to be in use. Machinery and equipment with a total of 320 items, mainly including B737NGsimulators, B737 exit simulators, integrated simulation training cabins, and various high-priced turnover parts, which were activated from December 2016 to December 2024, and all of them are in normal use. Electronic equipment with a total of 1,390 items, mainly including various computers, air conditioners, IPADs, desks and chairs, etc., which were activated from December 2015 to December 2024, and all of them are in normal use.

The replacement value of equipment and vehicles in normal use can be known or estimated through certain means, and therefore can be assessed using the cost approach with the following formula:

Appraisal value= Full replacement value x consolidated residual ratio

(1) Determination of replacement value of machinery, equipment and electronic equipment

Replacement cost = ex-tax equipment purchase price + ex-tax transportation and miscellaneous fees + ex-tax installation and commissioning fees

① Determination of equipment purchase price

The equipment purchase price is determined by inquiring from the manufacturer about the market price on the valuation base date, or by looking up the current market price from the relevant quotation materials and by referring to the contract price of the equipment recently purchased by the enterprise.

② Determination of transportation and miscellaneous fees

Transportation and miscellaneous fees include the costs incurred for handling, transportation, purchasing and storage of the equipment from the manufacturing plant or place of shipment to the installation site, which are recognized in this valuation based on the installation location and industry equipment. For simple equipment, transportation and miscellaneous fees are not considered.

③ Determination of installation and commissioning fees

The equipment and auxiliary materials to be installed mainly represent the cost of carrying out installation and commissioning. This valuation is confirmed on the basis of industry installation rates or finalized audit reports. For simple equipment, installation and commissioning fees are not considered.

④ Determination of capital cost

Based on the size of the overall construction project, the appraiser approves its reasonable construction period, selects the appropriate LPR loan interest rate, and assuming that the investment and construction funds are evenly invested to calculates it capital cost. That is:

Capital cost = (equipment purchase price + transportation and miscellaneous fees + installation and commissioning fees) × 1/2 × loan interest rate ×reasonable construction period

(2) Determination of the consolidated residual ratio:

Through on-site inspections of the equipment's utilization status, review of the equipment's operating conditions, main technical indicators and other information, the appraisers determine the useful life of the equipment based on the actual utilization status and then determine the consolidated residual ratio.

① Determination of the residual ratio under the service life approach

The residual ratio under the service life approach = remaining service life ÷ (years of use + remaining service life) x 100%

② Determination of the residual ratio under the scoring method

Through on-site investigation and inquiries to the relevant engineers and technicians and operators to understand the technical condition, failure situation, maintenance and repair of the equipment, etc., and through the classification to determine the use of each part of the condition, each component is scored separately to confirm the residual ratio.

(3) Determination of appraisal value

Multiply the full replacement price and the residual ratio to arrive at the appraised value.

(4) Case of appraisal

① B737NG Simulator (S14)

Equipment name: B737NG Simulator
Model no.: B737NG
Manufacturer: L3 Harris
Purchase date: October 2023
Commissioning date: October 2023
Original book value: RMB90,429,534.43
Net book value: RMB85,418,653.03
Quantity: 1 unit

Equipment Overview

B737NG simulator was commissioned in October 2023, with engine model no.CFM56/7B26 and a serial number L1601, which is installed at Bay S14 of Haikou training base, and currently in normal use.

Replacement Cost

CIF price of equipment: Through verification of the recent fixed asset purchase contract, the CIF price of the B737NG simulator equipment is confirmed to be EUR11,486,505.75. Based on the exchange rate 7.5257 of EUR to RMB as at the valuation base date:

CIF price of equipment = 11,486,505.75 × 7.5257
= RMB86,443,996.32.

Import duty: According to the Notice of the People's Government of Hainan Province on the Publication of the Measures for the Administration of "Zero Tariff" Imported Transportation Vehicles and Yachts in Hainan Free Trade Port (Trial) [Qiong Fu [2023] No. 44], the equipment is under the category of "Zero Tariff", and the import duty is recognised as RMB0.00.

Bank finance charges and foreign trade handling charges: bank handling charges generally refer to the charges levied by financial institutions for the provision of financial settlement services to importers and exporters in international trade settlements; foreign trade handling charges refer to the charges levied at the rate of foreign trade handling charges as stipulated by the foreign economic and trade authorities. According to the relevant personnel of the appraised entity, the bank finance charges and foreign trade handling charges are 3% of the CIF price of the equipment, i.e.:

Bank finance charges and foreign trade handling charges = 86,443,996.32 × 3%

= RMB2,593,319.89

Capital cost: By verifying the purchase contract and combining the actual construction period of 1.5 years with reference to the LPR interest rate announced by the People's Bank of China, the 1.5-year LPR interest rate is calculated by using the interpolation approach to be 3.16%, i.e.:

Capital cost = (86,443,996.32 + 2,593,319.89) x 3.16% x 1.5 ÷ 2

= RMB2,110,184.39

Replacement cost = 86,443,996.32 + 2,593,319.89 + 2,110,184.39

= RMB91,147,500.00 (rounded to the nearest hundred)

Determination of the consolidated residual ratio

Determination of the residual ratio under the service life approach: The equipment has an economic life of 20 years and was put into use in October 2023. It has been in use for 1.2 years up to the valuation base date and has a remaining service life of 18.8 years, then:

The residual ratio under the service life approach = remaining service life ÷ (years of use + remaining service life) x 100%

= 18.8 ÷ (1.2 + 18.8) x 100%

=94%

Determination of the residual ratio under the scoring method

After on-site inspection: The simulator has like-new appearance, with functional internal instruments and equipment, and is in normal use with daily maintenance by dedicated staff.

Observation Table of the Equipment Technical Condition

No.	Part	Technical condition	Weighted score rate %	On-site score	Appraisal score rate %
1	Technical condition	Daily maintenance in place, normal use	70	95	66.5
2	appearance	Like-new appearance and internal instruments functional	30	95	28.5
	Total		100		95

Determination of the consolidated residual ratio

Consolidated residual ratio = residual ratio under the service life approach x 0.4 + residual ratio under the scoring method x 0.6
=94% × 0.4+95% × 0.6
= 95%

Determination of appraised value

Appraised Value = full replacement value × residual ratio
= 91,147,500.00 × 95%
= RMB86,590,125.00 (rounded to the nearest yuan)

② Air Conditioning Unit

Equipment name: Air conditioning unit
Model：Central air-conditioning system
Manufacturer: Domestic
Purchase date: 2021-04-26
Commissioning date: 2021-04-26
Original book value: RMB167,256.63
Net book value: RMB56,298.11
Quantity: 1 set

Equipment Overview

The air-conditioning unit was commissioned on 26 April 2021 and installed in the office building, which is currently in normal use.

Full Replacement Price

After consulting with the relevant vendors, the market purchase price of the equipment including tax is RMB189,800.00/unit and the purchase price excluding tax is RMB168,000.00/unit (rounded up to the nearest hundred) at the time of the base date, and the installation fee and transportation fee are borne by the supplier, then:

Full Replacement Price = Purchase price excluding tax × Quantity
=168,000.00 × 1
= RMB168,000.00

Determination of the consolidated residual ratio

(1) Determination of the residual ratio under the service life approach

The equipment has an economic life of 10 years and was commissioned on 26 April 2021, and has been in use for 3.7 years as at the valuation base date, with a remaining service life of 6.3 years, then:

The residual ratio under the service life approach	= remaining service life ÷ (years of use + remaining service life) x 100% = 6.3 ÷ (3.7 + 6.3) x 100% =63%

(2) Determination of the residual ratio under the scoring method

Based on the maintenance status and tangible wear and tear of each component of the equipment, a weighted score is assigned to each component, and then the total score is used to estimate the residual ratio under the scoring method of the equipment:

Calculation Table of the Residual Ratio under the Scoring Method

No.	Part	Technical condition	Weighted score %	On-site Scoring	Appraisal Score %
1	Technical condition	Normal cooling	70	60	42
2	Appearance	Relatively new appearance	30	60	18
	Total		100		60

(3) Determination of the consolidated residual ratio

Consolidated residual ratio	= residual ratio under the service life approach x 0.4 + residual ratio under the scoring method x 0.6 =63% × 0.4+60% × 0.6 =61%

Determination of appraised value

Appraised Value = full replacement value × residual ratio
= 168,000.00 x 61%
= RMB102,480.00 (rounded to the nearest yuan)

As a result of the above calculation, the total appraised value of the equipment-based assets under appraisal is RMB121,038,548.00, with an increase of RMB7,501,588.72, representing an appreciation rate of 6.61%. Among them, the appraised value of machinery and equipment is RMB119,932,746.00, with an increase of RMB7,156,139.80, representing an increase rate of 6.35%; the appraised value of electronic equipment is RMB1,105,802.00, with an increase of RMB345,448.92, representing an increase rate of 45.43%.

The increase in value of equipment-based assets is attributable to the exchange rate of EUR against RMB on the valuation base date being higher than the exchange rate at the time of purchase, and the accounting depreciation life in the accounts of the enterprise being shorter than the economic life selected for valuation, resulting in the increase in value of the valuation. (Note: VAT is not included in the conclusion of this valuation of equipment-based assets).

4. Valuation of Construction in Progress

The construction in progress comprises 2 simulators under installation and commissioning. The 2 simulators were declared for entry into Hainan in October 2024 and transported to the Haikou base in November 2024 for installation and commissioning, which is expected to be completed in January 2025 for official commissioning.

The appraisal personnel understood the image progress of the construction in progress through on-site inspections and verified the expenditures incurred in the construction in progress, as well as the progress of payments. The appraised entity has standardized the financial management of the construction in progress, and the construction expenses incurred during the construction period are accounted for in the corresponding accounting sections, and the book cost includes the expenses related to the construction in progress, and the verified book value is taken as the basis by the appraisal personnel to calculate the appraised value.

The "replacement cost method" is adopted for the valuation of the construction in progress. The formula is as follows:

Appraised value of construction in progress = Construction and installation cost + preliminary and related costs+ Reasonable cost of capital

(1) Determination of construction and installation cost

The construction and installation costs are recognised in accordance with the actual circumstances of the construction in progress.

The construction and installation cost of the construction in progress as at the valuation base date as provided by the appraised entity is determined.

(2) Preliminary and related costs

Corresponding preliminary and related costs are recognised in accordance with the actual circumstances of the construction in progress.

(3) Reasonable capital costs

Based on the construction scale of the construction works under appraisal, the appraisal officer approves the reasonable construction period and selects the interest rate of the loan of the corresponding period in force as at the valuation base date for the purpose of calculating its capital cost. i.e:

Capital cost= (construction and installation cost + preliminary and related costs) x reasonable construction period x loan interest rate

(4) Case of appraisal

Case: Simulator − A320NEO

The Simulator-A320NEO was declared for entry into Hainan in October 2024 and shipped to Haikou base in November 2024 for installation and commissioning, which is expected to be completed in January 2025 for official commissioning. For which, the equipment cost is RMB76,575,772.43 and the installation and other costs are RMB1,415,407.50.

The book value of simulator-A320NEO consists of RMB76,575,772.43 for equipment cost and RMB1,415,407.50 for installation and other costs. The appraised value is recognized based on the verified book value by verifying the relevant construction and financial information.

The Simulator-A320NEO paid all the relevant fees in May 2023, which is approximately 1.5 years up to the valuation base date. With reference to the LPR interest rate announced by the People's Bank of China, the LPR interest rate for 1.5 years is calculated by using the interpolation method to be 3.16%, which is:

Capital cost= (construction and installation cost + preliminary and related costs) x reasonable construction period x loan interest rate = (76,575,772.43 + 1,415,407.50) x 1.5× 3.16% = RMB3,696,781.93

Appraised value = Construction and installation cost + preliminary and related costs+ Reasonable cost of capital =

76,575,772.43+1,415,407.50+3,696,781.93= RMB81,687,962.00 (rounded to the nearest yuan)

The appraised value of the construction in progress is RMB190,802,145.00 and the appraised value increases RMB8,634,735.81, representing an increase rate of 4.74%. The increase is mainly attributable to the increase in value as a result of the consideration of the impact of the reasonable cost of capital of the project in progress on the appraised value.

5. Valuation of Right-of-Use Assets

The book value of the right-of-use assets is RMB1,377,192,673.57, representing finance lease assets and lease assets.

Upon the verification of the contracts relating to the right-of-use assets, it is confirmed that Nos. 1 to 20 are finance lease assets and Nos. 21 to 33 are lease assets. In light of the purpose of the appraisal and the actual conditions of the assets, the following appraisal methods are adopted:

1. For the assets under finance leases, the "replacement cost method" is adopted for the valuation and the formula is as follows:

   Appraisal Value= full replacement cost × consolidated residual ratio
   Case: 737-800#2 Simulator (S24)
   Model: 737-800
   Manufacturer: CAE
   Quantity: 1 unit
   Book value: RMB43,910,153.45
   Purchase date: May 2016
   Commissioned date: May 2016

① Overview

Sky Plumage Fleet No.	Haikou S24-CAE-B738
Simulator Manufacturer	CAE
Simulator Production Serial No.	109922-1357
Certificate of Conformity No.	FSD-258
Simulator Type and Class	Full Motion Simulator, Class D
Type and Tail No. of Aircraft Simulated	B737-800W SFP (YR859)
Engine Model	CFM56-7B26, CFM56-7B24
Visual Manufacturer	CAE
Visual Specification	Visual Field 200X43 3-channel LED projector
Visual System IG Model	TROPOS XR
Visual System Projector Model	BARCO FL35
FMC Calculator	FMS Smiths Rehosted
FMC OPC Version No.	U10.8A
Motion System Specifications	MOOG Six Degrees of Freedom System
Guidance	Crosshair, Figure-Eight
EGPWS Terrain Database Version No.	–
TCAS System Version	TCAS II Rev 7.1
HUD System	Captain-side only
Commentary System	Yes
Other Functions	UPRT, Glass mountain, Scene Capture, Smoke, RAAS, RNP, Chinese/English Airport Broadcasting.

② Determination of replacement cost

a. Equipment CIF

By verifying the relevant finance lease contract and the recent simulator procurement contract, the CIF price of the 737-800 simulator equipment is confirmed to be US$12,025,804.00, based on the exchange rate 7.1884 of US$ against RMB on the valuation base date, that is:

CIF price of equipment = 12,025,804.00 × 7.1884
= RMB86,446,289.47

b. Import duty

According to the Notice of the People's Government of Hainan Province on the Publication of the Measures for the Administration of "Zero Tariff" Imported Transportation Vehicles and Yachts in Hainan Free Trade Port (Trial) [Qiong Fu [2023] No. 44], the equipment is under the category of "Zero Tariff", and the import duty is recognised as RMB0.00.

c. Bank finance charges and foreign trade handling charges

Bank handling charges generally refer to the charges levied by financial institutions for the provision of financial settlement services to importers and exporters in international trade settlements; foreign trade handling charges refer to the charges levied at the rate of foreign trade handling charges as stipulated by the foreign economic and trade authorities. According to the relevant personnel of the appraised entity, the bank finance charges and foreign trade handling charges are 3% of the CIF price of the equipment, i.e.:

Bank finance charges and foreign trade handling charges = 86,446,289.47 × 3%

= RMB2,593,388.68

d. Capital Cost

By verifying the purchase contract and combining the actual construction period of 1.5 years with reference to the LPR interest rate announced by the People's Bank of China, the 1.5-year LPR interest rate is calculated by using the interpolation approach to be 3.16%, i.e.:

Capital cost = (86,446,289.47 + 2,593,388.68) x 3.16% x 1.5 ÷ 2

= RMB2,110,240.37

e. Replacement cost

Replacement cost = 86,446,289.47 + 2,593,388.68 + 2,110,240.37

= RMB91,149,900.00 (rounded to the nearest hundred)

② Determination of residual ratio

a. Determination of the residual ratio under the service life method:

The equipment was commissioned in May 2016. According to the relevant regulations for asset valuation, the economic service life of this type of equipment is 20 years. As at 31 December 2024, the valuation basis date, the equipment has been in use for approximately 8.6 years, and has a remaining service life of 11.4 years, i.e.:

The residual ratio under the service life method	= remaining service life ÷ (years of use+ remaining service life) x 100%
	= 11.4 ÷ (8.6 + 11.4) x 100%
	= 57% (rounded)

b. Determination of the residual ratio under the scoring method

After on-site inspection: The simulator has like-new appearance, with functional internal instruments and equipment, and is in normal use with daily maintenance by dedicated staff.

Observation Table of the Equipment Technical Condition

No.	Part	Technical condition	Weighted score rate %	On-site score	Appraisal score rate %
1	Technical condition	Daily maintenance in place, normal use	70	55	38.5
2	appearance	Like-new appearance and internal instruments functional	30	55	16.5
	Total		100		55

c. Consolidated residual ratio

Consolidated residual ratio = residual ratio under the service life approach x 0.4 + residual ratio under the scoring method x 0.6
=57% x 0.4 + 55% x 0.6
=56% (rounded)

③ Determination of appraised value

Appraised Value = full replacement value × residual ratio
= 91,149,900.00 x 55%
= RMB51,043,944.00 (rounded to the nearest yuan)

(2) In respect of leased assets, the appraisal officer conducts an understanding and analysis of the time of occurrence, specific contents and formation process of the amounts thereof, and on the basis of verification of the use of the leased assets, the contractual rent and the lease term, investigates the market rent as at the base date and, after ascertaining that there is no material difference between the market rent the contractual rent, and determines the appraisal value based on the verified book value.

As a result of the appraisal, the appraised value of the right-of-use assets is RMB1,427,925,920.68, with an increase of RMB50,733,247.11, representing an increase rate of 3.68%. The increase is mainly due to the fact that the purchase price and the exchange rate on the valuation base date are higher than that at the time of the purchase, which resulted in a higher replacement price of the finance leased assets compared with the book value, leading to an increase.

6. intangible assets − valuation of other intangible assets

According to the list of assets under appraisal, the book value of other intangible assets under appraisal amounted to RMB2,488,520.46, representing the purchased online examination software, integrated business management platform and website; as at the valuation base date, the enterprise declared a total of 52 items of other intangible assets that were not recorded in the balance sheet as at the valuation base date, consisting of 45 items of software copyrights, 1 item of work copyright and 6 items of trademarks, which had no book value as the research and development costs were fully expensed.

For the appraisal of trademark-type and copyright-type intangible assets, the appraisal personnel inspected contracts, relevant original certificates and invoices, etc. As most of the trademark-type and copyright-type intangible assets originally acquired were expensed in the course of the operation, they have no book value. The trademark-type and copyright-type intangible assets in the scope of this appraisal cannot be appraised using the market approach as there are no similar transactions available in the market at present; in view of the weak correspondence between cost and revenue of the technology itself, it is not appropriate to adopt the cost approach for appraisal; based on the value analysis of the intangible assets included in the scope of the appraisal and information collected by the appraisal staff, the trademark-type and copyright-type intangible assets may be appraised as a technology-type intangible asset Based on the analysis of the value of the intangible assets included in the appraisal and the information collected by the appraisal personnel, the trademark-type and copyright-type intangible assets can be appraised as a group of technical intangible assets, which are eligible for appraisal by the income approach.

The excess earnings created for the enterprise by the combination of technical intangible assets are part of the enterprise's income, and the value depends on the amount of excess earnings, which can be determined by dividing them based on sales revenue, net profit or net cash flow; based on the enterprise's business situation and financial accounting methods, and taking into account the characteristics of the subject of this valuation, it is more appropriate to adopt the main business revenue as the basis for division. Therefore, the income approach has been adopted for this valuation, and the basic calculation formula is as follows:

$$P = \sum_{t=1}^{n} K \times P_t / (1 + i)^t$$

Where: P – appraised value of intangible assets;
K – share rate;
P_t – main operation income available in year t from the intangible asset to be valued;
i – discount rate;
t – expected number of years of income.

(1) Measurement of technology-type intangible assets portfolio

① Basic condition

The technology-type intangible assets under appraisal are mainly related information, management, data, monitoring and other intangible assets developed by the appraised entity to support flight simulator training. The appraised entity has improved the efficiency of its use of the portfolio of technical intangible assets through the application of the portfolio of technology-type intangible assets, which has enhanced customer trust and contributed to the continuity of its business. As at the valuation base date, the maintenance was in normal condition.

② Forecast of economic life

The intangible assets still in use in production and operation as at the valuation base date are all within their validity period. The economic life of the intangible asset portfolio under appraisal is determined on the basis of the consolidated economic life. Taking into account the characteristics of each of the copyright and trademark intangible assets, the economic life analyses of the intangible assets by the appraised entity and the "14th Five-Year Plan for Civil Aviation Development" issued by the Civil Aviation Administration of China, the National Development and Reform Commission and the Ministry of Transportation and Communications, a consolidated economic life projection of the intangible assets portfolio is projected to be from the base date to 2033.

③ Determination of expected revenue

a. Income projection for the portfolio of technology-based intangible assets in the next years

Based on the income projection of the appraised entity and the trend of development of the industry in the next few years, etc., and the contribution of the technology-based intangible asset portfolio to the training revenue, the income projection for the main operations created by the technology-based intangible asset portfolio after statistical analysis is set out below:

Unit: RMB10,000

Item/year	2025	2026	2027	2028	2029	2030-2033
Income from flight training	36,768.83	36,768.83	36,768.83	36,752.57	36,752.57	36,752.57

① Estimation of share rate

There are a lot of domestic and foreign studies on the share rate of patented technology, and the United Nations Trade and Development Organisation has conducted a lot of surveys and statistics on the share rate of in patented technology contracts of various countries, and the results of which show that the share rate of patented technology is generally between 0.5%-10% of the net selling price of the products, and the industry characteristics are very obvious. According to the latest "13th Five-Year Plan" National Economy Industry (Sector) Patent Implementation and Licensing Statistical Table, which was compiled by the Statistical Analysis Group of Patent Implementation and Licensing Data and published by the State Intellectual Property Office, the industry of the appraised entity is not included in the statistical table, and the average of all industries is adopted as the share rate for the appraisal, i.e. 5.1%.

Industry	Average share rate
Manufacturing industry	5.70%
Scientific research and technology services	5.50%
Construction	6.00%
Information transmission, software and information technology services	4.40%
Wholesale and retail trade	6.00%
Agriculture, forestry, animal husbandry and fishery	3.00%
Average	5.10%

In the course of scientific advancement and technological upgrading, the original technological advancement gradually diminishes, and as a result, the excess return corresponding to the intangible assets included in the scope of this appraisal as at the base date gradually decreases, i.e. the share rate gradually decreases. Through a comprehensive analysis of the degree of technological advancement, economic benefits and market prospects of the products and the development status of alternative technologies or products corresponding to these intangible assets, it has been determined that for the period from 2025 to 2033, the share rate will decrease by 5% per annum on the basis of that of the previous year from 2030 onwards.

② Discount rate

Discount rate is a factor that discounts the future revenue to its present value, which reflects the time value of money. The internationally accepted social average rate of return model is used to estimate the discount rate to be applied in the valuation.

Discount rate= Risk-free rate of return+ Risk rate of return

Risk-free rate of return: For this valuation, it is determined with reference to the average yield to maturity of medium-and long-term treasury bonds with a maturity of 10 years or more from the valuation base date currently issued by the State. According to the Tonghuashun iFinD data system, the average yield to maturity of the treasury bond is 1.68%, thus r_f = 1.68%.

Risk rate of return: Factors affecting the risk rate of return include market risk, capital risk and management risk. According to the characteristics of intangible assets and current valuation practices, each risk factor is acquired by multiplying 10% of the set base by the percentage of the value, and the specific data are calculated as follows:

For technical risks, the risk coefficient is determined according to the Technical Risk Scale.

Technical Risk Scale

		Score						
Weighting	**Considerations**	**100**	**80**	**60**	**40**	**20**	**0**	**Total**
30%	Technology transfer risk					20		6
30%	Technology replacement risk				40			12
20%	Technology rights risk						0	0
20%	Technology integration risk				40			8
	Total							26

Upon score calculation, the technology risk coefficient is 2.6%.

For market risk, the risk coefficient is determined according to the Market Risk Scale.

Market Risk Scale

Weighting	Considerations	Score 100	80	60	40	20	0	Total
40%	Market capacity risk			40				16
40%	Existing competition risk in the market			40				16
20%	Potential competition risks in the market			40				8
	Total							40

Upon score calculation, the market risk coefficient is 4%.

For capital risk, the risk coefficient is determined according to the Capital Risk Scale.

Capital Risk Scale

Weighting	Considerations	Score 100	80	60	40	20	0	Total
50%	Financing fixed asset risk			40	40			20
50%	Liquidity risk				40			20
	Total							40

Upon score calculation, the capital risk coefficient is 4%.

For operation and management risk, the risk coefficient is determined according to the Operation and Management Risk Scale.

Operation and Management Risk Scale

Weighting	Considerations	Score 100	80	60	40	20	0	Total
40%	Sales and service risk				40			16
30%	Quality management risk					20		6
30%	Technology development risk					20		6
Total								28

Upon score calculation, the capital risk coefficient is 2.8%.

Based on the above calculations, the risk rate of return is as follows:

Risk rate of return = Technology risk+ Market risk+ Capital risk+ Management risk
=2.6%+4%+4%+2.8%
=13.4%

Determination of discount rate:

Discount rate= Risk-free rate of return + risk rate of return
= 1.68% + 13.4%
=15.08%

③ Valuation results

Unit: RMB10,000

Project name	2025	2026	2027	2028	2029	2030	2031	2032	2033
Training income	36,768.83	36,768.83	36,768.83	36,752.57	36,752.57	36,752.57	36,752.57	36,752.57	36,752.57
Share ratio	5.10%	5.10%	5.10%	5.10%	5.10%	4.85%	4.60%	4.37%	4.15%
Revenue	1,875.21	1,875.21	1,875.21	1,874.38	1,874.38	1,780.66	1,691.63	1,607.05	1,526.70
Discount period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50
Discount rate	15.08%	15.08%	15.08%	15.08%	15.08%	15.08%	15.08%	15.08%	15.08%
Discount factor	0.9322	0.8100	0.7039	0.6116	0.5315	0.4618	0.4013	0.3487	0.3030
Discounted value	1,748.03	1,518.97	1,319.93	1,146.46	996.23	822.40	678.90	560.44	462.65
Valuation of intangible asset portfolio									9,254.01

(2) Valuation results

As a result of the appraisal, the appraised value of other intangible assets under appraisal is RMB92,540,100.00, with an increase of RMB90,051,579.54, representing an increase rate of 3618.68%.

(3) Analysis of the reasons for the increase or decrease in appraised value

The increase in appraised value is due to the fact that most of the book value of other intangible assets is expensed and the book value is zero, and the increase in appraised value is caused by the adoption of the income approach, taking into account the future profitability of the intangible assets.

7. Valuation of Deferred Income Tax Assets

The book value of deferred income tax assets amounted to RMB221,047,904.63, representing income tax assets arising from deductible temporary differences recognised on an actual basis in accordance with income tax standards. In the appraisal, deferred income tax assets arising from bad debt provisions, deductible losses and lease liabilities are verified and analysed based on the relevant information such as account audits and other relevant information, and taxable temporary differences arising from the respective events are verified and then confirm the appraised value at the verified book value.

As a result of the appraisal, the appraised value of deferred income tax assets is RMB221,047,904.63, with no increase or decrease in value.

8. Valuation of Other Current Assets

The carrying value of other current assets amounted to RMB38,853,698.37, totaling 1 item, representing input tax to be certified.

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and reasons for the formation of their payments, and through alternative procedures such as verification of relevant vouchers, and the appraisal value is confirmed at the verified book value after analysis and verification.

As a result of the valuation, the appraised value of other current assets is RMB38,853,698.37, with no increase or decrease in value.

9. Valuation of Liabilities

According to the list of assets under appraisal, the liabilities under appraisal are current liabilities and non-current liabilities, and their carrying values are set out in the table below:

Item	**Carrying value (RMB)**
Short-term borrowings	21,294,065.00
Accounts payable	279,706,235.26
Contract liabilities	221,081.30
Employee benefits payable	3,549,479.19
Taxes payable	1,222,079.76
Other payables	26,939,910.52
Non-current liabilities due within one year	181,923,804.59
Other current liabilities	13,264.88
Total current liabilities	**514,869,920.50**
Lease liabilities	1,105,985,288.51
Deferred income tax liabilities	206,578,901.04
Total non-current liabilities	**1,312,564,189.55**
Total liabilities	**1,827,434,110.05**

Current liabilities include short-term borrowings, accounts payable, contract liabilities, employee benefits payable, tax payable, other payables, non-current liabilities due within one year and other current liabilities; non-current liabilities are lease liabilities and deferred income tax liabilities. As a result of the valuation, the appraised value of current liabilities is RMB514,869,920.50, with no increase or decrease in value; the appraised value of non-current liabilities is RMB1,312,564,189.55, with no increase or decrease in value.

(1) Valuation of short-term borrowings

The carrying value of short-term borrowings amounted to RMB21,294,065.00, representing bank acceptance bills of Hainan Airlines Holding Co., Ltd and Guangxi Beibu Gulf Airlines Co., Ltd.(廣西北部灣航空有限責任公司).

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, and after verifying the nature of the banker's acceptance and the actual situation, understanding and analyzing the debt to be actually assumed as at the valuation date, the appraisal determined the appraisal value by the book value in this valuation.

As a result of the valuation, the appraised value of short-term borrowings is RMB21,294,065.00, with no increase or decrease in value.

(2) Valuation of accounts payable

The carrying value of accounts payable amounted to RMB279,706,235.26, totaling 73 items, which are mainly rent payable, purchase payment and aircraft material guarantee payment.

On the basis of checking the consistency of the accounts, statements and lists, the appraisers sampled some of the equipment purchase contracts and accounting documents, and conducted correspondence or adopted alternative procedures for some large transactions to determine the appraised value from the verified book value.

As a result of the valuation, the appraised value of accounts payable is RMB279,706,235.26, with no increase or decrease in value.

(3) Valuation of contract liabilities

The carrying value of contract liabilities amounted to RMB221,081.30, totaling 1 item, representing personal training fees.

On the basis of checking the consistency of the accounts, statements and lists, the appraisers randomly checked the relevant contracts and accounting documents to confirm the factual reliability of the accounting records, and determined the appraised value from the verified book value.

As a result of the valuation, the appraised value of contract liabilities is RMB221,081.30, with no increase or decrease in value.

(4) Valuation of employee benefits payable

The carrying amount of employee benefits payable amounted to RMB3,549,479.19, totaling 2 items, representing wages and trade union funds.

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, and on the basis of relevant information such as account audit information, understanding and analysis were carried out, all of which were liabilities to be actually assumed as at the valuation base date, and the appraisal was carried out with the appraisal value determined by the verified book value.

As a result of the valuation, the appraised value of employee benefits payable is RMB3,549,479.19, with no increase or decrease in value.

(5) Valuation of taxes payable

The carrying amount of tax payable amounted to RMB1,222,079.76, totaling 3 items, representing individual income tax, value-added tax and input tax to be certified.

The assessor firstly understood the tax types and rates applicable to the assessed entity and investigated whether it enjoyed tax incentives; secondly, the assessor inspected the detailed accounts, tax returns and the tax payment vouchers for the actual payment of taxes in the subsequent period. Upon verification, the account records were true, all of which were debts to be actually incurred as at the valuation reference date, and the appraisal determined the appraised value at book value.

As a result of the valuation, the appraised value of taxes payable is RMB1,222,079.76, with no increase or decrease in value.

(6) Valuation of other payables

The carrying value of other payables amounted to RMB26,939,910.52, totaling 58 items, primarily representing current accounts, deposits and settlements.

Each amount is understood and analyzed on the basis of checking the consistency of the accounts, statements and lists, and on the basis of relevant information such as account audit information, all of which are liabilities to be actually assumed as at the valuation date, and the valuation value is determined on the basis of the verified book value.

As a result of the valuation, the appraised value of other payables is RMB26,939,910.52, with no increase or decrease in value.

(7) Valuation of non-current liabilities due within one year

The carrying value of non-current liabilities due within one year amounted to RMB181,923,804.59, representing the present value of rentals not yet paid within one year in the formation of right-of-use assets.

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and formation process of their payments, and through alternative procedures such as verification of relevant contracts and vouchers, the appraised value is determined by verifying the book value after the audit after the analysis and verification.

As a result of the valuation, the appraised value of non-current liabilities due within one year is RMB181,923,804.59, with no increase or decrease in value.

(8) Valuation of other current liabilities

The carrying value of other current liabilities amounted to RMB13,264.88, totaling 1 item, representing pending payment of sales tax.

On the basis of checking the consistency of the accounts, statements and lists, the book information and other relevant information were reviewed, and the assessed value was determined on the basis of the book value after verification of the correctness of the book value.

As a result of the valuation, the appraised value of other current liabilities is RMB13,264.88, with no increase or decrease in value.

(9) Valuation of lease liabilities

The carrying value of lease liabilities amounted to RMB1,105,985,288.51, representing the present value of the unpaid rentals in the formation of right-of-use assets.

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of occurrence, specific contents and formation process of their payments, and through alternative procedures such as verification of relevant contracts and vouchers, the appraised value is determined by verifying the book value after the audit after the analysis and verification.

As a result of the valuation, the appraised value of the lease liabilities is RMB1,105,985,288.51, with no increase or decrease in value.

(10) Valuation of deferred income tax liabilities

The carrying value of deferred income tax liabilities amounted to RMB206,578,901.044, representing the taxable temporary difference.

In this valuation, on the basis of checking the consistency of the accounts, statements and lists, understanding and analyzing the time of their occurrence, specific contents and formation process, and through alternative procedures such as verification of vouchers, the appraised value is determined by verifying the book value after audit after analysis and verification.

As a result of the valuation, the appraised value of the deferred income tax liabilities is RMB206,578,901.04, with no increase or decrease in value.

(VI) Statement of special matters

1. The appraisal was made under the principles of independence, impartiality, objectivity and science, and Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd. and all the personnel who participated in this valuation work did not have any special interest in any of the parties involved in the economic behavior, and the appraisal personnel scrupulously abided by the professional ethics and norms in the process of appraisal and made full efforts to do so.

2. The appraisal only provides value reference opinions for the purpose of this specific appraisal and does not consider the impact of other economic behaviors and derived value bases on the appraisal conclusions, therefore, this appraisal and the conclusions generally cannot be applied to other appraisal purposes.

3. Hainan Sky Plumage Flight Training Co., Ltd. shall be responsible for the authenticity, legality and completeness of the information provided on the legal title of the assets subject to valuation. According to the Guidance on Legal Ownership of Asset Evaluation Subject (CAS [2017] No. 48), the purpose of the asset appraiser and its professionals in performing the asset appraisal business is to estimate the value of the subject of appraisal and express professional opinions, pay necessary attention to the legal ownership of the subject of appraisal and disclose the status of the checking but do not provide any form of assurance in respect of the legal ownership, nor bear the responsibility for verifying the authenticity, legality and completeness of the information on the legal ownership of the subject of appraisal. However, it does not provide any form of guarantee for the legal title, nor does it assume any responsibility for verifying the authenticity, legality and completeness of the information on the legal title of the appraised entity.

4. The asset appraisal organization and the undersigned asset appraiser do not assume responsibility for defective and subsequent matters of the appraised entity that may affect the conclusion of the asset appraisal in the absence of any special explanations from the principal and the relevant parties, which the asset appraisal professional is generally unable to learn about on the basis of his/her professional experience.

5. The book values of assets and liabilities used in this valuation are derived from the valued entity, and the statement data included in the scope of this valuation have been audited by Zhongshenzhonghuan Certified Public Accountants LLP, which issued an "unqualified audit report with emphasis of matters" (reference number: ZHSZ [2025] No. 1700076) on the accounting statements of Hainan Sky Plumage Flight Training Co., Ltd. as at 31 December 2024. This valuation was made on the basis of the audited and confirmed accounting statements.

6. Matters in the course of an appraisal that may affect the appraisal conclusion but are beyond the appraisers' level of practice and ability to assess and estimate:

   (1) Hainan Sky Plumage Flight Training Co., Ltd. mortgaged five simulators obtained under finance leases to Foshan Haisheng Financial Leasing Co., Ltd. (佛山海晟金融租賃股份有限公司) with the value of the leased property amounting to RMB230,477,818.60 and the mortgage term up to 21 December 2031, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

   (2) Hainan Sky Plumage Flight Training Co., Ltd. mortgaged six simulators obtained under finance leases to ABC Financial Leasing Co., Ltd. (農銀金融租賃有限公司) with the value of the leased property amounting to RMB498,518,007.81 and the mortgage term up to 31 October 2030, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

   (3) Hainan Sky Plumage Flight Training Co., Ltd. obtained one A320 simulator and two IPTs under finance leases from Shanghai Yuanxin Business Service Co., Ltd. (上海圓新商務服務有限公司), while Shanghai Yuanxin Business Service Co., Ltd. (上海圓新商務服務有限公司) mortgaged one A320 simulator and two IPTs to China Construction Bank Corp. Foshan Branch, with the contract amount of RMB290,000,000.00 and the mortgage term up to 30 April 2028, and the impact of the mortgage matters on the valuation conclusions has not been considered in this valuation.

7. This valuation conclusions do not take into account premiums or discounts arising from factors such as controlling interests and minority interests, or the impact of liquidity on the valuation target.

8. The changes in tax liabilities that may result from increases or decreases in valuation values have not been taken into account in this valuation conclusion.

9. The appraisal is computed using computerized sequential calculations. Since two decimals or rounding is applied in the calculations, individual equations may not be exactly equal to each other, but this does not affect the accuracy of the results of the calculations and the final conclusions.

10. Material subsequent matters

    (1) When the number of assets changes after the date of the valuation report during the validity period of the report, the amount of assets shall be adjusted accordingly based on the original valuation method.

    (2) If there is a significant change in the asset price standard during the validity period after the valuation benchmark date and the valuation price of an asset has been seriously affected, the principal shall promptly engage an appraisal organization to re-determine the appraised value.

    (3) The appraisers are not aware of the occurrence of any other material subsequent matters affecting the assets entrusted for valuation.

    (4) The valuation report shall not be used directly in the event of material matters occurring after the valuation base date.

11. In accordance with the requirements of the asset appraisal, the appraisal measurements are based, in part, on existing policy provisions and, in part, on industry practices, statistical parameters or generic parameters commonly used in appraisals. In the event of significant changes in the economic environment in the future, the appraisers will not be liable for results different from those in the current appraisal as a result of changes in the prerequisites.

II. Opinions of the board of directors of the Listed Company on the valuation of the transaction

(I) Opinions of the board of directors on the independence of the valuation agency, the reasonableness of the assumed premises of the valuation, the relevance of the appraisal methodology to the purpose of the valuation and the fairness of the valuation pricing

In accordance with relevant provisions of the Company Law, the Securities Law, the Administrative Measures for the Significant Asset Restructurings of Listed Companies (《上市公司重大資產重組管理辦法》), the Rule No. 26 on Content and Format of Information Disclosure by Companies with Securities Issued Publicly – Major Asset Restructuring of Listed Companies (《公開發行證券的公司信息披露內容與格式準則第26號–上市公司重大資產重組》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Review Rules for Major Assets Reorganisation of Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司重大資產重組審核規則》) and other relevant laws, regulations and regulatory documents, the Company hereby expresses its views on the independence of the valuation agency, the reasonableness of the assumed premises of the valuation, the relevance of the appraisal methodology to the purpose of the valuation and the fairness of the valuation pricing as set out below:

1. Independence of the valuation agency

Zhong Wei Zheng Xin, the valuation agency engaged for the transaction, is qualified to engage in securities and futures business, and the procedures for the engagement of the valuation agency are legal and compliant. Apart from the aforesaid business relationship, the agency and its personnel have no other affiliation with the Company, the counterparty to the transaction and the Subject Company, and there is no real and anticipated interest or conflict of interest, and the valuation agency is independent.

2. Reasonableness of the premises assumed in the valuation

The premises assumed and restrictions in the valuation set by the valuation agency and appraisal personnel for the appraisal of the subject assets have been implemented in accordance with the relevant state regulations and provisions, have followed common market practices or standards, are in line with the actual situation of the subject of the valuation, and the premises assumed in the valuation are reasonable.

3. *Relevance of the valuation approaches to the purpose of the valuation*

The purpose of the valuation is to ascertain the market value of the value of the shareholders' equity of the Subject Company as at the valuation base date and to provide a value reference basis for the restructuring. Zhong Wei Zheng Xin has adopted two valuation approaches, namely the income approach and the asset-based approach, to appraise the value of the shareholding interests in Sky Plumage Flight Training and finally selected the appraised value under the income approach as the result of the valuation, with the actual scope of the assets appraised being consistent with the scope of the assets entrusted for the valuation; the valuation agency has implemented the corresponding valuation procedures during the valuation, followed the principles of independence, objectivity, scientificity and fairness, and valuation approaches adopted are compliant and consistent with the actual situation of the subject assets, and the reference data and information selected are reliable; the appraised value of the assets is fair and accurate. The valuation approaches have been appropriately selected, and the conclusions are reasonable and the relevance of the valuation approaches to the purpose of the valuation is consistent.

4. *Fairness of the valuation pricing*

Zhong Wei Zheng Xin adopted the income approach and asset-based approach as its valuation approaches and finally adopted the appraised value under the income approach as the result of the valuation. The principles of the appraised value analysis, the model adopted, the discount rate selected and other important valuation parameters are in line with the actual situation of Sky Plumage Flight Training, and the basis of valuation of the expected annual revenue and cash flows and the valuation conclusion are reasonable, and the results of the current valuation are fair.

In summary, the valuation agency engaged by the Company in the restructure is independent, the premise assumed in the valuation is reasonable, the relevance of the valuation approaches to the purpose of the valuation is consistent, the valuation conclusion of the asset valuation report issued by the valuation agency is reasonable, the valuation pricing is fair, the valuation bases and conclusions in respect of the expected income and cash flows for each of the years are reasonable, and there are no circumstances that would be detrimental to the interests of the Company and all of its shareholders, in particular the small and medium-sized shareholders.

(II) Impact of the trend of changes in policies, macro environment, technology, industry and tax incentives in the subsequent operation of the Subject Assets on the valuation and the management's countermeasures

In the foreseeable future development period, there will be no material adverse changes in the policies, macro environment, technology, industry, major co-operation agreements, operating licences, technology licences and tax incentives in the subsequent operation of the Subject Company. The trend of such changes will not have any significant adverse impact on the valuation level of the Subject Assets.

Meanwhile, the Board will take appropriate countermeasures in accordance with the changes in the macro environment of the industry, industrial policies and tax policies to ensure the stability of the operation and development of the Target Company.

(III) Reasonableness of the basis of valuation of the subject of the transaction

1. Basis for pricing of the subject assets

The transaction price of the subject assets of the transaction is determined by mutual agreement between the parties to the transaction. Zhong Wei Zheng Xin adopted the asset-based approach and the income approach to appraise the 100% equity interest in the Subject Company and finally selected the results of the valuation under the income approach as the conclusion of the valuation. In the course of this valuation and measurement, Zhong Wei Zheng Xin has complied with the requirements of the Asset Appraisal Law of the People's Republic of China, asset appraisal standards and relevant codes of conduct and other laws and regulations in selecting the valuation approach, valuation model and relevant parameters, which are reasonable.

2. Reporting period and future financial forecasts

The forecast of future financial data of the Subject Company is based on the historical operating data of the Subject Company, in compliance with the relevant laws and regulations in force in the place where the Subject Company is located, and is determined after comprehensive analysis in accordance with the local macro-economy, policies, the current situation and prospects of the industry to which the enterprise belongs, and the development trend of the Subject Company, and the future financial forecast of the Subject Company of the transaction is reasonable.

3. Trend of industry development and competition in the industry

For details of the industry status, industry development trend, industry competition and operation of the Subject Company, please refer to "Chapter VIII: Management Analysis and Discussion" under "II. Discussion and Analysis on the Industry Characteristics and Competitiveness of the Subject Company".

4. Operating conditions of the Subject Company

For details of the operation of the Subject Company, please refer to "Chapter IV Basic Information of the Subject Company" under "VII. Main operations in the recent three years".

In summary, the valuation of the pricing for the transaction has taken into account the historical operating results of the Subject Company, the development prospect of the industry to which it belongs, its competitive position in the industry and its operating conditions, and is reasonable.

(IV) Analysis of the fairness of the pricing for the transaction

1. Appraised value of the subject assets

According to the valuation report (Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5054), with 31 December 2024 as the valuation base date and the appraisal results under the income approach as the final appraisal conclusion, the book value of the value of the entire shareholders' equity of the Subject Assets is RMB594,690,300, and the appraisal value is RMB799,070,000, representing an appraisal increase of RMB204,379,700, representing an increase rate of 34.37%.

2. Comparison of the appraised value of the subject assets with listed companies in the same industry

(1) Adequacy of selection of comparable companies

At present, there is no enterprise in the A-share market with same main business and key products as the Company. Therefore, based on the industry and main business of the Subject Company, listed companies whose main products include passenger flight training and other related products are selected as comparable companies, and the specific selection results are as follows:

No.	Stock code	Company name	Main business
1	002023	Haite High-Tech	The company is a high-tech enterprise with the main business of high-end core equipment research and development and support services, aviation engineering technology and services, and high-performance integrated circuit design and manufacturing. It is the first private aviation product research and development and technical services company in China, and is the only private aviation engineering technology services enterprise in China, which is licensed to operate transport aircrafts, business aircrafts, aviation parts and accessories maintenance, and pilot training, such as CAAC, EASA, and FAA. The company's aviation engineering technology and services account for more than 75% of its operating revenue, which mainly comprises aircraft engineering technology and services, aviation parts and accessories, flight training, and aviation engineering technology and services for business aircraft.
2	002253	Wisesoft	The company's traditional business is in the aviation industry under several sub-markets, mainly including: civil aviation air traffic management system development and services, military aviation control system development and services, flight simulator training services for civil aviation pilots on duty. The company's major products include civil aviation air traffic control automation system, military aviation control centre system, military and civil aviation multi-channel digital synchronous recorder, flight information system, traffic management system, airline pilot training service (flight simulator training) products, virtual reality (VR) and augmented reality (AR) products, artificial intelligence products and services, etc.; the software revenue accounts for more than 97% of the revenue from the main business.
3	002465	Haige Communications	The main business in which the Company is engaged includes: 1. Wireless communication field: As a traditional leader in full-frequency coverage, the Company ranks among the top providers with the most comprehensive portfolio of wireless communication equipment; 2.BeiDou navigation field: Pioneer in achieving full-industry-chain layout of "chips, modules, antennas, terminals, systems and operations", a leading innovator in "BeiDou+5G" integrated applications, 3. Aerospace field: including simulation and modelling business, aircraft parts business, and civil aviation communication and navigation business. Simulation and modelling business covers flight simulators, maintenance simulators and vehicle simulators, electric motion platforms, visual systems, and unmanned aerial vehicle simulation systems, as well as simulation flight training. It is a leader in simulation and modelling systems for the domestic institutional market; 4. A competitive information and communication technology service provider and system integration provider with a competitive advantage in the industry, with operations spanning over 20 provinces (autonomous regions and municipalities) across China. It is an outstanding supplier (Grade A) of China Mobile, a five-star maintenance unit of China Tower, and holds CMMI Level 5 assessment certification and other high-quality qualifications.,

No.	Stock code	Company name	Main business
4	603377	Eastern Pioneer	The main business focuses on motor vehicle driver training and civil aircraft pilot training. The main business of Eastern Pioneer General Aviation Co., Ltd.(東方時尚通用航空股份有限公司)is flight training, sales of aviation materials and agency services, etc. Eastern Pioneer General Aviation has constructed a network of transit routes radiating to the periphery centred around its own self-operated and self-built airports, formed a high-standard ToB-end civil aviation pilot and ToC-end private pilot licence training system and flight school operation capability, airport operation and management capability. The training quality is highly recognised by the industry and the students; flight training accounts for a relatively small proportion of revenue from the main business, representing approximately 8%.
5	600029	China Southern Airlines	Zhuhai Xiangyi Aviation Technology Co., Ltd.(珠海翔翼航空技術有限公司), a wholly-owned subsidiary of China Southern Airlines, is one of the largest and most complete flight training organisations in Asia, specialising in flight training, safety research and aviation technology research and development; Zhuhai Xiangyi operates 35 full-motion simulators of Class D (covering Boeing, Airbus and other mainstream aircraft types), with an estimated 200,000 hours of training in 2024, and plans to expand to a scale of 50 simulators in 2035; flight training accounts for no more than 3.3% of China Southern Airlines 's operating revenue;
6	838476	CnTech	Founded in 2007, the main business of CnTech is the development and sale of intelligent software and hardware related to virtual simulation and flight simulation system; the Company has been engaged in the research and development of products with simulation technology as the core, provide virtual simulation software, simulation simulators, system simulation platform and operation training system and other products to a unit developing and using major equipment, all kinds of aircraft and control system; At the same time, the company's products are also widely used in science popularisation, education and public welfare services.

The listed companies have included all enterprises with products similar to those of the Subject Company in the selection of comparable companies and further comparative analyses have been made, and the selection of comparable companies is sufficient.

(2) Basis for selection of comparable companies

According to further analysis, some of the candidate companies have different product applications from those of the Subject Company, a lower proportion of related business, or a candidate company is one of the enterprises in the upstream and downstream of the industry to which the Subject Company belong, making them unsuitable for inclusion as comparable companies of the Subject Company for the specific reasons set out below:

No.	Stock code	Company name	Main business
1	002253	Wisesoft	The company's main products include flight training and simulator simulation software, with software revenue accounting for over 97% of the main business revenue, which is inconsistent with the subject business.
2	600029	China Southern Airlines	The flight training business of China Southern Airlines is mainly carried out by one of its subsidiaries, Zhuhai Xiangyi Aviation Technology Co., Ltd., accounting for a relatively small proportion of its main business revenue, not exceeding 3.3%.
3	838476	CnTech	The main business of CnTech is the development and sale of intelligent software and hardware related to virtual simulation and flight simulation systems, not flight simulator training.

In summary, the three companies, Haite High-Tech, Haige Communications and Eastern Pioneer, are retained as comparable companies as set out below:

Stock code	Abbreviation of stock	Main business	Related or similar products and business to the Subject Company
002023	Haite High-Tech	The company is a high-tech enterprise with the main business of high-end core equipment research and development and support services, aviation engineering technology and services, and high-performance integrated circuit design and manufacturing. It is the first private aviation product research and development and technical services company in China, and is the only private aviation engineering technology services enterprise in China, which is licensed to operate transport aircrafts, business aircrafts, aviation parts and accessories maintenance, and pilot training, such as CAAC, EASA, and FAA. The company's aviation engineering technology and services account for more than 75% of its operating revenue, which mainly comprises aircraft engineering technology and services, aviation parts and accessories, flight training, and aviation engineering technology and services for business aircraftz	The company's aviation engineering technology and services business accounts for a relatively high proportion of its revenue of main business, reaching more than 75%, and its flight training business is similar to the subject business.
002465	Haige Communications	Haige Communications' pan-aviation business encompasses simulation and modelling business, aircraft parts business, and civil aviation communication and navigation business, of which, the simulation and modelling business covers flight simulators, maintenance simulators, vehicle simulators, electric motion platforms, visual systems, and unmanned aerial vehicle simulation systems, as well as simulation flight training; the pan-aviation business contributes in aggregate approximately 8.6% to the main business revenue, a relatively small proportion.	The company's flight simulator training service in the simulation business is similar to the subject business.

Stock code	Abbreviation of stock	Main business	Related or similar products and business to the Subject Company
603377	Eastern Pioneer	Eastern Pioneer's main business focuses on motor vehicle driver training and civil aircraft pilot training. The main business of Eastern Pioneer General Aviation Co., Ltd. (東方時尚通用航空股份有限公司) is flight training, sales of aviation materials and agency services, etc. Eastern Pioneer General Aviation has constructed a network of transit routes radiating to the periphery centred around its own self-operated and self-built airports, formed a high-standard To B-end civil aviation pilot and To C-end private pilot licence training system and flight school operation capability, airport operation and management capability. The training quality is highly recognised by the industry and the students.	Its subsidiary (Eastern Pioneer General Aviation) has a To B-end civil aviation pilot and To C-end private pilot licence training system and flight school operation capability, which are similar to the subject business.

A comparison of the P/E ratios of the Subject Company and listed companies in the same industry is set out below:

Securities Code	Abbreviation of Securities	P/E ratio	P/B ratio
002023	Haite High-Tech	106.09	1.76
002465	Haige Communications	512.86	2.16
603377	Eastern Pioneer	−1.92	1.87
	Average value	205.68	1.93
	Median	106.09	1.87
	Subject Company	11.88	1.35

Data source: Wind

Note: P/E ratio and P/B ratio indicators: (1) P/E ratio of listed company = market value of listed company as at 31 December 2024/net profit attributable to the parent company for the year 2024; (2) P/B ratio of listed company = market value of listed company as at 31 December 2024/net assets attributable to the parent company as at 31 December 2024; (3) P/E ratio of the Subject Company = assessed value of the Subject Company with 31 December 2024 as base date/audited net profit of the Subject Company for the year 2024; (4) P/B ratio of the Subject Company = assessed value of the Subject Company with 31 December 2024 as base date/audited net assets of the Subject Company as at 31 December 2024.

In 2024, Eastern Pioneer, a comparable listed company, has not yet achieved profitability and has a negative P/E ratio. The P/E ratio of the Subject Company was lower than that of the comparable listed companies, Haite High-Tech and Haige Communications, which was mainly due to the different development stages of the Subject Company and the comparable companies, the concentration of the business in the flight training business, and the impact of the discount of the non-current premium. Furthermore, as the comparable companies are well-known listed companies of a larger scale, it is is reasonable that the P/E ratios of the comparable listed companies are higher than that of the Subject Company. Comparison of operating scales between three comparable companies and the Subject Company is as follows. In general, the P/E ratio and the P/B ratio corresponding to the pricing of the Subject Company in this transaction are lower than the average value of the comparable companies in the same industry in the A-share market, and the pricing of the transaction is reasonable.

Securities Code	**Abbreviation of Securities**	**Valuation base date/ total market value (RMB100 million)**	**Net profit attributable to the parent company for the year 2024 (RMB100 million)**	**Net assets attributable to the parent company as at 31 December 2024 (RMB100 million)**
002023	Haite High-Tech	75.20	0.71	42.78
002465	Haige Communications	272.51	0.53	126.06
603377	Eastern Pioneer	17.30	−9.03	9.27
NA	Subject Company	7.99	0.70	5.95

(V) Synergies between the subject assets and the existing businesses of the Listed Company and their impact on the valuation

Sky Plumage Flight Training is a company with civil aviation flight training as its main business, and the main businesses of the Listed Company fall within the scope of air transportation. There are synergies between them, but it is difficult to quantify and analyze the impact of the aforesaid synergies on the development of the business. For prudential considerations, the impact of the synergies on the valuation of the subject assets has not been taken into account in this valuation.

(VI) Significant changes in the subject assets from the valuation base date to the date of disclosure of the restructuring report and their impact on the transaction price

As at the date of signing of this report, there were no material changes in the relevant laws, regulations and policies to be followed in the operation of the Subject Company, the macroeconomic situation of the State, and the political, economic and social environment of the region in which the parties to the transaction are located, and there was no material adverse impact caused by other unpredictable and force majeure factors; there will be no material change in the situation of the continuing development of the industry, and the evaluated unit will continue to operate after the valuation base date, which will not have an impact on the valuation. In the foreseeable future development period, there will be no material adverse changes in the relevant policies, macro environment, technology, industry and tax incentives in the subsequent operation of the Subject Company.

(VII) Difference between the transaction pricing and valuation results and analysis of the reasonableness thereof

The transaction pricing of the subject assets is based on the valuation results and there is no significant difference.

III. Independent opinion of the independent directors on the valuation of the transaction

(i) Independence of the valuation agency

The valuation agency for the transaction complies with the requirements of the Securities Law of the People's Republic of China. Apart from normal business relationship, the valuation agency and its managing valuer have no affiliation with the Company, the counterparty and the Subject Company, and have no actual and expected interest or conflict other than professional charges. Therefore, the valuation agency is independent.

(ii) Reasonableness of the assumed premises of the valuation

The assumed premises of the valuation and constraints set by the valuation agency and valuer have been implemented in accordance with relevant state laws and regulations, follow common market practices or standards and are in line with the actual circumstances of the subject of the appraisal, therefore, the assumed premises of the valuation are reasonable.

(iii) Relevance of the appraisal methodology to the purpose of the valuation

The purpose of the valuation is to provide a reasonable appraisal basis for the transaction, and the scope of assets actually appraised by the valuation agency is consistent with the scope of assets commissioned for valuation. In the process of the valuation, the valuation agency implements corresponding valuation procedures, follows the principles of independence, objectivity, scientificity and impartiality, applies the appraisal method that is in compliance with regulations and the actual situation of the subject assets, and selects reliable reference data and information, and the appraised value of the assets is fair and accurate. The appraisal method is appropriately selected, the appraisal conclusion is reasonable and the relevance of the appraisal method to the purpose of the valuation is consistent.

(iv) Fairness of valuation pricing

The principles for value analysis, the model adopted, the discount rate and other key parameters selected are in line with the actual conditions of the subject assets, and the basis of the valuation and the conclusion of the valuation are reasonable. The final transaction price of the subject assets is determined by the parties to the transaction after full negotiation based on the valuation results duly issued and filed by the valuation agency, and the valuation pricing is fair.

In summary, the valuation agency appointed by the Company for the transaction is independent, the assumed premises of the valuation are reasonable, the appraisal methodology is relevant to the purpose of the valuation, the key parameters selected and the basis of the valuation selected by the valuation agency are reasonable, the valuation conclusions of the valuation report issued by the valuation agency are reasonable, and the pricing of the subject asset is fair.

PART VI. COMPETITIVE ADVANTAGES OF SKY PLUMAGE FLIGHT TRAINING

- **Leading training qualifications**

Sky Plumage Flight Training has successively obtained the training qualification certifications of CCAR-60, CCAR-61 and CCAR-142 of the CAAC, and has the ability to provide theoretical and simulator training for five major types of aircraft, such as A320/A330/B737/B787/E190. In addition, Sky Plumage Flight Training is also equipped with the qualifications of ATPL, ACPC, CRM, basic theoretical training for instructors of the types of aircraft, and the science and technology educational base in Hainan Province. At the same time, in accordance with the roadmap of Professionalism Lifecycle Management System (PLM) of CAAC and the requirements of the reform of civil aviation flight training system, it actively expanded the qualification of flight training such as CBTA and EBT, and established a lifecycle training management system from the trainee to the co-pilot, the captain, the instructor, and the inspector. It also actively responds to the requirements of "six changes in training concepts" of the CAAC, and established a whole chain management system for training quality, promoting the change of training organisation from style management to quality management, in order to provide more high-quality and efficient training services for the airline companies.

- **Well-equipped facilities**

  The company has actively introduced more than 20 of the world's most advanced Level D full-flight simulators, covering various series such as B787, B737, A330, A320 and E190, etc., as well as FTDs, IPTs, and supporting hardware and software teaching facilities such as CBT teaching and network teaching, which makes it a leading training organisation for flight specialists in Asia.

- **Extensive domestic and overseas cooperation customers**

  The company now cooperates with 40 domestic airlines and 2 international clients in the flight training market; 19 domestic airlines and 2 international airlines in the crew training market, with extensive domestic and overseas cooperation customers. Meanwhile, in the research and study market, by virtue of the geographical advantage of being close to Meilan Airport, the scale of its research and study experience has reached approximately 10,000 people per year at present, and it has established cooperation with mainstream primary and secondary schools, large travel agencies and other organisations in Hainan.

- **Strong instructor force**

  Currently, the Company has 40 senior flight simulator instructors and 17 senior flight theory instructors. The company has a strong instructor force and a comprehensive training system covering five major types of aircraft, including A320/A330/B737/B787/E190. It undertakes type and level training and customised training for domestic and overseas airlines or other customers, which is recognised by a wide range of customers and meets the training needs of various types of customers.

PART VII. INTEGRATION AND CONTROL PLAN OF THE LISTED COMPANY FOR THE SUBJECT COMPANY AFTER THE TRANSACTION

Upon the completion of the transaction, the Listed Company will effectively manage the Subject Company in accordance with the requirements of corporate governance and, under the overall business objectives and strategic planning of the Listed Company, integrate and control aspects such as assets, business, personnel, organisation and finance, etc., so as to promote the effective integration of the business, optimise the allocation of resources, improve the operational efficiency and effectiveness and enhance the overall profitability of the Listed Company.

- **Asset integration**

  Upon completion of the transaction, the Subject Company will continue to maintain its asset independence as an independent corporate entity, but the authority of the board of directors and the authority of the general meeting in respect of major asset purchases and disposals, external investments, external guarantees, etc. will be determined in accordance with the currently effective Company Law and the articles of association of the Listed Company as well as the requirements of the relevant rules and regulations. In addition, the Listed Company will put forward reasonable suggestions to the Subject Company in light of its own experience in asset allocation and adjustment, so as to help the Subject Company to enhance its ancillary capacity, optimise the allocation of resources, improve the efficiency of asset utilisation and enhance its profitability.

- **Business integration**

  In respect of business integration, in accordance with the development strategy of the listed company and the business development plan of the Subject Company, the Subject Company will continue to maintain its existing business system and continue to plough into the flight training market, and the listed company will further consolidate its market position. At the same time, the listed company will also leverage on its own strengths to help provide the Subject Company with more business development resources, lock in long-term orders through internal co-operation, assist the Subject Company in expanding external customers by relying on the platform and brand advantages of the listed company, and assist the Subject Company in expanding its business scale and improving its market competitiveness, profitability and safety management capability.

- **Staff integration**

  Upon completion of the transaction, the Listed Company will continue to maintain the stability of the core management, core technical personnel and business team of the Subject Company. The Listed Company will set practicable performance targets based on the combined business, design reasonable and effective incentive measures in light of the needs of the Company, incorporate the staff of the Subject Company into the internal system of the Listed Company to conduct assessments in a uniform manner, further improve the long-term incentive mechanism for the staff to stimulate the motivation and cohesion of the staff so as to bind their interests with those of the Listed Company on a long-term basis.

- **Organisation integration**

  Upon completion of the transaction, in order to ensure the continuity of the business, the Listed Company will maintain the stable operation of the original organisation of the Subject Company, and make decisions on development strategies, operational decisions and internal control through the general meeting and board of directors, and perform the relevant decision-making procedures in accordance with the articles of association of the Listed Company in respect of the major issues of the Subject Company reaching the decision-making authority of the board of directors and the general meeting of the Listed Company.

- **Financial integration**

  Upon completion of the transaction, the Subject Company will become a subsidiary of the Listed Company, and will strictly implement various financial management systems of the Listed Company, such as the corporate accounting system, fund management system, internal and external audit system, internal control system, etc., and regulate the financial processes in its daily operation to ensure compliance with the regulatory requirements of the Listed Company, and regularly submit financial statements and report its financial situation to the Listed Company. Meanwhile, the Listed Company will also uniformly manage and supervise the Subject Company to improve its financial accounting and management capability and efficiency in the use of funds.

PART VIII CREDIT POLICY

According to the Flight Training Service Agreement entered into between Sky Plumage Flight Training and its major customers, the relevant credit policy is described as follows:

No.	Name of customer	Affiliation with the listed company	Description of relevant credit policy in the Flight Training Service Agreement
1	Hainan Airlines Holding Co., Ltd. (海南航空控股股份有限公司)	The parent company of the listed company	The Subject Company shall issue a special invoice for value-added tax to Hainan Airlines Holding Co., Ltd. after both parties have reached an agreement on the billing statement, and Hainan Airlines Holding Co., Ltd. shall check the invoice sent by the Subject Company for accuracy within three business days after receiving it, and remit the training fees to the Subject Company within 30 calendar days in accordance with the charging standards annexed to the Agreement and based on the actual training situation.
2	Beijing Capital Airlines Co., Ltd. (北京首都航空有限公司)	Under the control of the same controlling party	Each month, the Subject Company shall provide Beijing Capital Airlines Co., Ltd. with a copy of the previous month's billing statement, and Beijing Capital Airlines Co., Ltd. shall review and confirm the billing statement within three business days after receiving it, and if no feedback is made after the due date, it shall be deemed that there is no objection. The Subject Company shall issue a special invoice for value-added tax to Beijing Capital Airlines Co., Ltd. after both parties have reached an agreement on the billing statement, and Beijing Capital Airlines Co., Ltd. shall check the invoice sent by the Subject Company for accuracy within three business days after receiving it, and remit the training fees to the Subject Company within 30 calendar days in accordance with the charging standards annexed to the Agreement and based on the actual training situation.

No.	Name of customer	Affiliation with the listed company	Description of relevant credit policy in the Flight Training Service Agreement
3	Tianjin Airlines Co., Ltd. (天津航空有限責任公司)	Associate	Each month, the Subject Company shall provide Tianjin Airlines Co., Ltd. with a copy of the previous month's billing statement, and Tianjin Airlines Co., Ltd. shall review and confirm the billing statement within three business days after receiving it, and if no feedback is made after the due date, it shall be deemed that there is no disagreement. The Subject Company shall issue a special invoice for value-added tax to Tianjin Airlines Co., Ltd. after both parties have reached an agreement on the billing statement, and Tianjin Airlines Co., Ltd. shall check the invoice sent by the Subject Company for accuracy within three business days after receiving it, and remit the training fees to the Subject Company within 30 calendar days in accordance with the charging standards annexed to the Agreement and based on the actual training situation.
4	Tibet Airlines Co., Ltd. (西藏航空有限公司)	No affiliation	Each month, the Subject Company shall provide Tibet Airlines Co., Ltd. with a copy of the previous month's billing statement. After Tibet Airlines Co., Ltd. has reviewed the billing statement without objection and both parties have reached an agreement on the billing statement, the Subject Company shall issue a special invoice for value-added tax to Tibet Airlines Co., Ltd., and Tibet Airlines Co., Ltd. shall, within 30 business days after checking the invoice for accuracy, remit the training fees to the Subject Company in accordance with the charging standards in Article 1 and based on the persons for training.
5	Shanghai Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司)	No affiliation	Each month, the Subject Company shall provide Shanghai Juneyao Airlines Co., Ltd. with a copy of the previous month's billing statement, and Shanghai Juneyao Airlines Co., Ltd. shall review and confirm the billing statement within three business days after receiving it, and if no feedback is made after the due date, it shall be deemed that there is no disagreement. The Subject Company shall issue a special invoice for value-added tax to Shanghai Juneyao Airlines Co., Ltd. after both parties have reached an agreement on the billing statement, and Shanghai Juneyao Airlines Co., Ltd. shall check the invoice sent by the Subject Company for accuracy within three business days after receiving it, and remit the training fees to the Subject Company within 30 calendar days in accordance with the charging standards annexed to the Agreement and based on the actual training situation.

No.	Name of customer	Affiliation with the listed company	Description of relevant credit policy in the Flight Training Service Agreement
6	Colorful Guizhou Airlines Co., Ltd. (多彩貴州航空有限公司)	No affiliation	Prior to the 15th each month, the Subject Company shall provide Colorful Guizhou Airlines Co., Ltd. with a copy of the previous month's billing statement, and Colorful Guizhou Airlines Co., Ltd. shall review and confirm the billing statement within three business days after receiving it, and if no feedback is made after the due date, it shall be deemed that there is no disagreement. The Subject Company shall issue a special invoice for value-added tax to Colorful Guizhou Airlines Co., Ltd. after both parties have reached an agreement on the billing statement, and Colorful Guizhou Airlines Co., Ltd. shall check the invoice sent by the Subject Company for accuracy within three business days after receiving it, and remit the training fees to the Subject Company within 60 calendar days in accordance with the charging standards annexed to the Agreement and based on the actual training situation.
7	Air Guilin Co., Ltd. (桂林航空有限公司)	No affiliation	Each month, the Subject Company provide Air Guilin Co., Ltd. with a copy of the previous month's billing statement, and Air Guilin Co., Ltd. shall review and confirm the billing statement within three business days after receiving it, and if no feedback is made, it shall be deemed that there is no objection. The Party A shall issue a special invoice for value-added tax to Party B after both parties have reached an agreement on the billing statement, and Air Guilin Co., Ltd. shall check the invoice sent by the Subject Company for accuracy within three business days after receiving it, and remit the training fees to the Subject Company within 30 calendar days in accordance with the charging standards stipulated in the Agreement and based on the actual training situation.

It can be seen from the above analysis that the credit policy of Sky Plumage Flight Training towards the listed company and its affiliated airline customers and unaffiliated customers has remained consistent.

PART IX REASONS FOR THE EXISTENCE OF A LARGE PROPORTION OF ACCOUNTS RECEIVABLE AGED OVER 1 YEAR AND THE INCREASE IN THE PROPORTION AND THE REASONABLENESS THEREOF

As of the end of April 2025, accounts receivable aged over 1 year accounted for 53.40% of the balance of accounts receivable, representing an increase of 5.63 percentage points as compared with the end of the previous year, of which the percentage of accounts receivable aged between 1 to 2 years, 4 to 5 years and over 5 years representing an increase of 5.20 percentage points, 6.72 percentage points and 0.35 percentage point as compared with the end of the previous year. Accounts receivable over 1 year are all due from airlines. Due to the impact of the industry as a whole, the airlines are recovering from their operations and it is slow in collecting their payments. In respect of the payment due from Air Guilin Co., Ltd., Sky Plumage Flight Training has taken legal action to collect. As at the end of the reporting period, Sky Plumage Flight Training has made a 40.63% provision for bad debt for the accounts receivable from Air Guilin Co., Ltd.

In summary, Sky Plumage Flight Training has a large proportion of accounts receivable aged over one year, mainly due to its customers affected by the industry and their own development factors. With the gradual improvement of China's civil aviation industry, the operating conditions of airlines are expected to improve.

PART X EXPLANATION OF THE REASONS AND REASONABLENESS OF PROVISION FOR BAD DEBT FOR RELATED PARTIES ON AN INDIVIDUAL BASIS AND NO PROVISION FOR BAD DEBT FOR A GROUP OF ACCOUNTS RECEIVABLE IN THE EVENT OF AN OVERALL EXTENSION OF THE AGING PERIOD AND LOWERING OF THE PROPORTION OF PROVISION FOR RELATED PARTIES ON AN INDIVIDUAL BASIS IN LIGHT OF THE CREDITWORTHINESS OF THE RELEVANT CUSTOMERS AND CASH FLOW POSITION, AND WHETHER THE CREDIT ENHANCEMENT MEASURES OF THE RELATED PARTY HAVE A PRACTICAL ABILITY TO ENHANCE ITS CREDITWORTHINESS.

1. Reasons and reasonableness of provision for bad debt for related parties on an individual basis and no provision for bad debt for a group of accounts receivable in the event of an overall extension of the aging period and lowering of the provision ratio for related parties on an individual basis

According to Article 69 of the "Contents and Formats for Information Disclosure by Companies Offering Securities to the Public No. 26 – Major Asset Restructuring of Listed Companies (《公開發行證券的公司信息披露內容與格式準則第26號－上市公司重大資產重組》)", relevant financial reports and audit reports shall be prepared in accordance with the same accounting system and accounting policies as those of the listed companies. Zhongshenzhonghuan Certified Public Accountants LLP has issued Zhong Huan Shen Zi [2025] No. 1700093, an audit report with an emphasis of matter paragraph, on Sky Plumage Flight Training's financial reports for the reporting period. The target company's financial statements are prepared solely for the purpose of as a reference for this restructuring, and the financial statements for the period of January to April 2025, 2024 and 2023 are prepared in accordance with the same accounting policies and accounting estimates as HNA. Accounts receivable and other receivables are classified into portfolios based on the credit risk characteristics determined by HNA, and corresponding bad debt provisions are made according to the expected credit loss rates determined by HNA.

(1) Reasons and rationality for not making provision for bad debts on a group of accounts receivable

As at the end of April 2025, the accounts receivable of Sky Plumage Flight Training for which provision for bad debts is made on a collective basis are as follows:

No.	Name	Affiliation with the listed company	Balance of accounts receivable as of the end of April 2025 (RMB10,000)	Age
1	Hainan Airlines Holding Co., Ltd.* (海南航空控股股份有限公司)	Parent company	3,503.49	Within 1 year, 1-2 years, 2-3 years
2	Yunnan Lucky Air Co., Ltd.* (雲南祥鵬航空有限責任公司)	Related party within the scope of consolidation	3,326.43	Within 1 year, 1-2 years, 4-5 years
3	Fuzhou Airlines Co., Ltd.* (福州航空有限責任公司)	Related party within the scope of consolidation	725.32	Within 1 year
4	Urumqi Airlines Co., Ltd.* (烏魯木齊航空有限責任公司)	Related party within the scope of consolidation	549.93	Within 1 year, 2-3 years
5	Guangxi Beibu Gulf Airlines Co., Ltd.* (廣西北部灣航空有限責任公司)	Related party within the scope of consolidation	490.21	Within 1 year
6	Chang'an Airlines Co., Ltd.* (長安航空有限責任公司)	Related party within the scope of consolidation	452.02	Within 1 year
7	HNA Technic Co., Ltd.* (海航航空技術有限公司)	Related party within the scope of consolidation	62.37	Within 1 year
8	Grand China Aircraft Maintenance Service Co., Ltd.* (大新華飛機維修服務有限公司)	Related party within the scope of consolidation	9.53	Within 1 year
9	Tibet Airlines Co., Ltd.* (西藏航空有限公司)	Related party within the scope of consolidation	258.18	Within 1 year

No.	Name	Affiliation with the listed company	Balance of accounts receivable as of the end of April 2025 (RMB10,000)	Age
10	9 Air Co., Ltd.* (九元航空有限公司)	No affiliation	125.36	Within 1 year
11	Colorful Guizhou Airlines Co., Ltd.* (多彩貴州航空有限公司)	No affiliation	124.71	Within 1 year
12	Ruili Airlines Co., Ltd.* (蘇南瑞麗航空有限公司)	No affiliation	32.10	Within 1 year
13	Shanghai Juneyao Airlines Co., Ltd.* (上海吉祥航空股份有限公司)	No affiliation	25.92	Within 1 year
14	Hainan Jinyinlong Industrial Co., Ltd. Jinyinlong Hotel* (海南金銀龍實業有限公司金銀龍大酒店)	No affiliation	23.73	Within 1 year
15	Hegu (Shanghai) Aviation Technology Co., Ltd.* (和固(上海)航空科技有限公司)	No affiliation	21.44	Within 1 year
16	Jiangsu Jingdong Cargo Airlines Co., Ltd.* (江蘇京東貨運航空有限公司)	No affiliation	8.96	Within 1 year
17	Central Airlines Co., Ltd.* (中州航空有限責任公司)	No affiliation	8.72	Within 1 year
18	Jiangxi Air Company Limited* (江西航空有限公司)	No affiliation	8.10	Within 1 year
19	Shenzhen Airlines Co., Ltd.* (深圳航空有限責任公司)	No affiliation	5.20	Within 1 year
20	China Central Longhao Airlines Co., Ltd.* (中原龍浩航空有限公司)	No affiliation	2.25	Within 1 year
21	Certain military	No affiliation	0.80	Within 1 year
22	Haikou Weilan Energy Co., Ltd.* (海口蔚瀾能源有限公司)	No affiliation	0.07	Within 1 year
23	Haikou Branch of Hainan Baofeng International Hotel Management Co., Ltd.* (海南寶豐國際酒店管理有限公司海口分公司)	No affiliation	0.01	Within 1 year
	Total		9,764.83	

The accounts receivable for which the target company makes collective bad debt provisions mainly are receivables from related parties within the consolidated scope of HNA and receivables from other unrelated customers. As at the end of April 2025, the balance of receivables of the target company from related parties within the consolidated scope of HNA was RMB91,192,900 and the balance of receivables of the target company from non-related parties of HNA was RMB6,455,300. The possibility of bad debts for receivables from non-related parties within the credit period is very small. According to the financial asset impairment policy of HNA, no collective bad debt provision has been made for companies within the consolidated scope of HNA.

(2) Reasons and rationality for the reduced individual provision ratio for related parties

For related party customers of HNA, the specific provision rates for bad debts of accounts receivable from Sky Plumage Flight Training are as follows:

No.	Name	Affiliation with the listed company	Balance of accounts receivable as of the end of April 2025 (RMB10,000)	Age as of the end of April 2025	2023 Provision ratio (%)	2024 Provision ratio (%)	January to April 2025 Provision ratio (%)
1	Beijing Capital Airlines Co., Ltd.* (北京首都航空有限公司)	Under the control of the same controlling party	20,937.54	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years	14.33	8.91	8.91
2	Tianjin Airlines Co., Ltd.* (天津航空有限責任公司)	Associate	9,029.22	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years	15.35	16.89	16.89
3	Suparna Airlines Co., Ltd.* (金鵬航空股份有限公司)	Under the control of the same controlling party	1,275.92	Within 1 year, 1-2 years, 2-3 years	13.67	5.08	5.08

No.	Name	Affiliation with the listed company	Balance of accounts receivable as of the end of April 2025 (RMB10,000)	Age as of the end of April 2025	2023 Provision ratio (%)	2024 Provision ratio (%)	January to April 2025 Provision ratio (%)
4	Tianjin Cargo Airlines Co., Ltd.* (天津貨運航空有限公司)	Under the control of the same controlling party	1,143.38	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years	4.69	1.00	1.00
5	West Air Co., Ltd.* (西部航空有限責任公司)	Under the control of the same controlling party	749.83	Within 1 year, 4-5 years	9.19	4.75	4.75
6	Grand China Airlines Co., Ltd.* (大新華航空有限公司)	Under the control of the same controlling party	343.01	Within 1 year, 1-2 years, 2-3 years	18.7	17.56	17.56
7	Haikou Branch of Hainan HNA Aviation Property Services Co., Ltd.* (海南海航航空物业服务有限公司海口分公司)	Under the control of the same controlling party	80.10	Within 1 year, 1-2 year	44.46	19.28	–
8	Shanghai Deer Jet Business Aviation Co., Ltd.* (上海金鹿公務航空有限公司)	Under the control of the same controlling party	7.01	Within 1 year	–	14.36	–
9	Deer Jet (Beijing) Business Aviation Co., Ltd.* (金鹿(北京)公務航空有限公司)	Under the control of the same controlling party	3.01	Within 1 year	15.19	–	1.00
	Total		33,569.02				

In respect of accounts receivable, the Company evaluates different scenarios for the distribution of expected cash flows under different scenarios based on the historical performance of the related party unit, its current status and projections of its future operations , together with the credit ratings of the related party that has provided a guarantee commitment in respect of such amount, its current financial status and future economic conditions. The expected credit losses are recognised based on the difference between the present value of cash flows and the cash flows expected to be received under different scenarios and the probability weighting of each scenario.

The above related parties of the listed company had previously made repayment commitments for the amounts owed by HNA in August 2022, March 2023 and April 2024 respectively, which were guaranteed by HNA Aviation Group (海航航空集團). As at the end of 2024, the related parties had repaid the outstanding amounts for 2022, 2023 and 2024 as committed. In June 2025, the Aviation Group made the following commitment to Sky Plumage Flight Training regarding outstanding debts owed by its subsidiaries to Sky Plumage Flight Training: "As of 31 December 2024, in respect of the outstanding debts owed by our related parties to the Company, we make the following commitment: 1. We will urge all related parties to formulate plans and promptly settle the relevant outstanding debts. If it cannot be repaid in a timely manner, we will provide financial support to assist in repaying the outstanding debts. 2. This commitment shall take effect upon completion of the equity transaction of Sky Plumage Flight Training and shall be valid for three years."

Based on the aforementioned method for recognizing expected credit losses, and considering the gradual improvement in the civil aviation industry in recent years, which has led to an improvement in the operating conditions of the aforementioned related parties of HNA, the management of the target company has analyzed and determined to reduce the provision ratio of bad debts for some related parties of HNA during the reporting period.

In summary, the provision of bad debt for related parties on an individual basis and the absence of provision for bad debt on a group of accounts receivable and the reduction of the proportion of single-item provision for related parties in the event of an overall extension of the ageing period are reasonable and in compliance with the principle of prudence.

2. Whether the credit enhancement measures of the related party have a practical ability to enhance its creditworthiness

In order to reduce the risk of recovery of accounts receivable of Sky Plumage Flight Training, the Aviation Group has given an undertaking to Sky Plumage Flight Training in respect of the amounts owed to Sky Plumage Flight Training by the related parties under Aviation Group as at 31 December 2024 that the Aviation Group will supervise each of the related parties to formulate a plan for the timely settlement of the relevant arrearages, and that the Aviation Group will provide financial support to assist in the repayment of the arrearages in the event that it is unable to make the repayments in a timely manner. This commitment letter is effective for a period of three years upon the completion of the Sky Plumage Flight Training Equity Transaction. Previously, the Aviation Group has provided commitment letters in respect of the historical arrearages owed by its airlines to HNA, and has fulfilled the relevant commitment obligations as contracted up to the end of 2024. In addition, in order to regulate the overdue debts receivable from related parties, HNA has formulated the "Measures for the Management of Overdue Debts Receivable from Related Parties", which is applicable to Sky Plumage Flight Training upon the completion of such transaction. With the current decline in jet fuel prices, stabilisation of the US dollar exchange rate and the introduction of national policies in support of private enterprises, the airlines are expected to further improve their production and operating efficiency as well as their cash flow position. In summary, upon the completion of the transaction, the Aviation Group has provided a letter of commitment to provide credit enhancement measures, HNA has formulated internal control measures to strengthen the management of accounts receivable due from related parties to reduce the risk of recovery of accounts receivable from Sky Plumage Flight Training, and the credit enhancement measures of the related parties have a practical ability to enhance its creditworthiness.

PART XI THE CONSISTENCY BETWEEN THE FORECASTS OF CORE PARAMETERS SUCH AS REVENUE, COSTS, EXPENSES, GROSS PROFIT AND RECEIVABLE TURNOVER RATIO UNDER INCOME APPROACH AND THE PRE-ACQUISITION OPERATING CONDITIONS TO EXPLAIN THE REASONABLENESS AND FEASIBILITY OF RELEVANT INDICATORS

During the past five years, the major financial data of Sky Plumage Flight Training are as follows:

Unit: RMB10,000

Item	2020	2021	2022	2023	2024
Revenue	32,143.17	37,792.49	35,854.97	42,109.23	38,473.94
Less: Operating costs	23,128.08	26,468.51	26,407.65	25,282.43	22,683.29
Gross profit margin	28.05%	29.96%	26.35%	39.96%	41.04%
Operating taxes and surcharges	16.47	27.33	9.73	23.52	10.82
Operating taxes/revenue	0.05%	0.07%	0.03%	0.06%	0.03%
Cost of sales	282.02	354.48	420.74	547.54	537.05
Cost of sales/revenue	0.88%	0.94%	1.17%	1.30%	1.40%
Management expenses	2,349.51	2,209.93	2,234.84	3,007.37	2,712.45
Management expenses/revenue	7.31%	5.85%	6.23%	7.14%	7.05%
Finance expenses	5,205.55	1,793.27	1,526.05	1,422.94	4,263.00
Total profit	-41,315.18	8,719.30	1,733.32	13,783.36	7,879.62
Income tax	86.29	813.73	790.98	-4,681.20	893.17
Net profit	-41,401.46	7,905.57	942.34	18,464.55	6,986.45
Net interest margin	-128.80%	20.92%	2.63%	43.85%	18.16%
Accounts receivable turnover ratio	1.24	1.36	1.20	1.19	0.95

Note: The financial data of Sky Plumage Flight Training for 2020, 2021 and 2022 were prepared in accordance with accounting policies of Hainan Airport, while the financial data for 2023 and 2024 were prepared in accordance with the accounting policies of HNA. The accounts receivable turnover ratio = current year's operating income ÷ (accounts receivable at the beginning of the year + accounts receivable at the end of the year) × 2. Therefore, the accounts receivable turnover ratio for 2020–2023 was affected by the accounting policies of Hainan Airport, resulting in a difference from the accounts receivable turnover ratio in 2024.

The key financial information of Sky Plumage Flight Training during the forecast period are set out below:

Unit: RMB10,000

Item	2025	2026	2027	2028	2029	Stabilized year
Revenue	40,470.83	40,576.83	40,683.13	40,773.48	40,880.43	40,880.43
Less: Operating costs	29,611.93	29,600.56	29,607.50	29,759.76	29,951.07	29,951.07
Gross profit margin	26.83%	27.05%	27.22%	27.01%	26.73%	26.73%
Operating taxes and surcharges	37.31	39.08	40.63	40.48	39.50	39.50
Operating taxes/revenue	0.09%	0.10%	0.10%	0.10%	0.10%	0.10%
Selling expenses	567.50	578.77	590.26	601.98	613.93	613.93
Operating expenses/revenue	1.40%	1.43%	1.45%	1.48%	1.50%	1.50%
Management expenses	2,736.66	2,767.91	2,798.59	2,825.86	2,846.58	2,846.58
Management expenses/revenue	6.76%	6.82%	6.88%	6.93%	6.96%	6.96%
Finance expenses	–	–	–	–	–	–
Total profit	7,517.42	7,590.51	7,646.14	7,545.41	7,429.34	7,429.34
Income tax	1,127.61	1,138.58	1,146.92	1,886.35	1,857.33	1,857.33
Net profit	6,389.81	6,451.93	6,499.22	5,659.05	5,572.00	5,572.00
Net interest margin	15.79%	15.90%	15.98%	13.88%	13.63%	13.63%
Accounts receivable turnover ratio	0.95	0.95	0.95	0.95	0.95	0.95

As compared with the actual operating information of the previous five years, the revenue was RMB321 million to RMB421 million, and the revenue during the income approach forecast period was RMB405 million to RMB409 million. As compared with 2024, the increase is due to the addition of two new simulators in 2025 (transferred from construction in progress).

As compared with the actual operating information of the previous five years, the cost was RMB227 million to $265 million and the gross profit margin was 26.35% to 41.04%, while the revenue during the income approach forecast period was $296 million to $300 million and the gross profit margin was 26.73% to 27.22%. As compared with 2024, the increase in cost and the decrease in gross profit is due to: ① the income approach adopts a direct projected approach for right-of-use assets, namely: under the old leasing standards, the cash outflows from rent are only predicted when the rent is actually paid for the current period, which is similar to be kept on cash basis. Under such circumstance, the right-of-use assets and lease liabilities are treated as "zero ", which is equivalent to "exclusion" the impact of the right-of-use assets and lease liabilities, and without taking into account of the depreciation and amortization of the right-of-use assets and lease liabilities during the forecast period, which is equivalent to exclusion the depreciation of the right-of-use assets and unrecognized finance charges. Depreciation of the right-of-use assets and lease liabilities will no longer be considered in the forecast period, which is equivalent to exclusion the depreciation of the right-of-use assets and the unrecognized finance expenses, and the rental will be forecasted directly in the cost.② As a result of the bankruptcy and reorganization of HNA, it has entered into debt retention agreement with the finance leasing units. The rental is with lower payments first and higher payments later, and the rental costs have been rising gradually.

As compared with the actual operating data during the previous five years, the expenses (taxes and surcharges+ selling expenses+ management expenses+ finance expenses) were RMB42 million to RMB79 million, and the expenses for the forecast period under the income approach were RMB33 million to RMB35 million. As compared with 2024, the decrease in expenses was mainly due to the fact that the income approach adopted the direct forecast method for the right-of-use assets, and the unrecognized finance expenses were "zero ". "If the impact of finance charges is excluded, the difference between the forecast period and 2024 is not significant.

With reference to the data in the audit report, the balance of trade receivables is $388 million in 2023 and the balance of trade receivables is $419 million in 2024. The turnover rate of trade receivables in 2024 (taking into account the effect of impairment loss) = Revenue from principal operations in 2024/[(balance of trade receivables at the end of 2023 + balance of trade receivables at the end of 2024)/2] = RMB385 million/[(RMB388 million) + RMB419 million)/2] = 0.95, and the income approach is measured with reference to the turnover rate of accounts receivable in 2024 during the forecast period.

The net profit margin in 2024 is 18.16% and the net interest rate for the forecast period is 13.63 to 15.98%. The decrease in net profit margin since 2028 is mainly due to No. 3 Cai Shui 2025 "Notice on Continuing the Implementation of Hainan Free Trade Port Enterprise Income Tax Preferential Policy"(《關於延續實施海南自由貿易港企業所得税優惠政策的通知》) (Cai Shui [2025] No. 3) issued by the Ministry of Finance and the General Administration of Taxation on 24 January 2025, and the income tax of the Encouraged Industries is levied at the rate of 15%, and the preferential income tax as stipulated in the policy is considered to be resumed to 25% in 2027 and 2028, resulting in a decrease in net interest margin.

By comparison, the core parameters such as revenue, costs, expenses, gross profit and accounts receivable turnover ratio for the forecast period have been adjusted in accordance with the actual situation, but the overall trend is basically in line with the pre-acquisition operating conditions, and the airlines under the Aviation Group are currently operating in a stable manner, and have been operating steadily in recent years. Sky Plumage Flight Training is a company which provides flight training and cabin training support services, and against the background of stable development of the civil aviation industry, its revenue are highly likely to be realized in the future.

PART XII THE CORE VALUE OF INTANGIBLE ASSETS TO THEIR PRIMARY VALUE FOR BUSINESS DEVELOPMENT AND REVENUE SCALE

The numerous software copyrights owned by Sky Plumage Flight Training have multi-dimensional core values and important contributions to revenue generation, which are mainly reflected in the following aspects:

(1) Enhancing the quality and efficiency of flight training and strengthening market competitiveness: The software copyrights of flight simulator control system, flight view management system and helicopter simulation flight training system are capable to optimize the flight training environment and procedures. Through provision of high-precision visual simulation and accurate flight control simulation, the degree of realism and effect of flight training can be enhanced to satisfy the high-quality flight training demand of airlines and flight training organizations, to attract more customers to purchase flight training services, which in turn will directly increase the Company's revenue in the flight training business segment. At the same time, the flight training management system and training plan management system have realized the informatization and standardization of the training procedures, improved the training efficiency and reduced the training cost, thus creating more profits for the Company while guaranteeing the training quality.

(2) Optimizing aeronautical materials management, improving the efficiency and quality of maintenance work, and reducing operating costs: the aeronautical materials management system can realize the precise management of aeronautical materials information, complete the functions, such as editing, inquiring, reserving, locking, automatic material issuance, and information feedback, so as to reasonably allocate spare parts of the aeronautical materials, increase the usage rate of the aeronautical materials, reduce the cost of the spare parts inventory, and save its own operating expenses. The software copyrights of the engineering management platform and aircraft maintenance simulation training system have achieved effective management, integrated application, data sharing and real-time display of engineering and technical information in the process of simulator maintenance, improved the efficiency and quality of the company's own maintenance work, reduced the maintenance costs and ensured the safe operation of simulators.

(3) Protecting stable operation of the system and reduction of operational risks: the software copyrights of the power environment monitoring system of the training room and the simulator operation and maintenance system have protected the stable operation of the Company's core business systems. Through real-time monitoring and management of the server room environment and simulator equipment, potential problems can be identified and resolved in a timely manner, to avoid business interruptions and economic losses due to system failures. Stable and reliable system operation also has laid the foundation for the Company to provide high-quality services, enhance customers' trust, and safeguard the Company's stable source of revenue.

(4) Decision-making driven by Information and improving resource allocation efficiency: The training data collection management system, flight training quality intelligent evaluation system and other software copyrights can collect and analyze a large amount of training information and business information to provide data support for the Company's decision-making. Through in-depth exploration and analysis of the information, the Company can understand the market demand, customer preferences, business operations, etc. more accurately, so as to optimize the allocation of resources, adjust the business strategies reasonably, improve the operational efficiency, reduce the operational risks and maximize the growth of revenue.

Letter of Confirmation in relation to the Valuation

The following is the text of the letter from Zhong Wei in relation to the Valuation in accordance with the requirements under Rule 11.4 of the Takeovers Code.

中威正信(北京)資產評估有限公司 Tel.+86(10)83832816
Zhong Wei Zheng xin(Beljing) Asset Appraisal co., Ltd http://www.zwzxcpv.com
北京市丰台区丰台北路 18 号院 3 号楼 10 层 1001 内 1006 室
Room 1006, Within 1001,10th Floor, Building 3, Courtyard No. 18, Fengtai North Road, Fengtai District, Beijing

Explanation on Changes in the Appraised Value of the Asset Valuation Report

We were jointly commissioned by Hainan Airport Development Industry Group Co., Ltd. and Hainan Airlines Holding Co., Ltd. to assess the market value of the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. involving in the proposed equity transfer by Hainan Airport Development Industry Group Co., Ltd. as of 31 December 2024 and we have issued an asset valuation report on 16 May 2025.

We have reviewed the financial data of Hainan Sky Plumage Flight Training Co., Ltd. as of 30 June 2025, and hereby confirm that there was no material change in the valuation assumptions and calculation basis adopted in the Asset Valuation Report on the Project of Value of Equities to be Transferred by Hainan Airport Development Industry Group Co., Ltd. involving the Entire Shareholders' Equity of Hainan Sky Plumage Flight Training Co., Ltd. (《海南空港開發產業集團有限公司擬轉讓股權涉及海南天羽飛行訓練有限公司股東全部權益價值項目資產評估報告》) [Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5054] issued by Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd. during the period from 31 December 2024 to 30 June 2025. As of 30 June 2025, we confirm that the assessed value of the entire shareholders' equity of Hainan Sky Plumage Flight Training Co., Ltd. is not materially different from the assessed value stated in the Asset Valuation Report on the Project of Value of Equities to be Transferred by Hainan Airport Development Industry Group Co., Ltd. involving the Entire Shareholders' Equity of Hainan Sky Plumage Flight Training Co., Ltd. (《海南空港開發產業集團有限公司擬轉讓股權涉及海南天羽飛行訓練有限公司股東全部權益價值項目資產評估報告》) [Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5054] pursuant to Rule 11.4 of the Takeovers Code.

Zhong Wei Zheng Xin (Beijing) Asset Appraisal Co., Ltd.
27 August 2025

Report from Rainbow Capital in relation to the Valuation

The following is the text of the report from Rainbow Capital in relation to the Valuation in accordance with the requirements under Rules 10.3, 10.4 and 11.1(b) of the Takeovers Code.

RAINBOW CAPITAL (HK) LIMITED
滾 博 資 本 有 限 公 司

The Board of Directors
Hainan Airport Infrastructure Co., Ltd.
42/F, 1# Main Building, Hainan Building, No. 5 Guoxing Avenue
Meilan District, Haikou City
Hainan Province, the PRC

The sole Director
Hainan Airport Infrastructure (Hongkong) Co., Limited
Room 1123, 11/F, Star House
3 Salisbury Road, Tsim Sha Tsui
Hong Kong Special Administrative Region, the PRC

27 August 2025

Dear Sirs,

We refer to (i) the announcement of even date (the "**Announcement**") jointly issued by Hainan Airport Infrastructure Co., Ltd. (Stock Code: 600515.SH), Hainan Airport Infrastructure (Hongkong) Co., Limited (collectively, the "**Offerors**") and Hainan Meilan International Airport Company Limited* (海南美蘭國際空港股份有限公司) (Stock Code: 357.HK) (the "**Company**"); and (ii) the asset valuation report prepared by Zhong Wei Zheng Xin (Beijing) Asset Valuation Co., Ltd.* (中威正信（北京）資產評估有限公司) (the "**Valuer**") in respect of the valuation of the entire issued share capital of Hainan Sky Plumage Flight Training Co., Ltd.* (海南天羽飛行訓練有限公司) as at 31 December 2024 (the "**Valuation**"), summaries of which are contained in Appendices I and II of the Announcement. Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless otherwise specified.

The Valuation has been developed by way of discounted cash flow method under the income approach which is regarded as a profit forecast (the "**Forecast**") under Rules 10 and 11.1(a) of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**").

This letter is issued in compliance with the requirement under Rules 10.3, 10.4 and 11.1(b) of the Takeovers Code.

For the purpose of providing this letter, we, in our capacity as the financial adviser to the Offerors in connection with the Special Deals, have conducted the following due diligence:

(i) reviewed the Valuation and the Forecast;

(ii) reviewed and discussed with the management of the Offerors and the Valuer and obtained supporting documents in respect of the valuation methodologies and the bases and assumptions upon which the Valuation and the Forecast have been made;

(iii) considered the letter from WUYIGE Certified Public Accountants LLP dated 27 August 2025 addressed to you regarding the accounting policies and calculations upon which the Forecast has been made, which stated that the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the assumptions made by you; and

(iv) reviewed and discussed with the Valuer and obtained supporting documents for the Valuer's qualification and experience. We noted that (a) the Valuer is a qualified valuer for conducting valuation of securities and futures jointly approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission, and a qualified asset valuer approved by the Beijing Municipal Finance Bureau; (b) the Valuer has more than 20 years' experience in assets valuation in the PRC and has relevant track records of performing similar valuation; and (c) the responsible staff of the Valuer for the Valuation, Ms. Huang Yinshu, is a qualified asset valuer registered with the China Appraisal Society and has 15 years' experience in assets valuation in the PRC.

On the basis of the foregoing, we are satisfied that the Forecast and the Valuation, for which you as the directors of the Offerors are solely responsible, have been made by you with due care and consideration and that the bases and assumptions therein have been made with due care and objectivity and on a reasonable basis. We are also satisfied that the Valuer is suitably qualified and experienced with sufficient current local knowledge, skills and understanding necessary to undertake the Valuation competently and that reliance could fairly be placed on the Valuer's work.

The work undertaken by us in giving the above opinion is for the sole purpose of reporting to you under Rules 10.3, 10.4 and 11.1(b) of the Takeovers Code and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited

Larry Choi
Managing Director

Appendix V

Report from WUYIGE in relation to the Valuation

The following is the text of the report from WUYIGE in relation to the Valuation in accordance with the requirements under Rules 10.3, 10.4 and 11.1(a) of the Takeovers Code.

大信會計師事務所
北京市海澱區知春路 1 號
學院國際大廈 22 層 2206
郵編 100083

WUYIGE Certified Public Accountants.LLP
Room 2206 22/F, Xueyuan International Tower
No.1 Zhichun Road, Haidian Dist.
Beijing, China, 100083

電話 Telephone：+86（10）82330558
傳真 Fax：+86（10）82327668
網址 Internet：www.daxincpa.com.cn

The Board of Directors
Hainan Airport Infrastructure Co., Ltd.
42/F, 1# Main Building, Hainan Building, No. 5 Guoxing Avenue
Meilan District, Haikou City
Hainan Province, the PRC

The sole Director
Hainan Airport Infrastructure (Hongkong) Co., Limited
Room 1123, 11/F, Star House
3 Salisbury Road, Tsim Sha Tsui
Hong Kong Special Administrative Region, the PRC

Dear Sir or Madam,

With regard to the announcement (the "**Announcement**") of Hainan Airport Infrastructure Co., Ltd., Hainan Airport Infrastructure (Hongkong) Co., Limited (collectively, the "**Offerors**") and Hainan Meilan International Airport Company Limited dated 27 August 2025, we have reviewed the accounting policies adopted in and the calculations of the discounted cash flow forecast of the Asset Valuation Report on the Project of Value of Equities to be Transferred by Hainan Airport Development Industry Group Co., Ltd. involving the Entire Shareholders' Equity of Hainan Sky Plumage Flight Training Co., Ltd. (《海南空港開發產業集團有限公司擬轉讓股權涉及海南天羽飛行訓練有限公司股東全部權益價值項目資產評估報告》) [Zhong Wei Zheng Xin Ping Bao Zi (2025) No. 5045] issued by Zhong Wei Zheng Xin (Beijing) Assets Appraisal Co., Ltd. (the "**Valuer**") (Valuation Benchmark Date being 31 December 2024) on 16 May 2025. Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless otherwise specified.

The Valuation has been developed by way of discounted cash flow method under the income approach which is regarded as a profit forecast (hereinafter referred to as the "**Forecast**") under Rules 10 and 11.1(a) of the Hong Kong Code on Takeovers and Mergers (the "**Takeover Code**").

Directors' Responsibilities

The directors of the Offerors are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions which are included in the Valuation Report, based on which the Forecast is prepared (the "**Assumptions**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Chinese Institute of Certified Public Accountants (the "**CICPA**"), which requires that a certified public accountant should follow the principles of integrity, objectivity and impartiality, acquire and maintain professional competence, maintain due care, and fulfill the obligation of confidentiality.

We have complied with the "Hong Kong Standard on Quality Control 1" issued by the HKICPA and the "Quality Control 5101 - Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Engagements" issued by the CICPA, and have accordingly put in place a comprehensive risk-based quality control system, which includes documented policies and procedures for compliance with the relevant code of ethics, professional standards and applicable legal and regulatory requirements.

Accountant's Responsibility

Our responsibility is to express an opinion on the accounting policies and calculation of the Forecast in accordance with Rules 10.3 and 10.4 of the Takeovers Code. The opinion is for the purposes of this announcement only and shall not be used for other purposes. The accountants and accounting firm performing this engagement are not responsible for any consequences arising from the improper use of this opinion.

We conducted our work in accordance with the requirements of the "Hong Kong Standard on Investment Circular Reporting Engagement 500, Reporting on Profit Forecasts, Statement of Sufficiency of Working Capital and Statements of Indebtedness" and the "Hong Kong Standard on Assurance Engagement 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA and the "China Standard on Other Assurance Engagements No.3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the CICPA. These standards require that we plan and perform our work and give pinions on whether the directors of the Offerors have prepared the Forecast based on the assumptions adopted by the directors, and whether the accounting policies and calculations are consistent with the accounting policies and calculations adopted in the notes to the audited financial statements of Hainan Airlines Holding Co., Ltd. ("**HNA**") as of 31 December 2024. Our work is substantially less in scope than an audit conducted in accordance with "Hong Kong Standards on Auditing" issued by the HKICPA. Accordingly, we do not express an audit or review opinion in this regard.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly, we have not reviewed or conducted any work on the reasonableness and the validity of the assumptions and do not express opinion whatsoever thereon.

Opinions

In our opinion, so far as the accounting policies and calculations are concerned, the Offerors have prepared the Forecast based on the Assumptions, which are consistent with the accounting policies and calculation methods adopted in the notes to the audited financial statements of HNA as of 31 December 2024.

WUYIGE Certified Public Accountants LLP
Beijing, China
27 August 2025

Appendix VI

Audited Financial Statements

(English translation for reference only)



AUDIT REPORT
ON
HAINAN SKY PLUMAGE FLIGHT TRAINING CO., LTD.
ZHONG HUAN SHEN ZI [2025] NO. 1700092

中审众环 ZHONGSHENZHONGHUAN
中审众环会计师事务所（特殊普通合伙）
武汉市中北路 166 号长江产业大厦 17-18 楼
邮政编码：430077
Zhongshenzhonghuan Certified Public Accountants LLP
17-18/F, Yangtze River Industry Building,
No. 166 Zhongbei Road, Wuhan, 430077
电话 Tel：027-86791215
传真 Fax：027-85424329

AUDIT REPORT

Zhong Huan Shen Zi [2025] No. 1700092

HAINAN SKY PLUMAGE FLIGHT TRAINING CO., LTD.:

I. AUDIT OPINION

We have audited the financial statements of Hainan Sky Plumage Flight Training Co., Ltd. (the "**Company**"), which comprise the consolidated and corporate balance sheets as at 30 April 2025, 31 December 2024 and 31 December 2023, the consolidated and corporate income statements, the consolidated and corporate statements of cash flows, the consolidated and corporate statements of changes in owners' equity for January to April 2025, 2024 and 2023, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the consolidated and corporate as at 30 April 2025, 31 December 2024 and 31 December 2023, and the consolidated and corporate results of operations and cash flows for January to April 2025, 2024 and 2023, which are in conformity with the Accounting Standards for Business Enterprises.

II. BASIS FOR FORMING AN AUDIT OPINION

We have conducted our audit in accordance with the provisions of the Chinese Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the section "Responsibilities of Certified Public Accountants for the Audit of Financial Statements" of the audit report. In accordance with the Code of Ethics for Certified Public Accountants in China, we are independent of the company and have fulfilled our other responsibilities in respect of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. MANAGEMENT AND GOVERNANCE RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of financial statements that give a fair view in accordance with the provisions of the Accounting Standards for Business Enterprises and for designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and applying the going concern assumptions, except where the management plans to liquidate the Company, discontinue operations or has no realistic alternative.

The governance is responsible for overseeing the Company's financial reporting process.

IV. CPA'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes an audit opinion. Reasonable assurance is of a high level, but it does not guarantee that an audit performed in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are generally considered to be material if they could reasonably be expected, individually or in the aggregate, to affect the economic decisions of the users of the financial statements based on the financial statements.

In performing the audit in accordance with auditing standards, we use professional judgement and maintain professional scepticism. We also perform the following:

(I) Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures to address those risks, and obtaining audit evidence that is sufficient and appropriate to form the basis of an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk of not detecting material misstatements due to error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation or overriding internal controls.

(II) Obtaining an understanding of internal control relevant to the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(III) Evaluating the appropriateness of accounting policies selected and the reasonableness of accounting estimates and related disclosures made by the management.

(IV) Concluding on the appropriateness of the management's use of the going concern assumption. At the same time, based on the audit evidence obtained, we conclude whether a material uncertainty exists regarding the matters or circumstances that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require us to draw the attention of the users of the statements to the relevant disclosures in the financial statements in our audit report; if the disclosures are not adequate, we should express a non-unqualified opinion. Our conclusions are based on the information available as at the date of the audit report. However, future events or circumstances may lead to the Company's inability to continue as a going concern.

(V) Evaluating the presentation, structure and content of the financial statements as a whole and whether the financial statements present fairly the underlying transactions and matters.

(VI) Obtaining sufficient and appropriate audit evidence about the financial information of the entities or business activities in the Company to express an opinion on the financial statements. We are responsible for directing, supervising and performing the group audit. We take full responsibility for the audit opinion.

We communicate with the governance on matters such as planned audit scope, timing, and significant audit findings, including communicating internal control deficiencies of concern identified in our audit.

Zhongshenzhonghuan Certified Public Accountants LLP	**PRC Certified Public Accountant: Cui Xiurong** **PRC Certified Public Accountant: Su Wenjuan**
Wuhan, China	**30 July 2025**

CONSOLIDATED BALANCE SHEETS

Prepared by: Hainan Sky Plumage Flight Training Co., Ltd. *Unit of amount: RMB*

Item	Note	30 April 2025	31 December 2024	31 December 2023
Current assets:				
Monetary fund	*VI. 1*	5,640,126.43	23,467,345.90	3,705,797.42
Trading financial assets				
Derivative financial assets				
Notes receivable				
Accounts receivable	*VI. 2*	348,360,461.47	353,749,077.59	339,542,162.92
Accounts receivable financing	*VI. 3*		21,294,065.00	
Prepayments	*VI. 4*	911,642.38	2,177,088.29	1,603,576.80
Other receivables	*VI. 5*	162,694.00	132,694	116,061,604.76
Including: Interest receivable				
Dividend receivable				
Inventories	*VI. 6*	2,219,877.33	2,416,190.61	2,280,845.42
Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets	*VI. 7*	41,472,565.95	38,853,698.37	49,808,967.85
Total current assets		**398,767,367.56**	**442,090,159.76**	**513,002,955.17**

Item	Note	30 April 2025	31 December 2024	31 December 2023
Non-current assets:				
Debt investment				
Other debt investment				
Long-term receivables				
Long-term equity investments				
Investments in other equity instruments	*VI. 8*			18,038,340.64
Other non-current financial assets				
Investment properties				
Fixed assets	*VI. 9*	293,286,317.80	113,536,959.28	113,120,720.55
Construction in progress	*VI. 10*		182,167,409.19	76,814.16
Productive biological assets				
Oil and gas assets				
Right-of-use assets	*VI. 11*	1,350,720,739.76	1,377,192,673.57	1,346,048,810.30
Intangible assets	*VI. 12*	2,352,477.58	2,488,520.46	2,656,399.95
Development expenditure				
Goodwill				
Long-term prepaid expenses				
Deferred tax assets	*VI. 13*	225,879,552.25	233,588,021.29	235,464,066.22
Other non-current assets	*VI. 14*			180,752,001.69
Total non-current assets		**1,872,239,087.39**	**1,908,973,583.79**	**1,896,157,153.51**
Total assets		**2,271,006,454.95**	**2,351,063,743.55**	**2,409,160,108.68**

Legal representative: Zhao Hongqi

Principal in charge of accounting: Li Xiaopeng

Head of accounting department: Chen Long

Item	Note	30 April 2025	31 December 2024	31 December 2023
Current liabilities:				
Short-term borrowings	*VI. 15*		21,294,065.00	
Trading financial liabilities				
Derivative financial liabilities				
Notes payable				
Accounts payable	*VI. 16*	256,445,311.71	279,706,235.26	363,959,291.36
Advances from customers				
Contract liabilities	*VI. 17*	9,596.33	221,081.30	18,252.43
Employee benefits payable	*VI. 18*	2,781,956.78	3,549,479.19	3,494,280.09
Taxes payable	*VI. 19*	177,950.78	1,222,079.76	398,663.07
Other payables	*VI. 20*	26,380,253.83	26,939,910.52	117,368,881.71
Including: Interest payable				
dividend payable				
Liabilities held for sale				
Non-current liabilities due within one year	*VI. 21*	159,363,928.82	181,923,804.59	191,185,180.52
Other current liabilities	*VI. 22*	575.78	13,264.88	1,095.15
Total current liabilities		**445,159,574.03**	**514,869,920.50**	**676,425,644.33**
Non-current liabilities:				
Long-term borrowings				
Bonds payable				
Including: Preferred shares				
Perpetual bond				
Lease liabilities	*VI. 23*	1,086,717,099.99	1,105,985,288.51	1,058,009,660.99
Long-term payables				
Long-term employee benefits payable				
Accrued liabilities				
Deferred revenue				
Deferred tax liabilities	*VI. 13*	202,608,110.96	206,578,901.04	201,907,321.55
Other non-current liabilities				
Total non-current liabilities		**1,289,325,210.95**	**1,312,564,189.55**	**1,259,916,982.54**
Total liabilities		**1,734,484,784.98**	**1,827,434,110.05**	**1,936,342,626.87**

Item	Note	30 April 2025	31 December 2024	31 December 2023
Owner's equity				
Paid-in capital	*VI. 24*	374,953,130.86	374,953,130.86	374,953,130.86
Other equity instrument				
Including: Preferred shares				
Perpetual bond				
Capital surplus				
Less: Treasury shares				
Other comprehensive income	*VI. 25*			-5,483,918.89
Special reserve				
Surplus reserve	*VI. 26*	43,219,168.57	41,929,964.92	36,421,533.65
Retained earnings	*VI. 27*	118,349,370.54	106,746,537.72	66,926,736.19
Total equity attributable to owners of the parent company		536,521,669.97	523,629,633.50	472,817,481.81
Minority interests				
Total owners' equity		**536,521,669.97**	**523,629,633.50**	**472,817,481.81**
Total liabilities and owners' equity		**2,271,006,454.95**	**2,351,063,743.55**	**2,409,160,108.68**

Legal representative: Zhao Hongqi

Principal in charge of accounting: Li Xiaopeng

Head of accounting department: Chen Long

CONSOLIDATED INCOME STATEMENTS

Prepared by: Hainan Sky Plumage Flight Training Co., Ltd. *Unit of amount: RMB*

Item		Note	January to April 2025	2024	2023
I.	**Total revenue**		**130,906,894.69**	**384,739,413.12**	**421,092,333.85**
	Including: Revenue	*VI. 28*	130,906,894.69	384,739,413.12	421,092,333.85
II.	**Total cost of sales**		**105,998,823.64**	**302,065,974.70**	**302,837,916.16**
	Including: Cost of sales	*VI. 28*	79,667,674.28	226,832,884.21	252,824,262.59
	Taxes and surcharges	*VI. 29*	53,676.76	108,156.82	235,197.61
	Selling expenses	*VI. 30*	1,726,077.65	5,370,502.35	5,475,379.55
	Administrative expenses	*VI. 31*	7,435,855.54	27,124,477.21	30,073,722.59
	Research and development expenses				
	Finance expenses	*VI. 32*	17,115,539.41	42,629,954.11	14,229,353.82
	Including: Interest expenses		17,107,253.01	42,769,774.63	15,210,461.67
	Interest income		36,930.19	196,263.75	1,074,719.12
	Add: Other income	*VI. 33*	59,396.36	242,018.87	4,380,720.36
	Investment income ("–" for losses)	*VI. 34*		-25,498.76	
	Including: Investment income in associates and joint ventures				
	Gains on derecognition of financial assets measured at amortised cost				
	Net exposure hedging gains ("–" for losses)				
	Gains on changes in fair value ("–" for losses)				
	Credit impairment losses ("–" for losses)	*VI. 35*	-8,337,031.47	-21,305,518.80	-20,189,389.14
	Asset impairment losses ("–" for losses)				
	Gains on disposals of assets ("–" for losses)	*VI. 36*		13,149.55	-779,646.38
III.	**Operating profit ("–" for losses)**		**16,630,435.94**	**61,597,589.28**	**101,666,102.53**
	Add: Non-operating income	*VI. 37*		3,052.18	0.37
	Less: Non-operating expenses	*VI. 38*	720.51	192,938.93	9,437.96
IV.	**Total profit ("–" for total losses)**		**16,629,715.43**	**61,407,702.53**	**101,656,664.94**
	Less: Income tax expenses	*VI. 39*	3,737,678.96	6,323,389.84	-52,238,496.81

Item			Note	January to April 2025	2024	2023
V.	**Net profit ("–" for net loss)**			**12,892,036.47**	**55,084,312.69**	**153,895,161.75**
	(I)	Categorized by the continuity of operations				
		1. Net profit from continuing operations ("–" for net loss)		12,892,036.47	55,084,312.69	153,895,161.75
		2. Net profit from discontinued operations ("–" for net loss)				
	(II)	Categorized by ownership of the equity				
		1. Net profit attributable to owners of the parent company ("–" for net loss)		12,892,036.47	55,084,312.69	153,895,162.43
		2. Minority interests ("–" for net loss)				-0.68
VI.	**Other comprehensive income, net of tax**				**5,483,918.89**	**-5,483,918.89**
	(I)	Other comprehensive income attributable to owners of the parent company, net of tax			5,483,918.89	-5,483,918.89
		1. Other comprehensive income that cannot be reclassified to profit or loss			5,483,918.89	-5,483,918.89
		2. Other comprehensive income which will be reclassified to profit or loss				
	(II)	Other comprehensive income attributable to minority, net of tax				
VII.	**Total comprehensive income**			**12,892,036.47**	**60,568,231.58**	**148,411,242.86**
	(I)	Total comprehensive income attributable to owners of the parent company		12,892,036.47	60,568,231.58	148,411,243.54
	(II)	Total comprehensive income attributable to minority				-0.68

Legal representative: Zhao Hongqi

Principal in charge of accounting: Li Xiaopeng

Head of accounting department: Chen Long

CONSOLIDATED CASH FLOW STATEMENTS

Prepared by: Hainan Sky Plumage Flight Training Co., Ltd. *Unit of amount: RMB*

Item		Note	January to April 2025	2024	2023
I.	**Cash flows from operating activities:**				
	Cash received from sale of goods or rendering of services		135,476,195.77	304,722,399.62	384,327,497.46
	Cash received from tax refund			28,020,445.85	4,480,047.43
	Cash received relating to other operating activities	*VI. 40(1)*	573,798.90	9,746,029.66	4,985,120.67
	Subtotal of cash inflows from operating activities		**136,049,994.67**	**342,488,875.13**	**393,792,665.56**
	Cash paid for goods and services		14,898,063.58	124,039,955.08	83,875,028.04
	Cash paid to and on behalf of employees		20,904,736.02	51,832,448.96	57,057,348.07
	Cash payments for taxes and surcharges		3,114,493.58	7,145,369.73	10,230,850.32
	Cash paid relating to other operating activities	*VI. 40(2)*	1,229,184.40	16,474,769.77	28,999,275.99
	Subtotal of cash outflows from operating activities		**40,146,477.58**	**199,492,543.54**	**180,162,502.42**
	Net cash flows from operating activities		**95,903,517.09**	**142,996,331.59**	**213,630,163.14**
II.	**Cash flows from investing activities:**				
	Cash received from returns on investments				163,252.47
	Cash received from investment income				
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets				
	Net cash received from disposal of subsidiaries and other operating units				
	Cash received relating to other investing activities	*VI. 40(3)*		14,746,734.09	
	Subtotal of cash inflows from investing activities			**14,746,734.09**	**163,252.47**
	Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		3,686,791.63	30,621,430.52	83,184,248.43
	Cash paid for investments				
	Net cash paid for acquisition of subsidiaries and other operating units				
	Cash paid relating to other investing activities	*VI. 40(4)*		12,742.61	
	Subtotal of cash outflows from investing activities		**3,686,791.63**	**30,634,173.13**	**83,184,248.43**
	Net cash flows from investing activities		**-3,686,791.63**	**-15,887,439.04**	**-83,020,995.96**

Item		Note	January to April 2025	2024	2023
III.	**Cash flows from financing activities:**				
	Cash received from absorbing investments				
	Including: Cash received by subsidiaries from non-controlling shareholders asinvestments				
	Cash received from borrowings				
	Cash received relating to other financing activities	*VI. 40(5)*		54,821,399.40	
	Subtotal of cash inflows from financing activities			**54,821,399.40**	
	Cash paid for debt payments				
	Cash payments for distribution of dividends or profits and for interest expenses		9,760,805.93	42,769,774.63	15,210,461.67
	Including: Dividends or profits paid to non-controlling shareholders by subsidiaries				
	Cash payments relating to other financing activities	*VI. 40(6)*	100,253,288.52	119,963,049.22	145,527,855.58
	Subtotal of cash outflows from financing activities		**110,014,094.45**	**162,732,823.85**	**160,738,317.25**
	Net cash flows from financing activities		**-110,014,094.45**	**-107,911,424.45**	**-160,738,317.25**
IV.	**Effect of foreign exchange rate changes on cash and cash equivalents**		**-29,850.48**	**-35,919.62**	**-354,855.38**
V.	**Net increase in cash and cash equivalents**		**-17,827,219.47**	**19,161,548.48**	**-30,484,005.45**
	Add: Opening balance of cash and cash equivalents		22,867,345.90	3,705,797.42	34,189,802.87
VI.	**Closing balance of cash and cash equivalents**		**5,040,126.43**	**22,867,345.90**	**3,705,797.42**

Legal representative: Zhao Hongqi

Principal in charge of accounting: Li Xiaopeng

Head of accounting department: Chen Long

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Hainan Sky Plumage Flight Training Co., Ltd. *Unit of amount: RMB*

Item		January to April 2025									
		Equity attributable to owners of the parent company									
		Paid-in capital	Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	Total owners' interests
I.	**Closing balance of previous year**	**374,953,130.86**					**41,929,964.92**	**106,746,537.72**	**523,629,633.50**		**523,629,633.50**
	Add: Changes in accounting policy										
	Corrections of prior period errors										
	Business combination under common control										
	Others										
II.	**Opening balance of the year**	**374,953,130.86**					**41,929,964.92**	**106,746,537.72**	**523,629,633.50**		**523,629,633.50**
III.	**Movements for the year ("-" for decrease)**						**1,289,203.65**	**11,602,832.82**	**12,892,036.47**		**12,892,036.47**
	(I) Total comprehensive income							12,892,036.47	12,892,036.47		12,892,036.47
	(II) Capital contributed or withdrawn by owners										
	1. Ordinary shares contributed by owners										
	2. Capital contributed by holders of other equity instruments										
	3. Amount of share-based payments recognised in owners' equity										
	4. Others										
	(III) Profit distribution						1,289,203.65	-1,289,203.65			
	1. Withdrawal of surplus reserves						1,289,203.65	-1,289,203.65			
	2. Withdrawal of general risk reserves										
	3. Distribution to owners										
	4. Others										

Item			January to April 2025									
			Equity attributable to owners of the parent company									
			Paid-in capital	Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	Total owners' interests
	(IV)	Internal carry-forward of owners' equity										
		1. Conversion of capital reserves into paid-in capital										
		2. Conversion of surplus reserves into paid-in capital										
		3. Surplus reserves offsetting losses										
		4. Carry-forward of changes in the defined benefit plan for retained earnings										
		5. Carry-forward of other comprehensive income for retained earnings										
		6. Others										
	(V)	Special reserves										
		1. Amount withdrawn for the period										
		2. Amount used for the period										
	(VI)	Others										
IV.	**Balance as at the end of the year**		**374,953,130.86**					**43,219,168.57**	**118,349,370.54**	**536,521,669.97**		**536,521,669.97**

Company Principal:
Zhao Hongqi

Principal in charge of accounting:
Li Xiaopeng

Head of the Accounting Department:
Chen Long

Item			2024									
			Equity attributable to owners of the parent company									
			Paid-in capital	Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	Total owners' interests
I.	**Closing balance of previous year**		**374,953,130.86**			**-5,483,918.89**		**36,421,533.65**	**66,926,736.19**	**472,817,481.81**	**0.00**	**472,817,481.81**
	Add:	Changes in accounting policy										
		Corrections of prior period errors										
		Business combination under common control										
		Others										
II.	**Opening balance of the year**		**374,953,130.86**			**-5,483,918.89**		**36,421,533.65**	**66,926,736.19**	**472,817,481.81**	**0.00**	**472,817,481.81**
III.	**Movements for the year ("-" for decrease)**					**5,483,918.89**		**5,508,431.27**	**39,819,801.53**	**50,812,151.69**		**50,812,151.69**
	(I)	Total comprehensive income				5,483,918.89			55,084,312.69	60,568,231.58		60,568,231.58
	(II)	Capital contributed or withdrawn by owners										
		1. Ordinary shares contributed by owners										
		2. Capital contributed by holders of other equity instruments										
		3. Amount of share-based payments recognised in owners' equity										
		4. Others										
	(III)	Profit distribution						5,508,431.27	-5,508,431.27			
		1. Withdrawal of surplus reserves						5,508,431.27	-5,508,431.27			
		2. Withdrawal of general risk reserves										
		3. Distribution to owners										
		4. Others										

Item			2024									
			Equity attributable to owners of the parent company									
			Paid-in capital	Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	Total owners' interests
	(IV)	Internal carry-forward of owners' equity							-9,756,079.89	-9,756,079.89		-9,756,079.89
		1. Conversion of capital reserves into paid-in capital										
		2. Conversion of surplus reserves into paid-in capital										
		3. Surplus reserves offsetting losses										
		4. Carry-forward of changes in the defined benefit plan for retained earnings										
		5. Carry-forward of other comprehensive income for retained earnings							-9,756,079.89	-9,756,079.89		-9,756,079.89
		6. Others										
	(V)	Special reserves										
		1. Amount withdrawn for the period										
		2. Amount used for the period										
	(VI)	Others										
IV.	**Balance as at the end of the year**		**374,953,130.86**					**41,929,964.92**	**106,746,537.72**	**523,629,633.50**	**0.00**	**523,629,633.50**

Company Principal:
Zhao Hongqi

Principal in charge of accounting:
Li Xiaopeng

Head of the Accounting Department:
Chen Long

Item			2023									
			Equity attributable to owners of the parent company									
			Paid-in capital	Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	Total owners' interests
I.	**Closing balance of previous year**		**374,953,130.86**					**28,985,229.63**	**-79,686,803.65**	**324,251,556.84**	**0.68**	**324,251,557.52**
	Add:	Changes in accounting policy										
		Corrections of prior period errors										
		Business combination under common control										
		Others										
II.	**Opening balance of the year**		**374,953,130.86**					**28,985,229.63**	**-79,686,803.65**	**324,251,556.84**	**0.68**	**324,251,557.52**
III.	**Movements for the year ("–" for decrease)**					**-5,483,918.89**		**7,436,304.02**	**146,613,539.84**	**148,565,924.97**	**-0.68**	**148,565,924.29**
	(I)	Total comprehensive income				-5,483,918.89			153,895,162.43	148,411,243.54	-0.68	148,411,242.86
	(II)	Capital contributed or withdrawn by owners										
		1. Ordinary shares contributed by owners										
		2. Capital contributed by holders of other equity instruments										
		3. Amount of share-based payments recognised in owners' equity										
		4. Others										
	(III)	Profit distribution						7,436,304.02	-7,436,304.02			
		1. Withdrawal of surplus reserves						7,436,304.02	-7,436,304.02			
		2. Withdrawal of general risk reserves										
		3. Distribution to owners										
		4. Others										

Item			2023									
			Equity attributable to owners of the parent company									
			Paid-in capital	Capital surplus	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	Total owners' interests
	(IV)	Internal carry-forward of owners' equity										
		1. Conversion of capital reserves into paid-in capital										
		2. Conversion of surplus reserves into paid-in capital										
		3. Surplus reserves offsetting losses										
		4. Carry-forward of changes in the defined benefit plan for retained earnings										
		5. Carry-forward of other comprehensive income for retained earnings										
		6. Others										
	(V)	Special reserves										
		1. Amount withdrawn for the period										
		2. Amount used for the period										
	(VI)	Others							154,681.43	154,681.43		154,681.43
IV.	**Balance as at the end of the year**		374,953,130.86			-5,483,918.89		36,421,533.65	66,926,736.19	472,817,481.81	0.00	472,817,481.81

Company Principal:
Zhao Hongqi

Principal in charge of accounting:
Li Xiaopeng

Head of the Accounting Department:
Chen Long

BALANCE SHEETS

Prepared by: Hainan Sky Plumage Flight Training Co., Ltd. *Unit of amount: RMB*

Item	Note	30 April 2025	31 December 2024	31 December 2023
Current assets:				
Cash at bank and on hand		5,640,126.43	23,467,345.90	3,705,797.42
Trading financial assets				
Derivative financial assets				
Notes receivable				
Accounts receivable	*XVII. 1*	348,360,461.47	353,749,077.59	339,542,162.92
Receivables financing			21,294,065.00	
Prepayments		911,642.38	2,177,088.29	1,603,576.80
Other receivables	*XVII. 2*	162,694.00	132,694.00	116,061,604.76
Including: interest receivable				
Dividends receivable				
Inventories		2,219,877.33	2,416,190.61	2,280,845.42
Contract assets				
Assets held for sale				
Non-current assets maturing within one year				
Other current assets		41,472,565.95	38,853,698.37	49,808,967.85
Total current assets		**398,767,367.56**	**442,090,159.76**	**513,002,955.17**

Item	Note	30 April 2025	31 December 2024	31 December 2023
Non-current assets:				
Debt investments				
Other debt investments				
Long-term receivables				
Long-term equity investments				
Investments in other equity instruments				18,038,340.64
Other non-current financial assets				
Investment properties				
Fixed assets		293,286,317.80	113,536,959.28	113,120,720.55
Construction in progress			182,167,409.19	76,814.16
Productive biological assets				
Oil and gas assets				
Right-of-use assets		1,350,720,739.76	1,377,192,673.57	1,346,048,810.30
Intangible assets		2,352,477.58	2,488,520.46	2,656,399.95
Development expenses				
Goodwill				
Long-term deferred expenses				
Deferred tax assets		225,879,552.25	233,588,021.29	235,464,066.22
Other non-current assets				180,752,001.69
Total non-current assets		**1,872,239,087.39**	**1,908,973,583.79**	**1,896,157,153.51**
Total assets		**2,271,006,454.95**	**2,351,063,743.55**	**2,409,160,108.68**

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Hongqi	Li Xiaopeng	Chen Long

Item	Note	30 April 2025	31 December 2024	31 December 2023
Current liabilities:				
Short-term borrowings			21,294,065.00	
Financial liabilities held for trading				
Derivative financial liabilities				
Notes payable				
Accounts payable		256,445,311.71	279,706,235.26	363,959,291.36
Advances from customers				
Contract liabilities		9,596.33	221,081.30	18,252.43
Employee compensation payable		2,781,956.78	3,549,479.19	3,494,280.09
Taxes and surcharges payable		177,950.78	1,222,079.76	398,663.07
Other payables		26,380,253.83	26,939,910.52	117,368,881.71
Including: interest payable				
Dividends payable				
Liabilities held for sale				
Non-current liabilities maturing within one year		159,363,928.82	181,923,804.59	191,185,180.52
Other current liabilities		575.78	13,264.88	1,095.15
Total current liabilities		**445,159,574.03**	**514,869,920.50**	**676,425,644.33**
Non-current liabilities:				
Long-term borrowings				
Bonds payable				
Including: preferred shares				
Perpetual bond				
Lease liabilities		1,086,717,099.99	1,105,985,288.51	1,058,009,660.99
Long-term payables				
Long-term employee compensation payable				
Estimated liabilities				
Deferred income				
Deferred tax liabilities		202,608,110.96	206,578,901.04	201,907,321.55
Other non-current liabilities				
Total non-current liabilities		**1,289,325,210.95**	**1,312,564,189.55**	**1,259,916,982.54**
Total liabilities		**1,734,484,784.98**	**1,827,434,110.05**	**1,936,342,626.87**

Item	Note	30 April 2025	31 December 2024	31 December 2023
Owners' equity:				
paid-in capital		374,953,130.86	374,953,130.86	374,953,130.86
Other equity instruments				
Including: preferred shares				
Perpetual bond				
Capital reserves				
Less: treasury shares				
Other comprehensive income				-5,483,918.89
Special reserves				
Surplus reserve		43,219,168.57	41,929,964.92	36,421,533.65
Undistributed profits		118,349,370.54	106,746,537.72	66,926,736.19
Total owners' equity		**536,521,669.97**	**523,629,633.50**	**472,817,481.81**
Total liabilities and owners' equity		**2,271,006,454.95**	**2,351,063,743.55**	**2,409,160,108.68**

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Zhao Hongqi	Li Xiaopeng	Chen Long

INCOME STATEMENT

Prepared by: Hainan Sky Plumage Flight Training Co., Ltd. *Unit of amount: RMB*

Item			Note	January to April 2025	2024	2023
I.	**Operating revenue**		*XVII. 3*	**130,906,894.69**	**384,739,413.12**	**421,092,333.85**
	Less:	operating costs	*XVII. 3*	79,667,674.28	226,832,884.21	252,824,262.59
		Taxes and surcharges		53,676.76	108,156.82	235,197.61
		Selling and distribution expenses		1,726,077.65	5,370,502.35	5,475,379.55
		Selling and distribution expenses		7,435,855.54	27,124,477.21	30,073,722.59
		Research and Development expenses				–
		Financial expenses		17,115,539.41	42,629,954.11	14,229,350.27
		Including: interest expenses		17,107,253.01	42,769,774.63	15,210,461.67
		Interest income		36,930.19	196,263.75	1,074,719.12
	Plus:	other income		59,396.36	242,018.87	4,380,720.36
		Investment income (loss expressed with "–")	*XVII. 4*		-25,498.76	–
		Including: income from investment in associates and joint ventures				
		Gains from derecognition of financial assets measured at amortized costs				
		Net exposure hedging gains (loss expressed with "–")				
		Gains from changes in fair value (loss expressed with "–")				
		Losses from credit impairment (loss expressed with "–")		-8,337,031.47	-21,305,518.80	-20,189,389.14
		Asset impairment losses (loss expressed with "–")				–
		Gains from disposal of assets (loss expressed with "–")			13,149.55	-779,646.38
II.	**Operating profits (loss expressed with "–")**			**16,630,435.94**	**61,597,589.28**	**101,666,106.08**
	Plus: non-operating revenue				3,052.18	0.37
	Plus: non-operating revenue			720.51	192,938.93	9,437.96
III.	**Total profit (total loss expressed with "–")**			**16,629,715.43**	**61,407,702.53**	**101,656,668.49**
	Less: income tax expenses			3,737,678.96	6,323,389.84	-52,238,496.81
IV.	**Net profit (net loss expressed with "–")**			**12,892,036.47**	**55,084,312.69**	**153,895,165.30**
	(I)	Net profit from continuing operations (net loss expressed with "–")		12,892,036.47	55,084,312.69	153,895,165.30
	(II)	Net profit from discontinued operations (net lossexpressed with "–")				

Item		Note	January to April 2025	2024	2023
V.	**ther comprehensive income, net of tax**			**5,483,918.89**	**-5,483,918.89**
	(I) Other comprehensive income that cannot be reclassified into profit or loss later			5,483,918.89	-5,483,918.89
	(II) Other comprehensive income that will be reclassified into profit or loss				
VI.	**Total comprehensive income**		**12,892,036.47**	**60,568,231.58**	**148,411,246.41**

Legal representative: Zhao Hongqi

Principal in charge of accounting: Li Xiaopeng

Head of accounting department: Chen Long

CASH FLOW STATEMENT

Prepared by: Hainan Sky Plumage Flight Training Co., Ltd. *Unit of amount: RMB*

Item		Note	January to April 2025	2024	2023
I.	**Cash flows from operating activities:**				
	Cash received from sale of goods and rendering of services		135,476,195.77	304,722,399.62	384,327,497.46
	Refunds of taxes and surcharges			28,020,445.85	4,480,047.43
	Cash received from other operating activities		573,798.90	9,746,029.66	4,985,120.67
	Subtotal of cash inflows from operating activities		**136,049,994.67**	**342,488,875.13**	**393,792,665.56**
	Cash paid for purchase of goods or acceptance of services		14,898,063.58	124,039,955.08	83,875,028.04
	Cash paid to and on behalf of employees		20,904,736.02	51,832,448.96	57,057,348.07
	Cash paid for taxes and surcharges		3,114,493.58	7,145,369.73	10,230,850.32
	Cash paid for other operating activities		1,229,184.40	16,474,769.77	28,999,275.99
	Subtotal of cash outflows from operating activities		**40,146,477.58**	**199,492,543.54**	**180,162,502.42**
	Net cash flows from operating activities		**95,903,517.09**	**142,996,331.59**	**213,630,163.14**
II.	**Cash flows from investing activities:**				
	Cash received from disposal of investments				163,252.47
	Cash received from investment income				
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets				
	Net cash from disposal of subsidiaries and other business units				
	Cash received from other investing activities			14,746,734.09	
	Subtotal of cash inflows from investing activities			**14,746,734.09**	**163,252.47**
	Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		3,686,791.63	30,621,430.52	83,184,248.43
	Cash paid for investments				
	Net cash paid to acquire subsidiaries and other business units				
	Cash paid for other investing activities			12,742.61	
	Subtotal of cash outflows from investing activities		**3,686,791.63**	**30,634,173.13**	**83,184,248.43**
	Net cash flows from investing activities		**-3,686,791.63**	**-15,887,439.04**	**-83,020,995.96**

Item		Note	January to April 2025	2024	2023
III.	**Cash flows from financing activities:**				
	Cash received from investors				
	Cash received from borrowings				
	Cash received from other financing activities			54,821,399.40	
	Subtotal of cash inflows from financing activities			**54,821,399.40**	
	Cash paid for debt repayments				
	Cash paid for distribution of dividends and profits or payment of interests		9,760,805.93	42,769,774.63	15,210,461.67
	Cash paid for other financing activities		100,253,288.52	119,963,049.22	145,527,855.58
	Sub-total of cash outflows from financing activities		**110,014,094.45**	**162,732,823.85**	**160,738,317.25**
	Net cash flows from financing activities		**-110,014,094.45**	**-107,911,424.45**	**-160,738,317.25**
IV.	**Effect of fluctuation in exchange rate on cash and cash equivalents**		**-29,850.48**	**-35,919.62**	**-354,855.38**
V.	**Net increase in cash and cash equivalents**		**-17,827,219.47**	**19,161,548.48**	**-30,484,005.45**
	Plus: beginning balance of cash and cash equivalents		22,867,345.90	3,705,797.42	34,189,802.87
VI.	**Ending balance of cash and cash equivalents**		**5,040,126.43**	**22,867,345.90**	**3,705,797.42**

Legal representative: Zhao Hongqi

Principal in charge of accounting: Li Xiaopeng

Head of accounting department: Chen Long

STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Hainan Sky Plumage Flight Training Co., Ltd. *Unit of amount: RMB*

Item		January to April 2025							
		Paid-in capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total owners' equity
I.	**Balance as at the prior year**	**374,953,130.86**					**41,929,964.92**	**106,746,537.72**	**523,629,633.50**
	Add: Changes in accounting policy								
	Correction of accounting errors in prior periods								
	Others								
II.	**Beginning balance of the year**	**374,953,130.86**					**41,929,964.92**	**106,746,537.72**	**523,629,633.50**
III.	**Increases and decreases in this year (decreases expressed with "–")**						**1,289,203.65**	**11,602,832.82**	**12,892,036.47**
	(I) Total comprehensive income							12,892,036.47	12,892,036.47
	(II) Capital contributed or reduced by owners								
	1. Ordinary shares invested by owners								
	2. Capital contributed by holders of other equity instruments								
	3. Amount of share-based payments included in owners' equity								
	4. Others								
	(III) Profit distribution						1,289,203.65	-1,289,203.65	
	1. Withdrawal of surplus reserves						1,289,203.65	-1,289,203.65	
	2. Profits distributed to owners								
	3. Others								

Item		January to April 2025							
		Paid-in capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total owners' equity
(IV)	Internal carry-forward of shareholders' equity								
1.	Conversion of capital reserves into share capital								
2.	Conversion of surplus reserves into share capital								
3.	Surplus reserve to cover losses								
4.	Carry-forward of changes in the defined benefit plan for retained earnings								
5.	Carry-forward of other comprehensive income for retained earnings								
6.	Others								
(V)	Special reserves								
1.	Withdrawal in the current period								
2.	Use in the current period								
(VI)	Others								
IV.	**Ending balance of the year**	**374,953,130.86**					**43,219,168.57**	**118,349,370.54**	**536,521,669.97**

Legal representative:
Zhao Hongqi

Principal in charge of accounting:
Li Xiaopeng

Head of accounting department:
Chen Long

Item		2024							
		Paid-in capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total owners' equity
I.	**Balance as at the prior year**	**374,953,130.86**			**-5,483,918.89**		**36,421,533.65**	**66,926,736.19**	**472,817,481.81**
	Add: Changes in accounting policy								
	Correction of accounting errors in prior periods								
	Others								
II.	**Beginning balance of the year**	**374,953,130.86**			**-5,483,918.89**		**36,421,533.65**	**66,926,736.19**	**472,817,481.81**
III.	**Increases and decreases in this year (decreases expressed with "-")**				**5,483,918.89**		**5,508,431.27**	**39,819,801.53**	**50,812,151.69**
	(I) Total comprehensive income				5,483,918.89			55,084,312.69	60,568,231.58
	(II) Capital contributed or reduced by owners								
	1. Ordinary shares invested by owners								
	2. Capital contributed by holders of other equity instruments								
	3. Amount of share-based payments included in owners' equity								
	4. Others								
	(III) Profit distribution						5,508,431.27	-5,508,431.27	
	1. Withdrawal of surplus reserves						5,508,431.27	-5,508,431.27	
	2. Profits distributed to owners								
	3. Others								

Item			2024							
			Paid-in capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total owners' equity
	(IV)	Internal carry-forward of shareholders' equity							-9,756,079.89	-9,756,079.89
		1. Conversion of capital reserves into share capital								
		2. Conversion of surplus reserves into share capital								
		3. Surplus reserve to cover losses								
		4. Carry-forward of changes in the defined benefit plan for retained earnings								
		5. Carry-forward of other comprehensive income for retained earnings							-9,756,079.89	
		6. Others								
	(V)	Special reserves								
		1. Withdrawal in the current period								
		2. Use in the current period								
	(VI)	Others								
IV.	**Ending balance of the year**		**374,953,130.86**					**41,929,964.92**	**106,746,537.72**	**523,629,633.50**

Legal representative:
Zhao Hongqi

Principal in charge of accounting:
Li Xiaopeng

Head of accounting department:
Chen Long

Item			2023							
			Paid-in capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total owners' equity
I.	**Balance as at the prior year**		**374,953,130.86**					**28,985,229.63**	**-79,686,806.52**	**324,251,553.97**
	Plus:	Changes in accounting policies								
		Correction of accounting errors in prior periods								
		Others								
	II.	**Beginning balance of the year**	**374,953,130.86**					**28,985,229.63**	**-79,686,806.52**	**324,251,553.97**
	III.	**Increases and decreases in this year (decreases expressed with "–")**				**-5,483,918.89**		**7,436,304.02**	**146,613,542.71**	**148,565,927.84**
		(I) Total comprehensive income				-5,483,918.89			153,895,165.30	148,411,246.41
		(II) Capital contributed or reduced by owners								
		1. Ordinary shares invested by owners								
		2. Capital contributed by holders of other equity instruments								
		3. Amount of share-based payments included in owners' equity								
		4. Others								
		(III) Profit distribution						7,436,304.02	-7,436,304.02	
		1. Withdrawal of surplus reserves						7,436,304.02	-7,436,304.02	
		2. Profits distributed to owners								
		3. Others								

Item			2023							
			Paid-in capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total owners' equity
	(IV)	Internal carry-forward of shareholders' equity								
		1. Conversion of capital reserves into share capital								
		2. Conversion of surplus reserves into share capital								
		3. Surplus reserve to cover losses								
		4. Carry-forward of changes in the defined benefit plan for retained earnings								
		5. Carry-forward of other comprehensive income for retained earnings								
		6. Others								
	(V)	Special reserves								
		1. Withdrawal in the current period								
		2. Use in the current period								
	(VI)	Others							154,681.43	154,681.43
IV.	**Ending balance of the year**		**374,953,130.86**			**-5,483,918.89**		**36,421,533.65**	**66,926,736.19**	**472,817,481.81**

Legal representative:
Zhao Hongqi

Principal in charge of accounting:
Li Xiaopeng

Head of accounting department:
Chen Long

I. BASIC INFORMATION OF THE COMPANY

Hainan Sky Plumage Flight Training Co., Ltd. (hereinafter referred to as the "**Company**") was incorporated in November 2015 upon registration with the Hainan Provincial Administration for Market Regulation, and obtained a business license with the Unified Social Credit Code 91460000MA5RC58008. The Company's registered address and office address are both located at Tankou Village, Longtang Town, Qiongshan District, Haikou City, Hainan Province.

The Company and its subsidiaries (collectively referred to as the "**Group**") are primarily engaged in the provision of training services for aviation-related personnel such as pilots and flight attendants.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Group's financial statements have been prepared on a going concern basis, in accordance with the actual transactions and events, and in compliance with the "Accounting Standards for Business Enterprises – Basic Standard" (MOF Order No. 33, amended by MOF Order No. 76), the 40 specific accounting standards issued and amended on or after 15 February 2006, interpretations of the Accounting Standards for Business Enterprises, and other relevant provisions (collectively, the "**Accounting Standards for Business Enterprises**"), as well as the disclosure requirements under the "Rules for the Preparation and Disclosure of Information by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2023 Revision)" issued by the China Securities Regulatory Commission.

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the Group's accounting is based on the accrual basis. Except for certain financial instruments and investment properties, these financial statements are measured on a historical cost basis. Where assets are impaired, corresponding impairment provisions are made in accordance with relevant regulations.

III. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements prepared by the Group are in compliance with the requirements of the Accounting Standards for Business Enterprises, and present fairly and completely the financial position of the Company and the Group as at 30 April 2025, 31 December 2024 and 31 December 2023, as well as the operating results and cash flows for January to April 2025, 2024 and 2023. In addition, the financial statements of the Company and the Group comply in all material respects with the disclosure requirements of the "Rules for the Preparation and Disclosure of Information by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2023 Revision)" issued by the China Securities Regulatory Commission.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group has formulated certain specific accounting policies and accounting estimates for transactions and events such as impairment of financial assets, based on the actual characteristics of its production and operation and in accordance with the relevant provisions of the Accounting Standards for Business Enterprises. For details, please refer to the respective descriptions in Note IV. For significant accounting judgments and estimates made by management, please refer to Note IV. 32 "Significant Accounting Judgments and Estimates".

1. Accounting Period

The Group's accounting period is divided into annual and interim periods. An interim accounting period refers to a reporting period shorter than a full accounting year. The Group adopts the calendar year as its accounting year, i.e., from 1 January to 31 December each year.

2. Operating Cycle

The normal operating cycle refers to the period from the acquisition of assets for processing to the realization of cash or cash equivalents. The Group uses 12 months as an operating cycle, which also serves as the criterion for classifying current and non-current assets and liabilities.

3. Functional Currency

Renminbi (RMB) is the currency of the primary economic environment in which the Company and its subsidiaries operate, and is used as the functional currency. The Group's financial statements are presented in RMB.

4. Determination Method and Basis for Materiality Thresholds

The materiality thresholds for relevant disclosures of the Group are as follows:

Item	Materiality Threshold
Individually significant receivables for which bad debt provision is made	Receivables with individual amounts exceeding 0.5% of total assets
Significant construction in progress	Construction in progress projects with individual amounts exceeding 0.5% of total assets

5. Accounting Treatment for Business Combinations under and not under Common Control

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified as either under common control or not under common control.

(1) Business combinations under common control

A business combination under common control is where all combining entities are ultimately controlled by the same party or parties both before and after the combination, and such control is not transitory. In such combinations, the acquirer is the party that obtains control over the other combining entities on the combination date, while the other combining entities are the acquirees. The combination date is the date when the acquirer actually obtains control over the acquiree.

The acquirer recognizes the assets and liabilities acquired at their carrying amounts in the acquiree's books as at the combination date. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration paid (or the total par value of shares issued) is adjusted to capital reserve (share premium); if the capital reserve (share premium) is insufficient to absorb the difference, retained earnings are adjusted.

Direct expenses incurred by the acquirer for the business combination are recognized in profit or loss when incurred.

(2) Business combinations not under common control

A business combination not under common control is where the combining entities are not ultimately controlled by the same party or parties before and after the combination. In such combinations, the acquirer is the party that obtains control over the acquiree on the acquisition date. The acquisition date is the date when the acquirer actually obtains control over the acquiree.

For business combinations not under common control, the cost of combination includes the fair value of assets transferred, liabilities incurred or assumed, and equity instruments issued by the acquirer to obtain control of the acquiree at the acquisition date. Audit, legal services, valuation and advisory fees and other administrative expenses incurred for the business combination are recognized in profit or loss when incurred. Transaction costs of equity instruments or debt instruments issued by the acquirer as consideration for the combination are included in the initial recognition amount of the equity instruments or debt instruments. Contingent consideration involved is included in the cost of combination at its fair value at the acquisition date. If new or additional evidence of conditions that existed at the acquisition date emerges within 12 months after the acquisition date and requires adjustment to the contingent consideration, goodwill is adjusted accordingly. The cost of combination incurred by the acquirer and the identifiable net assets acquired in the combination are measured at fair value at the acquisition date. The excess of the cost of combination over the acquirer's interest in the fair value of the acquiree's identifiable net assets at the acquisition date is recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the identifiable net assets of the acquiree, the acquirer shall first reassess the measurement of the fair value of each of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If, after reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the identifiable net assets of the acquiree, the difference is recognized in profit or loss.

If the acquirer obtains deductible temporary differences of the acquiree that were not recognized as deferred tax assets on the acquisition date because they did not meet the recognition criteria, but new or further information obtained within 12 months after the acquisition date indicates that the relevant conditions existed at the acquisition date and it is probable that the economic benefits associated with the deductible temporary differences will be realized, the corresponding deferred tax assets are recognized, and goodwill is reduced accordingly. If goodwill is insufficient, the difference is recognized in profit or loss for the period. In other cases, deferred tax assets related to the business combination are recognized in profit or loss for the period.

For business combinations not under common control achieved through multiple transactions in steps, based on the "Notice of the Ministry of Finance on Issuing Interpretation No. 5 of Accounting Standards for Business Enterprises" (Cai Kuai [2012] No. 19) and Article 51 of "Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements" regarding the judgment criteria for "package transactions" (see Note IV. 6 "Methods for Preparing Consolidated Financial Statements" (2)), it is determined whether such multiple transactions constitute "package transactions". For transactions that constitute "package transactions", accounting treatment is performed with reference to the descriptions in the preceding paragraphs of this section and Note IV. 15 "Long-term Equity Investments". For transactions that do not constitute "package transactions", relevant accounting treatment is performed separately for individual financial statements and consolidated financial statements:

In individual financial statements, the sum of the carrying amount of the equity investment in the acquiree held before the acquisition date and the new investment cost on the acquisition date is used as the initial investment cost of such investment. For equity in the acquiree held before the acquisition date that involves other comprehensive income, when disposing of such investment, the related other comprehensive income is accounted for using the same basis as the acquiree's direct disposal of related assets or liabilities.

In consolidated financial statements, equity in the acquiree held before the acquisition date is remeasured at its fair value on the acquisition date, and the difference between fair value and its carrying amount is included in current investment income. For equity in the acquiree held before the acquisition date that involves other comprehensive income, the related other comprehensive income should be accounted for using the same basis as the acquiree's direct disposal of related assets or liabilities.

6. Methods for Preparing Consolidated Financial Statements

(1) Principles for determining the scope of consolidated financial statements

The scope of consolidation for consolidated financial statements is determined based on control. Control means that the Group has power over the investee, enjoys variable returns through participation in the relevant activities of the investee, and has the ability to use its power over the investee to affect the amount of those returns. The scope of consolidation includes the Company and all subsidiaries. A subsidiary is an entity that is controlled by the Group.

Once changes in relevant facts and circumstances lead to changes in the relevant elements involved in the above definition of control, the Group will reassess.

(2) Methods for preparing consolidated financial statements

From the date of obtaining actual control over the net assets and production and operating decisions of a subsidiary, the Group begins to include it in the scope of consolidation; it stops being included in the scope of consolidation from the date of losing actual control. For disposed subsidiaries, operating results and cash flows before the disposal date have been appropriately included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed of during the current period, the opening balances of the consolidated balance sheet are not adjusted. For subsidiaries added through business combinations not under common control, their operating results and cash flows after the acquisition date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated financial statements are not adjusted. For subsidiaries added through business combinations under common control and the merged party under absorption merger, their operating results and cash flows from the beginning of the current consolidation period to the consolidation date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated financial statements are simultaneously adjusted.

When preparing consolidated financial statements, if the accounting policies or accounting periods adopted by subsidiaries are inconsistent with those of the Company, necessary adjustments are made to the subsidiary's financial statements according to the Company's accounting policies and accounting periods. For subsidiaries acquired through business combinations not under common control, their financial statements are adjusted based on the fair value of identifiable net assets on the acquisition date.

All significant intra-group balances, transactions and unrealized profits are eliminated when preparing consolidated financial statements.

The portion of shareholders' equity and current net profit or loss of subsidiaries that does not belong to the Company is presented separately as non-controlling interests and non-controlling interest in profit or loss under shareholders' equity and net profit in the consolidated financial statements. The portion of current net profit or loss of subsidiaries attributable to non-controlling interests is presented as "Non-controlling interest in profit or loss" under the net profit item in the consolidated income statement. The share of losses of subsidiaries attributable to non-controlling interests that exceeds the non-controlling interests in the opening balance of shareholders' equity of the subsidiary is still offset against non-controlling interests.

When control over a former subsidiary is lost due to disposal of part of the equity investment or other reasons, the remaining equity is remeasured at its fair value on the date control is lost. The difference between the sum of consideration received from the disposal and the fair value of the remaining equity, less the share of the former subsidiary's net assets calculated on a continuous basis from the acquisition date according to the original shareholding ratio, is included in investment income for the period when control is lost. Other comprehensive income related to the equity investment in the former subsidiary is accounted for using the same basis as the subsidiary's direct disposal of related assets or liabilities when control is lost. Thereafter, the remaining equity is subsequently measured according to relevant provisions such as "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", as detailed in Note IV. 15 "Long-term Equity Investments" or Note IV. 10 "Financial Instruments".

When the Group disposes of its equity investment in a subsidiary through multiple transactions until it loses control, it needs to distinguish whether the various transactions for disposing of equity investment in the subsidiary until losing control constitute a package transaction. The terms, conditions and economic effects of the various transactions for disposing of equity investment in the subsidiary usually indicate that multiple transaction events should be accounted for as a package transaction if they meet one or more of the following circumstances: ① These transactions are concluded simultaneously or with consideration of each other's effects; ② These transactions as a whole can achieve a complete commercial result; ③ The occurrence of one transaction depends on the occurrence of at least one other transaction; ④ One transaction is uneconomical when considered alone, but is economical when considered together with other transactions. For transactions that do not constitute a package transaction, each transaction is accounted for separately according to the principles applicable to "partial disposal of long-term equity investments in subsidiaries without losing control" (see Note IV. 15 "Long-term Equity Investments" (2)④) and "loss of control over former subsidiaries due to disposal of part of equity investment or other reasons" (see preceding paragraph). For various transactions for disposing of equity investment in subsidiaries until losing control that constitute a package transaction, each transaction is accounted for as one transaction for disposing of subsidiaries and losing control; however, the difference between each disposal consideration and the corresponding share of the subsidiary's net assets before losing control is recognized as other comprehensive income in the consolidated financial statements and transferred to profit or loss for the period when control is lost.

7. Classification of Joint Arrangements and Accounting Treatment Methods for Joint Operations

A joint arrangement is an arrangement that is jointly controlled by two or more parties. The Group classifies joint arrangements into joint operations and joint ventures based on its rights and obligations in the joint arrangement. A joint operation is a joint arrangement whereby the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The Group accounts for investments in joint ventures using the equity method, in accordance with the accounting policies described in Note IV. 15 "Long-term Equity Investments" (2)② "Long-term equity investments accounted for using the equity method".

As a joint operator in joint operations, the Group recognizes its assets that it holds solely, liabilities that it incurs solely, and its share of assets held jointly and liabilities incurred jointly; recognizes revenue from the sale of its share of the output arising from the joint operation; recognizes its share of revenue from the sale of output by the joint operation; recognizes expenses that it incurs solely, and its share of expenses incurred by the joint operation.

When the Group as a joint operator contributes or sells assets to the joint operation (where such assets do not constitute a business, the same below), or purchases assets from the joint operation, before such assets are sold to third parties, the Group only recognizes the portion of gains or losses arising from such transactions that is attributable to the other parties to the joint operation. If such assets suffer asset impairment losses that comply with provisions such as "Accounting Standards for Business Enterprises No. 8 – Asset Impairment", for situations where the Group contributes or sells assets to the joint operation, the Group recognizes the loss in full; for situations where the Group purchases assets from the joint operation, the Group recognizes the loss according to its share.

8. Criteria for Determining Cash and Cash Equivalents

The Group's cash and cash equivalents include cash on hand, deposits that can be used for payment at any time, and investments held by the Group that have short terms (generally maturing within three months from the purchase date), high liquidity, are easily convertible to known amounts of cash, and have very small risk of changes in value.

9. Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

(1) Translation methods for foreign currency transactions

Foreign currency transactions of the Group are translated into functional currency amounts at the spot exchange rate on the transaction date (usually referring to the middle rate of the foreign exchange quotations published by the People's Bank of China on that day, the same below) upon initial recognition. However, for foreign currency exchange transactions or transaction matters involving foreign currency exchange conducted by the Group, translation is performed at the actually adopted exchange rate.

(2) Translation methods for foreign currency monetary items and foreign currency non-monetary items

On the balance sheet date, foreign currency monetary items are translated using the spot exchange rate on the balance sheet date. The resulting exchange differences are included in current profit or loss, except for: ① exchange differences arising from foreign currency specific borrowings related to the acquisition and construction of assets that qualify for capitalization, which are treated according to the principle of borrowing cost capitalization; and ② exchange differences arising from changes in other carrying amounts of available-for-sale foreign currency monetary items other than amortized cost, which are included in other comprehensive income.

Foreign currency non-monetary items measured at historical cost continue to be measured at the functional currency amount translated using the spot exchange rate on the transaction date. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate on the date when fair value is determined. The difference between the translated functional currency amount and the original functional currency amount is treated as fair value changes (including exchange rate changes) and included in current profit or loss or recognized as other comprehensive income.

(3) Translation methods for foreign currency financial statements

The foreign currency adopted in the foreign currency financial statements for overseas operation shall be translated into RMB as per the following methods: assets and liabilities in the balance sheet are translated using the spot exchange rate on the balance sheet date; equity items other than "retained earnings" are translated using the spot exchange rate when they occurred. Revenue and expense items in the income statement are translated using the spot exchange rate on the transaction date. Opening retained earnings are the closing retained earnings of the previous year after translation; closing retained earnings are calculated and presented according to each item of translated profit distribution; the difference between the total of translated asset items and the total of liability items and equity items is recognized as foreign currency translation differences and confirmed as other comprehensive income. When disposing of foreign operations and losing control, all foreign currency translation differences related to such foreign operations that are presented under equity items in the balance sheet are transferred to profit or loss for the disposal period, either in full or in proportion to the disposal of such foreign operations.

Foreign currency cash flows are translated using the spot exchange rate on the date when cash flows occur. The effect of exchange rate changes on cash is presented separately as a reconciling item in the cash flow statement.

Opening balances and prior year actual amounts are presented according to the translated amounts in the prior year's financial statements.

When disposing of all owner's equity in foreign operations or losing control over foreign operations due to disposal of part of equity investment or other reasons, all foreign currency translation differences related to such foreign operations that are presented under equity items attributable to owners of the parent company in the balance sheet are transferred to profit or loss for the disposal period.

When the proportion of equity held in foreign operations decreases due to disposal of part of equity investment or other reasons but control over foreign operations is not lost, the foreign currency translation differences related to the disposed portion of such foreign operations are attributed to non-controlling interests and are not transferred to current profit or loss. When disposing of part of equity in foreign operations that are associates or joint ventures, foreign currency translation differences related to such foreign operations are transferred to profit or loss for the disposal period in proportion to the disposal of such foreign operations.

For foreign currency monetary items that substantially constitute net investments in foreign operations, in consolidated financial statements, exchange differences arising from exchange rate changes are recognized as "foreign currency translation differences" and confirmed as other comprehensive income; when disposing of foreign operations, they are included in profit or loss for the current period.

10. Financial Instruments

The Group shall recognize a financial asset or financial liability at the date when the Group enters into a contract concerning about financial instruments.

(1) Classification, recognition and measurement of financial assets

Based on the business model of the Group's management on the financial asset and the features of the cash flows of the financial asset, the Group classifies financial assets into the following categories: financial assets measured at amortized cost; financial assets at fair value through other comprehensive income; financial assets at fair value through profit or loss for the current period.

Financial assets are initially recognized at fair value. Relevant transaction cost of financial assets at fair value through profit and loss for the current period, shall be recognized into profit and loss for the current period. Relevant transaction cost of financial assets listed in other categories shall be included in the amount recognized initially. For accounts receivable or notes receivable arising from the sale of products or rendering of services, exclusive of or without consideration of material financing elements, the initial recognition shall be the amount of consideration to which the Group is expected to be entitled.

① *Financial assets measured at amortized cost*

The business model that the Group adopts to manage the financial assets measured at amortized cost is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic debit, credit arrangements. The cash flow generated on a specific date is only the payment of principal and interest based on the amount of principal outstanding. For such financial assets, the Group adopts the effective interest rate method and carries out subsequent measurement according to the amortized cost. The profit or loss generated by the amortization or impairment shall be recognized in the current profit and loss.

② *Financial assets at fair value through other comprehensive income*

The Group's business model for managing such financial assets is to take the receipt of contract cash flow and sell, and the contract cash flow characteristics of such financial assets are consistent with the basic debit, credit arrangements. The Group measures such financial assets according to the fair value and the changes are recognized in other comprehensive income, but the impairment loss or gain, exchange profit and loss and the interest income calculated according to the real interest rate method are recognized in the current profit and loss.

In addition, the Group designated some non-tradable equity instruments as financial assets measured at fair value through other comprehensive income. The Group shall recognize the relevant dividend income of such financial assets into the current profit and loss, and recognize the change of fair value in other comprehensive income. When the recognition of the financial asset is terminated, the accumulated gains or losses previously recognized in other comprehensive income shall be transferred from other comprehensive income to retained earnings and shall not be recognized in current profit and loss.

③ *Financial assets at fair value through profit or loss for the current period*

The Group classifies the financial assets, except for financial assets measured at amortized cost or at fair value through other comprehensive income as mentioned above, into the financial assets measured at fair value through profit or loss for the current period. In addition, the Group shall designate some financial assets as financial assets measured at fair value through profit or loss for the current period upon the initial recognition to eliminate or significantly reduce accounting mismatch. For such financial assets, the Group adopts the fair value for subsequent measurement, and changes in fair value are recognized in the profit or loss for the current period.

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities are classified upon initial recognition as financial liabilities measured at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, related transaction costs are directly included in current profit or loss; related transaction costs of other financial liabilities are included in their initial recognition amount.

① *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include trading financial liabilities (including derivative instruments that are financial liabilities) and financial liabilities designated upon initial recognition as measured at fair value through profit or loss.

Trading financial liabilities (including derivative instruments that are financial liabilities) are subsequently measured at fair value. Except for matters related to hedge accounting, fair value changes are included in current profit or loss.

For financial liabilities designated as measured at fair value through profit or loss, fair value changes of such liabilities arising from the Group's own credit risk changes are included in other comprehensive income, and when such liabilities are derecognized, cumulative changes in fair value arising from own credit risk changes included in other comprehensive income are transferred to retained earnings. Other fair value changes are included in current profit or loss. If treating the effects of own credit risk changes of such financial liabilities according to the above method would create or enlarge accounting mismatches in profit or loss, the Group includes all gains or losses of such financial liabilities (including the effect of the enterprise's own credit risk changes) in current profit or loss.

② *Other financial liabilities*

In addition to financial liabilities whose transfer of financial assets does not meet the conditions for termination of recognition or arising from the continuing involvement in the transfer of financial assets and other financial liabilities other than the financial security contract are classified as financial liabilities measured by amortized cost, carry out subsequent measurement according to the amortized cost, and record the profits or losses generated by the termination of recognition or amortization into the current profit and loss.

(3) The confirmation basis and measurement method of financial assets transfer

Financial assets that meet one of the following conditions shall be terminated for recognition: ① the contract right of receiving the cash flow of the financial asset is terminated; ② the financial assets have been transferred, and the ownership of financial assets almost all the risks and rewards transferred to the transferee; ③ the financial asset has been transferred, although the enterprise has neither transferred nor retained almost all risks and rewards in the ownership of the financial asset, it has given up its control over the financial asset.

If the enterprise neither transfers nor retains nearly all the risks and rewards in the ownership of the financial assets and does not give up its control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuing involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuing involvement in the transferred financial assets refers to the level of risk faced by the enterprise due to the change in the value of the financial assets.

If the overall transfer of financial assets meets the conditions for the termination of recognition, the balance between the book value of the transferred financial assets and the consideration received due to the transfer and the accumulative amount of changes in the fair value originally recognized in other comprehensive income shall be recognized into the current profit and loss.

If the partial transfer of financial assets meets the conditions for the termination of recognition, the book value of the transferred financial assets shall be apportioned according to its relative fair value between the terminated recognition and the non-terminated recognition, and the difference between the consideration received as a result of the transfer and the accumulative amount of changes in the fair value originally recognized in other comprehensive income and the apportioned book amount shall be recognized in the current profit and loss.

The Group shall determine whether almost all risks and rewards in the ownership of the financial assets sold by means of recourse or transferred by endorsement of the financial assets held by the Group have been transferred. Where almost all risks and rewards in the ownership of the financial asset have been transferred to the transferee, the recognition of the financial asset shall be terminated; If almost all risks and rewards in the ownership of the financial asset are retained, the recognition of the financial asset shall not be terminated; If there is no transfer or retention of nearly all risks and rewards in the ownership of the financial asset, the enterprise shall continue to judge whether it has retained control of the asset and conduct accounting treatment according to the principles described in the preceding paragraphs.

(4) Derecognition of financial liabilities

If the current obligation of the financial liability (or part thereof) has been discharged, the Group shall terminate the recognition of such financial liability (or part thereof). The Group (borrower) signs an agreement with the lender to replace the original financial liability by assuming the new financial liability. If the contract terms of the new financial liability and the original financial liability are substantially different, the Group shall terminate the confirmation of the original financial liability and simultaneously confirm a new financial liability. If the Group materially modifies the contract terms of the original financial liabilities (or part thereof), the original financial liabilities shall be terminated, and a new financial liability shall be recognized according to the revised terms.

Where the recognition of financial liabilities (or part thereof) is terminated, the Group shall recognize the difference between its book value and the consideration paid (including the transferred non-cash assets or liabilities) into the current profit and loss.

(5) Offsetting of financial assets and liabilities

When the Group has offset the confirmed amount of legal rights of financial assets and financial liabilities, and this kind of legal rights is the executable, at the same time, the Group plans to net or cash at the same time when the financial assets and liquidation of the financial liability, financial assets and financial liabilities to offset each other after amount listed in the balance sheet. In addition, financial assets and financial liabilities shall be shown separately in the balance sheet and shall not be offset against each other.

(6) Methods for determining fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When there is an active market for financial instruments, the Group uses quoted prices in active markets to determine their fair value. Quoted prices in active markets are prices that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing services, or regulatory agencies, and represent actual market transaction prices that occurred in arm's length transactions. When there is no active market for financial instruments, the Group uses valuation techniques to determine their fair value. Valuation techniques include using prices used in recent market transactions between knowledgeable, willing parties, reference to the current fair value of another financial instrument that is substantially the same, discounted cash flow analysis, and option pricing models. In valuation, the Group uses valuation techniques that are applicable under current circumstances and for which sufficient data and other information are available to support them, selects inputs that are consistent with the characteristics of assets or liabilities that market participants would consider in transactions for the relevant assets or liabilities, and prioritizes the use of relevant observable inputs. When relevant observable inputs cannot be obtained or obtaining them is not practicable, unobservable inputs are used.

(7) Equity instruments

Equity instruments are contracts that prove ownership of the residual interest in the Group's assets after deducting all liabilities. The issuance (including refinancing), repurchase, sale or cancellation of the equity instruments of the Group shall be treated as changes in the equity and the transaction fees related to the equity transactions shall be deducted from the equity. The Group does not recognize changes in the fair value of equity instruments.

The Group's equity instruments distribute dividends (including "**interests**" generated by instruments classified as equity instruments) during the existence period as profit distribution treatment.

11. Impairment of Financial Assets

The Group's financial assets subject to impairment loss recognition are financial assets carried at amortized cost, investments in debt instruments at fair value through other comprehensive income, and lease receivables, which mainly consist of notes receivable, accounts receivable, other receivables, debt investments, other debt investments, and long-term receivables. In addition, provision for impairment and recognition of credit impairment losses are made for contract assets and certain financial guarantee contracts in accordance with the accounting policies described in this section.

(1) Method of recognizing provision for impairment

The Group makes provision for impairment and recognizes credit impairment losses for each of the above items on the basis of expected credit losses in accordance with its applicable expected credit loss measurement method (general or simplified method).

Credit losses represent the difference between all contractual cash flows receivable by the Group under the contract and discounted at the original effective interest rate and all cash flows expected to be received, i.e. the present value of the total cash shortfall. In this regard, for financial assets purchased or originated that are credit-impaired, the Group discounts the financial assets at the credit-adjusted effective interest rate.

The general approach to measuring expected credit losses is that the Group assesses at each balance sheet date whether the credit risk of a financial asset (including other applicable items such as contract assets, etc., hereinafter referred to as "financial assets") has increased significantly since its initial recognition; if the credit risk has increased significantly since its initial recognition, the Group measures the allowance for losses at an amount equal to the expected credit losses over the entire duration of the financial asset; if the credit risk has not increased significantly since its initial recognition, the Group measures the allowance for losses at an amount equal to the expected credit losses over the next 12 months. In assessing expected credit losses, the Group considers all reasonable and supportable information, including forward-looking information.

For financial instruments with low credit risk at the balance sheet date, the Group has elected to measure the provision for losses on the basis of expected credit losses in the next 12 months, assuming that there has been no significant increase in credit risk since initial recognition.

(2) Criteria for determining whether credit risk has increased significantly since initial recognition

A significant increase in the credit risk of a financial asset is indicated when the probability of default over the expected duration determined at the balance sheet date is significantly higher than the probability of default over the expected duration determined at initial recognition. Except in special circumstances, the Group uses the change in the risk of default occurring within the next 12 months as a reasonable estimate of the change in the risk of default occurring over the entire duration to determine whether there has been a significant increase in credit risk since initial recognition.

(3) Portfolio approach to assessing expected credit risk on a portfolio basis

The Group evaluates credit risk individually for financial assets with significantly different credit risks, such as: amounts due from related parties within the scope of consolidation; receivables in dispute with the counterparty or involved in litigation or arbitration; and receivables for which there are already clear indications that the debtor will probably be unable to fulfill the repayment obligation.

In addition to financial assets that are individually assessed for credit risk, the Group classifies financial assets into groups based on common risk characteristics and assesses credit risk on a portfolio basis.

(4) Accounting treatments for impairment of financial assets

At the end of the year, the Group calculates the expected credit loss for each class of financial assets, and recognizes the difference as an impairment loss if the expected credit loss is greater than the carrying amount of its current impairment allowance, and recognizes the difference as an impairment gain if the difference is less than the carrying amount of the current impairment allowance.

(5) Methods of determining credit losses on various types of financial assets

① *Notes receivable*

The Group measures the allowance for losses on notes receivable at an amount equal to the expected credit losses over the entire duration. Notes receivable are categorized into different portfolios based on their credit risk characteristics:

Item	**Basis for determining the portfolio**
banker's acceptance	Acceptors are banks with low credit risk.
commercial promissory note	Credit risk is characterized by the ageing of commercial promissory notes.

② *Accounts receivable and contract assets*

For accounts receivable and contract assets without significant financing components, the Group measures the allowance for losses at an amount equal to the expected credit losses over the entire duration.

For accounts receivable, contract assets and lease receivables with significant financing components, the Group has elected to always measure the allowance for losses at an amount equal to the expected credit losses over the entire duration.

In addition to receivables that are individually assessed for credit risk, they are categorized into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Portfolio 1: Related Party Portfolio	This portfolio represents amounts from related parties within the scope of consolidation of Hainan Airport Infrastructure Co., Ltd.
Portfolio 2: Ageing portfolio	This portfolio is characterized by credit risk based on the ageing of the receivables.

③ *Other receivables*

Based on whether there has been a significant increase in the credit risk of other receivables since initial recognition, the Group measures impairment losses using an amount equal to the expected credit losses within the next 12 months, or over the entire duration. Except for other receivables that are individually assessed for credit risk, they are categorized into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Portfolio 1: Related party portfolio	This portfolio represents amounts from related parties within the scope of consolidation of Hainan Airport Infrastructure Co., Ltd.
Portfolio 2: Combination of nature of payments	This portfolio represents receivables such as various deposits, security deposits, advance payment, subsidies, etc., from regular daily activities.

④ *Receivables financing*

For notes and accounts receivable classified as at fair value through other comprehensive income, those with maturities of one year or less upon acquisition are classified as accounts receivable financing; those with maturities of more than one year upon acquisition are classified as other debt investments. Please refer to Note IV. 10 "Financial instruments" and Note IV. 11 "Impairment of financial assets" for their related accounting policies.

12. Inventory

(1) Classification of inventories

Inventories consist mainly of raw materials and low-value consumables.

(2) Valuation methods for acquisition and issue of inventories

Inventories are calculated at actual cost upon acquisition. The cost of inventories comprises purchase cost, processing cost and other costs. They are calculated on a weighted average method upon receipt and issue.

(3) Determination on net realizable values of inventories and method for making provision for decline in value

Net realizable value is the amount of estimated selling price of inventories in the ordinary course of business, less costs estimated to be incurred upon completion, estimated selling expenses and related taxes. In determining the net realizable value of inventories, it is determined based on the concrete evidence while taking into account the purpose for which the inventories are held and the impacts of events after the balance sheet date.

At the balance sheet date, inventories are measured at the lower of cost or net realizable value. Provision for a decline in the value of inventories is made when their net realizable value are lower than their cost. Provision for a decline in the value of inventories is determined as the excess amount of the carrying amounts of individual inventory project over their net realizable value. Provision for a decline in the value of inventories is made according to the categories of inventories for large quantities with low unit prices; provision for a decline in the value of inventories is made on an aggregate basis for items of inventories of related product lines manufactured and sold in the same region with the same or similar end-use or purpose and that are difficult to measure separately from other items.

If the factors affecting the previous write-down of the value of inventories have disappeared after the provision for a decline in the value of inventories has been made, resulting in the net realizable value of inventories being higher than their book value, the net realizable value will be reversed to the extent of the original provision for a decline in the value of inventories, and the reversal amount will be recognized in profit or loss for the period.

(4) The inventory counting system is the perpetual inventory counting system.

(5) Amortization method for low-value consumables and packaging materials

Low-value consumables are amortized by the immediate write-off amortization method upon usage. Packaging materials are amortized by the immediate write-off amortization method upon usage.

13. Contract Assets

The Group presents as contract assets in the balance sheet the rights to receive payments from customers for contractual consideration not yet paid by the customer, but for which the Group has fulfilled its performance obligations under the contract and which are not unconditional (i.e. dependent only on the passage of time). Contract assets and contract liabilities under the same contract are presented on a net basis and contract assets and contract liabilities under different contracts are not offset.

Please refer to Note IV. 11 "Impairment of Financial Assets" for the determination method and accounting treatments for expected credit losses on contract assets.

14. Assets Held for Sale and Disposal Groups

If the Company recovers its book value primarily through the sale instead of the continuous use of a non-current asset or disposal group (including the exchange of non-monetary assets with commercial substance, the same below), then the assets shall be classified as assets held for sale. The specific criteria are all of the following conditions are achieved: a non-current asset or disposal group can be sold immediately under the current conditions based on the practice of selling such assets or disposal groups in similar transactions; the Company has already decided on the sale plan and obtained the purchase commitment; the sale will be completed within one year. Among them, a disposal group refers to a group of assets that are disposed of as a whole through sale or other methods in a transaction, and liabilities that are directly related to these assets are transferred in the transaction. If the asset group or asset group to which the disposal group belongs is allocated the goodwill acquired in the business combination in accordance with Accounting Standards for Business Enterprises No. 8 – Impairment of Assets, the disposal group shall include the goodwill allocated to the disposal group.

Upon initial measurement or re-measurement of non-current assets held for sale or disposal group by the Group on the balance sheet date, if the book value is higher than the net amount of fair value minus sales expense, the book value shall be written down to the net amount of fair value minus sales expense; the amount written down is recognized as impairment losses for assets and included in current profit or loss. Meanwhile, impairment reserves for assets held for sale is accrued. For the disposal group, firstly, the recognized impairment losses for assets deduct the book value of the goodwill in the disposal group. Then the loss proportionally deducts the book value of the various non-current assets in the disposal group under the measurement regulations based on Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Companies and Termination of Operations (hereinafter referred to as the "**holding for sale**"). If the fair value of the disposal group held for sale on the subsequent balance sheet date minus the sales proceeds increases, the amount previously written down shall be recovered. This part of amount should be reversed within the impairment losses of non-current assets which are applicable for held for sale measurement criteria after these assets are classified as assets held for sale. The reversal amount is recognized in current profit or loss. Meanwhile, the book value of these non-current assets (except goodwill) in disposal group should be increased proportionally according to the book value of each non-current asset which is applicable to held for sale measurement criteria. The book value of goodwill that has been deducted and the impairment losses recognized before the non-current assets classified as held for sale category cannot be reversed.

Depreciation or amortization shall not be accrued for non-current assets held for sale or non current assets in the disposal group held for sale. The interest of liabilities and other expenses in the disposal group held for sale shall be recognized.

When a non-current asset or disposal group no longer meets the conditions for the held for sale category, the Group no longer divides it into the held for sale category or removes the non current assets from disposal groups held for sale., and the asset or asset group is measured by the following two items: (1) the amount of book value classified as held for trading after depreciation, amortization, impairment or other adjustments to be recognized based on the hypothesis that they are not classified as held for trading; (2) the recoverable amount, whichever is lower.

15. Long-Term Equity Investments

Long-term equity investments in this part refers to the long-term equity investments that the Group can exercise control, joint control or significant influence over the investee. When the Group can no longer exercise control, joint control or significant influence over the investee, the long-term equity investment shall be treated as financial asset measured at fair value through profit or loss for the current year, and for non-transactional long-term equity investment among which, the Group can designate it to be financial asset measured at fair value through other comprehensive income upon initial recognition. Please refer to Note IV. 10 "Financial Instruments".

Joint control refers to joint control owned by the Company over an arrangement as per relevant agreements and relevant activities of this arrangement must be determined upon consent of participants sharing the right of control. The term "significant influence" refers to the power to participate in making determinations on the financial and operating policies of an investment entity, but not to control or do joint control together with other parties over the formulation of these policies.

(1) Recognition of investment costs

If the long-term equity investment is obtained from the business combination involving enterprises under the common control, the share of book value of shareholder's equity of the acquiree in consolidated financial statements of the ultimate controlling party under the combination date shall be deemed as the initial investment cost of the long term equity investment. The difference between the initial investment cost and the book value of cash paid, non-cash assets transferred, and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. If the Group issues equity securities as the consideration for combination, the book value of the shareholder's equity of the combined party on the combination date in consolidated financial statements of the ultimate controlling party shall be the initial investment cost of long-term equity investments. With the total face value of the shares issued as equity, the difference between the initial investment cost of long-term equity investment and the total face value of the shares issued shall be adjusted as capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be adjusted. If shares of the acquiree are obtained step by step through several transactions, which results in the combination of enterprises under the different control, it shall be treated respectively as per whether it belongs to "a package deal": where it belongs to "a package deal", the accounting treatment for each transaction shall be conducted as a transaction obtaining the right of control. Where it does not belong to "a package deal", the book value of the shareholder's equity of the acquiree on the combination date in consolidated financial statements of the ultimate controlling party shall be the initial investment cost of long-term equity investments. The difference among the initial investment cost of long-term equity investments, the book value of long-term equity investment which has reached the amount before the combination and total book value of new payment consideration obtained under the acquisition date shall be adjusted as capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be adjusted. As the other comprehensive income is measured under equity method or recognized as financial assets measured at fair value through profit or loss for the current year, the accounting treatment on the equity investments held before the combination date shall not be conducted.

For long-term equity investment obtained through business combination not involving enterprises under the common control, the cost of combination shall be deemed as the initial investment cost of long-term equity investments on the acquisition date, and the cost of combination is the aggregate of the fair values, include the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. If shares of the acquiree are obtained step by step through several transactions, which results in the combination of enterprises under the different control, it shall be treated respectively as per whether it belongs to "a package deal": where it belongs to "a package deal", the accounting treatment for each transaction shall be conducted as a transaction obtaining the right of control. Where it does not belong to "a package deal", the sum of the book value of equity investment of the acquiree held originally and additional investment costs shall be initial investment costs of long-term equity investment if the accounting method is changed as cost approach. If equity held originally is accounted for using equity method, the accounting treatment shall not be conducted on the other comprehensive income related to it.

The intermediary costs for the business combination including the expenses for audit, legal services and consultancy services and other relevant management costs by the merging party and the acquirer shall be recorded into current profit or loss.

Equity investments other than long-term equity investment from business combination are initially measured at cost. Such cost is respectively recognized at the purchase price in cash actually paid by the Group, fair value of equity securities issued by the Group, specified value in investment contracts or agreements, fair value or original book value of transferred assets in non-monetary asset exchange and transactions and fair value of the long-term equity investment itself based on different means of acquiring that long-term equity investment. Expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investment are also included in investment cost. In case of being able to implement significant influence or common control to the invested entity due to additional investment but which does not constitute control, cost of long term equity investment shall be the sum of fair value of original held equity investment recognized as per the Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments and newly increased investment cost.

(2) Subsequent Measurement and Method of Recognition of Profit or Loss

Where an investing enterprise can exercise joint control (except those that constitutes the joint operators) or significant influence over the investee, a long-term equity investment shall be accounted for using the equity method. In addition, the Group uses the cost method in the financial statements to calculate long-term equity investment that can control the investee.

① *Long-term Equity Investment Accounted by Cost Method*

The long-term equity investment accounted by the cost method shall be measured at the initial investment cost. And the additional or recovered investments shall be used to adjust the cost of long-term equity investment. Except for the cash dividends or distributions declared and not yet distributed in the considerations paid to acquire the investment, the cash dividend or distributions declared by the investee that belong to the investee shall be recognized as the investment gains.

② *Long-term Equity Investment Accounted by Equity Method*

If the initial cost of a long-term equity investment, accounted by equity method, is more than attributable share of the fair value of the investee's identifiable net assets for the investment in the investee, the initial cost of the long-term equity investment may not be adjusted; if the initial cost of a long-term equity investment is less than the attributable share of the fair value of the investee's identifiable net assets for the investment in the investee, the difference shall be recorded into current profit or loss and the cost of the long-term equity investment shall be adjusted simultaneously.

When it is accounted by equity method, the investment gains and other comprehensive incomes shall be recognized respectively, and the book value of long-term equity investment shall be adjusted according to the net profit or loss and other comprehensive incomes realized by the investee, which shall be enjoyed or shared. The enjoyed part shall be accounted according to profits or cash dividends announced to be assigned by the investee with the corresponding decrease of the book value of long-term equity investment. For other changes of shareholder's equity excluding net profit or loss of investee, other comprehensive income and profits distributed, the book value of long-term equity investments shall be adjusted and included into capital reserve. The Group shall, on the ground of the fair value of all identifiable assets of the investee when it obtains the investment, recognize the attributable share of the net profit or loss of the investee after it adjusts the net profits of the investee. If the accounting policies and accounting period adopted by the investee do not consistent with the investor, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Group, and according to which the investment profits and other comprehensive incomes shall be recognized. If investment and sales of assets cannot be constructed as business in transactions between the Group, associates and joint ventures, the unrealized profit or loss of internal transaction shall be offset through calculating the part attributable to the Group based on sharing ratio so as to recognize the profit or loss of investment. Where the unrealized losses from the internal transactions between the Group and the invested entity belong to the impairment losses from the transferred assets, they shall not be written off. Where the assets contributed by the Group towards joint ventures or associates constitute business, and the investor acquires long term equity investment but not the control right thereof, the fair value of the contribution shall be the initial investment cost of the newly added long-term equity investment. The balance of book value between initial investment cost and the contribution shall be recorded into current profit or loss in full amount. If the assets sales, from the Company to joint ventures or associates, constitute business, the total difference between consideration achieved and book value of business shall be recorded into current profit or loss. Where the assets purchased by the Group from associates and joint ventures constitute business, accounting treatment shall be carried out based on Accounting Standards for Business Enterprises No.20 – Business Combination and recognize the profit or loss in relation to the transaction in full amount.

The Group shall recognize the net losses of the investee until the book value of the long-term equity investment and other long-term equity which substantially forms the net investment made to the investee are reduced to zero. In addition, if the Group has the extra obligation towards its investee to undertake extra losses, the extra obligation shall be recognized as Provisions according to expected obligation and recorded into current profit or loss. If the investee realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets against its attributable share of the unrecognized losses, resume recognizing its attributable share of profits.

For long-term equity investments in associates and joint ventures that were already held before the Group's first implementation of the new accounting standards, if there is a debit balance of equity investment related to the investment, the amount amortized on a straight-line basis over the original remaining term is recognized in profit or loss for the current period.

③ *Minority equity purchase*

When preparing consolidated financial statements, as for the difference between the long-term equity investment increased newly due to purchase minority equity and the net asset proportion continuously calculated from the purchase date (or combination date) by subsidiary based and enjoyed by the Group based on newly increasing shareholding ratio, capital reserve is adjusted. If the capital reserve is insufficient to write down, the retained income shall be adjusted.

④ *Disposal of long-term equity investment*

In the consolidated financial statements, the parent company disposes the long-term equity investment of the subsidiary without losing control right. The difference between the disposing amount and the net asset of the subsidiary enjoyed correspondingly in disposing long-term equity investment is recorded into shareholder's equity; If the parent company loses its control right on the subsidiary due to the disposal of the long-term equity investment of the subsidiary, the relevant accounting policy as indicated in Note IV. 6 "Methods for Preparing Consolidated Financial Statements" (2) shall be followed for handling.

When disposing of a long-term equity investment under other circumstances, for equity being disposed, the difference between its book value and actual purchase price shall be recorded into current profit or loss.

If long-term equity investment is accounted by equity method while the residual equity after disposal is still accounted for by equity method, the accounting treatment of other comprehensive income included in shareholder's equity originally shall be conducted as per proportion on the same base as investee disposes of relevant assets and liabilities directly. Other shareholder's equity, which is recognized for changes of other shareholder's equity of the investee excluding net profit or loss, other comprehensive incomes and profits distribution, shall be translated into current profit or loss as per proportion.

If long-term equity investment is accounted by the cost method while the residual equity after disposal is still accounted by the cost method, the accounting treatment of other comprehensive incomes which are recognized for being accounted by equity method or recognition and measurement standards of financial instruments shall be conducted on the same base as investee disposes of relevant assets and liabilities directly, and other comprehensive incomes shall be carried over into current profit or loss as per proportion. Owners' equity, which is recognized for changes of other shareholder's equity of the investee excluding net profit or loss, other comprehensive incomes and profits distribution when the equity method is adopted, shall be carried over into current profit or loss as per proportion.

When the Group loses the control over investee for disposal of some shares, the accounting method shall be changed as equity method in compiling individual financial statements and the remaining shares shall be deemed to be adjusted by equity method upon being obtained if the remaining shares after disposal still have joint control or significant impacts on investee. While the remaining shares after disposal do not have joint control or significant impacts on investee anymore, the accounting treatment shall be conducted as per regulations related to recognition and measurement standards of financial instruments and its difference between fair value and book value on the date of losing the control shall be included into current profit or loss. For other comprehensive income recognized as being accounted by equity method or recognition and measurement standards of financial instruments before the Group obtains the control over investee, its accounting treatment shall be conducted on the same base as investee disposes of relevant assets and liabilities directly upon losing the control over investee, and other shareholder's entity in net assets of investee accounted for by equity method, excluding net profit or loss, other comprehensive income and profits distribution, shall be carried over into current profit or loss in the event of losing the control over investee. Of which, if the residual equity investment after disposal is calculated by equity method, other comprehensive income and shareholder's equity shall be transferred by proportion; where the residual equity investment after disposal changes to be conducted with accounting treatment according to standard of recognition and measurement of financial instruments, other comprehensive income and shareholder's equity shall be transferred.

Where the Group's common control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will change to be calculated by standard of recognition and measurement of financial instruments, the balance between the fair value and book value thereof on the date the common control or significant influence is lost shall be included into current profit or loss. Other comprehensive income recognized by calculating original equity investment by equity method shall go through accounting treatment on the same basis on which the investee directly disposes the relevant assets or liabilities when ceasing to use equity method; for the shareholder's equity recognized by other changes on shareholder's equity rather than net profit or loss, other comprehensive income and profit distribution of the investee shall be transferred into current investment income when ceasing to use equity method.

If the Group's disposal of equity investments in a subsidiaries leading to losing control, the foregoing transaction is package deal, accounting treatment shall be conducted for each transaction as the transaction that the disposal of the subsidiary with loss of control right; before loss of control right, the difference between each price disposal and the book value of long-term equity investment correspondingly in equity disposed shall be firstly recognized in the other comprehensive income and then wholly transferred into current profit or loss when losing control right.

16. Investment Property

Investment property is property held to earn rentals or for capital appreciation or both, including the land use rights which have been rented, land use right held for transfer after capital gain, and buildings which have been rented.

Investment property is measured initially at cost. Subsequent costs related to investment property are recognized in the cost of the investment property, if the economic benefits of the asset will probably flow in and the cost can be measured reliably. Other subsequent costs are recognized through profit or loss in the periods in which they are incurred.

The Group uses the fair value model for subsequent measurement of investment properties and the accounting policy selection is based on:

① There is an active real estate market where investment properties are located.

② The Group is able to obtain market prices of similar or comparable properties and other relevant information from the real estate market in order to make a reasonable estimate on the fair value of investment properties.

③ The key assumptions and major uncertainties used in estimating the fair value of the Group's investment properties are: differences in the degree of newness and the type of structure.

The Group does not depreciate or amortize investment properties. The carrying value of investment properties is adjusted at the balance sheet date on the basis of their fair value, and the difference between the fair value and the original carrying value is recognized in profit or loss for the current period.

When determining the fair value of investment properties, reference is made to the current market prices of similar or comparable properties in an active market; if the current market prices of similar or comparable properties are not available, reference is made to the prices of the most recent transactions of similar or comparable properties in an active market, taking into account factors such as the circumstances of the transaction, the date of the transaction, and the location of the area, in order to make a reasonable estimate on the fair value of the investment properties; or the fair value of investment properties is determined based on the present value of the rental income and the related cash flows expected to be received in the future.

17. Fixed Assets

(1) Recognition Criteria of Fixed Assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

(2) Depreciation methods for various types of fixed assets

From the next month of bringing the fixed asset to the expected conditions for use, the fixed assets are depreciated using the straight-line method over their service life. Service life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	**Depreciation method**	**Depreciation period** *(years)*	**Residual rate** *(%)*	**Annual depreciation rate** *(%)*
Houses and buildings	Straight-line method	40	5	2.38
Machinery equipment and high-value turnover parts	Straight-line method	12-20	5	7.92-4.75
Office equipment and others	Straight-line method	3-5	5	19-31.67

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(3) Impairment testing methods and provision for impairment of fixed assets

For details of the impairment testing method and provision for impairment of fixed assets, please refer to Note IV. 22 "Impairment of Long-term Assets".

(4) Basis of recognition and valuation of fixed assets under finance leases

A finance lease is a lease that transfers substantially all the risks and rewards associated with ownership of the asset, which may or may not ultimately be transferred. Fixed assets leased under finance leases are depreciated using a policy consistent with that for owned fixed assets. If it is reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, depreciation is provided over the service life of the leased asset; if it is not reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, depreciation is provided over the shorter of the lease term and the service life of the leased asset.

(5) Other notes

Subsequent expenditures relating to fixed assets are included in the cost of fixed assets and derecognized from the carrying amount of the replaced part if it is probable that the economic benefits associated with the fixed asset will inflow and its cost can be measured reliably. Subsequent expenditures other than these are recognized in profit or loss when incurred.

Fixed assets are derecognized when they are in a disposal condition or when no economic benefits are expected to arise from their use or disposal. The difference between the disposal proceeds from the sale, transfer, retirement or destruction of fixed assets, net of their carrying amount and related taxes, is recognized in profit or loss for the current period.

The Group reviews the service lives, estimated net residual values and depreciation methods of fixed assets at least at the end of the year and treats any changes as changes in accounting estimates.

18. Construction in Progress

The cost of construction in progress is recognized based on actual project expenditure, including each project expenditure during the construction, capitalized borrowing costs before the construction get ready for its intended use and other relevant expenses. Construction in progress is carried forward to fixed assets when it reaches its intended state of use.

For details of the impairment test method and provision for impairment of construction in progress, please refer to Note IV. 22 “Impairment of Long-term Assets”.

19. Borrowing Costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary costs, and exchange differences incurred on foreign currency borrowings. Borrowing costs directly attributable to the acquisition, construction, or production of assets eligible for capitalization begin to be capitalized when expenditures for the assets have been incurred, borrowing costs have been incurred, and the acquisition, construction, or production activities necessary to bring the assets to their intended usable or saleable condition have begun, and capitalization ceases when the assets acquired, constructed, or produced that qualify for capitalization reach their intended usable or saleable condition. Other borrowing costs are recognized as expenses in the period in which they are incurred.

The amount of interest, accrued from the funds borrowed under a specific-purpose, to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. The Group determines the amount of interest, accrued from the funds borrowed under general-purpose, to be capitalised by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

In the capitalization period, exchange differences of specific borrowings in foreign currency are fully capitalized. Exchange differences of general borrowings in foreign currency are recorded in profit or loss for the current period.

Assets eligible for capitalization are assets such as fixed assets, investment properties, and inventories that require a significant period of time for acquisition, construction, or production activities to reach their intended use or saleable condition.

If there is an unusual interruption in the acquisition, construction, or production of an asset eligible for capitalization and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs is suspended until the acquisition, construction, or production of the asset resumes.

20. Intangible Asset

(1) Intangible asset

Intangible asset refers to the identifiable non-monetary assets without physical substance owned or controlled by the Company.

An intangible asset shall be recorded initially at cost. Expenditure related to intangible asset, if the relevant economic benefit may flow into the Company and its cost can be reliably calculated, is included in the cost of the intangible asset. Otherwise, the expenditure is included in the current profit and loss.

Land use rights acquired are usually accounted as intangible assets. For self-constructed plants and other building, the expenditure related to land use rights and construction cost are accounted as intangible asset and fixed assets respectively. For purchased houses and buildings, the relevant prices are amortized among land use rights and construction cost, if the relevant prices cannot be amortized; they are treated as fixed assets.

Since the intangible assets with limited-service life are available for use, the original value minus the estimated residual value and the accumulated amount of impairment reserve are amortised by the straight-line method in phases during their expected service life. Intangible assets with uncertain service life shall not be amortised.

For intangible assets with limited useful life, the amortisation periods for specific items are as follows:

Item	**Amortisation periods (years)**
Land use right	The remaining useful life of the land use right certificate
Franchise right	Franchise right licensing periods
Other intangible asset	10

At the end of year, the Company shall check the service life and the amortization method of intangible assets with limited service life and carry out accounting estimate change in case that a change happens. In addition to, the Company shall check the service life of intangible assets with uncertain service life, if there are evidences showing that the intangible assets can bring economic benefit for the Company within the foreseeable period, the Company shall estimate the service life and carry out amortization according to the amortization policy for intangible assets with limited service life.

(2) Expenditure on research and development

The Group classifies the expenditure on an internal research and development project into expenditure at the research phase and expenditure at the development phase.

Expenses for the research phase are charged to the current profits and losses as incurred.

Expenditures during the development phase are recognised as intangible assets if both of the following conditions are met, and expenditures during the development phase that do not meet the following conditions are recognised in the current profits and losses:

① It is technically feasible to complete the intangible asset so that it will be available for use or sale;

② Management intends to complete and to use or sell the intangible asset;

③ It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or for the intangible asset itself, and that it can be used if the intangible asset is to be used internally;

④ There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;

⑤ The expenditure attributable to the intangible asset at its development phase can be reliably measured.

All the expenditures on research and development which cannot be distinguished between the research phase and development phase are recognised in the profit or loss when incurred.

(3) Impairment test and provision for impairment of intangible assets

The impairment test and provision for impairment of intangible asset is detailed in Note IV. 22 "Impairment of Long-term Assets".

21. Long-Term Prepaid Expense

Long-term prepaid expenses represent expenditures incurred which should be recognised as expenses over one year and should be allocated in the reporting period and subsequent periods.

22. Impairment of Long-term Assets

For fixed assets, construction in progress, intangible assets with limited useful life, investment properties measured using cost model, long-term equity investment in subsidiaries, joint ventures and associates and other non-fixed non-financial assets, the Group inspects the possibility of impairment of such assets on each balance sheet date, and if there is evidence of such impairment, the Company shall estimate the recoverable amount and conduct impairment test. Goodwill, intangible assets with indefinite useful life and intangible assets not ready for the intended use are subject to impairment test in each year regardless of the possibility of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

When performing impairment test on goodwill that is separately presented in the financial statements, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

23. Contract Liabilities

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If the customer has already paid the contract consideration before the Group transfers goods to the customer or the Group has obtained the unconditional collection right, the Group will recognise such amount received or receivable as contract liabilities at earlier of the actual payment by the customer or the amount payable becoming due. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

24. Employee Compensation

Employee compensation of the Group mainly comprises short-term employee compensation, post-employment benefits, termination benefits, and other long-term employee compensation, among other things:

Short-term employee compensation includes wage, bonus, allowances and subsidies, employee welfare, medical insurance premium, maternity insurance premium, work injury insurance premium, housing provident funds, labor union expenditures and employee education expenses, non-monetary welfare, etc. Short-term employee compensation incurred during the accounting period in which the employee renders services to the Group is recognized as liability and included in the profit or loss for the period or related asset costs. Non-monetary welfare is measured at fair value.

Post-employment benefits mainly comprise basic endowment insurance, unemployment insurance and annuity, while post-employment benefits program include defined contribution plan. In the event of defined contribution plan, the relevant contribution amount is included in the related asset costs or the profit or loss for the period during which the expenses are incurred.

Where the Group terminates the employment relationship with employees before the expiration of the employment contracts or proposes compensation to encourage employees to accept voluntary redundancy, it shall recognise employee compensation liabilities arising from termination benefit and included in profit or loss for the current period, on the date when the Group may not revoke unilaterally the termination benefit provided due to the termination of employment relationship plans or employee redundancy proposals or when the Group recognises the cost and expenses related to restructuring involving in the payment of termination benefit, whichever is earlier. However, if the termination benefit is not expected to be fully paid within 12 months from the end of the reporting period, it shall be accounted for as other long-term staff remuneration.

Internal retirement plan adopts the same principle as the above mentioned compensation for the termination of employment relationship with the employee. The Group accounts for the wage and social insurance contributions to be paid incurred from the date on which the employee cease rendering services to the Group to the scheduled retirement date in profit or loss for the current period (termination benefits), when requirements for recognition of provisions are met.

Where other long-term employee benefit provided by the Group for its employees meets the conditions of the defined contribution plan, it shall be accounted for as a defined contribution plan, or otherwise as a defined benefit plan.

25. Accrued Liabilities

Obligations pertinent to the contingencies which satisfy all the following conditions are recognised as accrued liabilities: (1) The obligation is a current obligation borne by the Group; (2) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (3) the amount of the obligation can be reliably measured.

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

If all or part of the expenses required for settlement of accrued liabilities are expected to be compensated by a third party, the compensation amount shall, on a recoverable basis, be recognised as an asset separately, and compensation amount recognised shall not be more than the carrying amount of the accrued liabilities.

26. Revenue

Revenue is recognized when the customer obtains control of the relevant commodity, and the contract between the Group and the customer meets the following conditions: the parties have approved the contract and have committed to performing their respective obligations; the contract identifies the rights and obligations of the parties relating to the goods transferred or the provision of services; the contract has clear payment terms associated with the transferred goods; the contract has commercial substance, which means that the fulfillment of the contract will result in changes in risk, time distribution or amount of the future cash flows of the Group; the consideration that the Group is entitled to for the transfer of goods to customers is likely to be recovered.

From the effective date of the contract, the Group identifies each individual performance obligation under the contract, and allocates the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the commodities promised for each individual performance obligation. When the transaction price is determined, the impact of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors are considered.

For each individual performance obligation in the contract, the Group recognizes the transaction price allocated to the individual performance obligation as revenue in accordance with the performance progress during the relevant performance period, if one of the following conditions is met: the customer obtains and consumes the economic benefits of the Group's performance as the Group performs the contract; the customer can control the commodities in progress in the course of the Group's performance; the commodities produced during the performance of the Group have irreplaceable uses and the Group has the right to receive payments for the portion of the performance that has been completed to date. In addition, the performance of the contract is determined by the input method or the output method according to the nature of the transferred goods. When the performance progress of the contract cannot be reasonably determined, if the costs incurred by the Group are expected to be compensated, the revenue will be recognized according to the amount of costs incurred until the performance progress of the contract can be reasonably determined.

If one of the above conditions is not met, the Group will recognize the transaction price which was allocated to the individual performance obligation as revenue when the customer obtains control of the relevant commodity. When determining whether the customer has obtained control of the commodity, the Group will consider the following indications: the Company has the current right to receive payment for the goods, which means that the customer has a current payment obligation for the goods; the Company has transferred the legal title of the item to the customer, which means that the customer has already owned the legal title of the item; the Company has transferred the goods in kind to the customer, which means the customer has possessed the goods in kind; the Company has transferred the main risks and rewards of ownership of the goods to the customer, which means the customer has obtained the main risks and rewards of ownership of the goods; the customer has accepted the goods; and other indications that the customer has obtained control of the goods.

The Group's aviation training revenue is calculated based on aviation training hours. The Group calculates aviation training revenue using the training hours confirmed with customers and the hourly rate confirmed in the signed training service contracts. The Group obtains the settlement statement after verifying the training duration with the customer, and the Group recognizes revenue at that point in time. The credit period granted to customers by the Group is consistent with industry practice and there is no significant financing component.

27. Government Grants

Government grants are monetary assets and non-monetary assets transferred from the government to the Group at no consideration, excluding any capital contribution from the government as an investor for ownership of interest. Government grants are divided into asset-related government grants and income-related government grants. Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to revenue. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: (1) In case a project for which the grants are granted is specified in such documents, the grants are classified as related to assets and income based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed and, if necessary, changed on each balance sheet date; and (2) in case of general description without specifying any project in such documents, the grants are classified as related to income. If a government grant is in the form of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognized immediately in profit or loss for the period.

Government grants are generally recognized when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the year that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants has been confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants have been given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the Requirements for Disclosure of Government Information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment has been specified in related documents and the payment thereof will be covered by corresponding budget to ensure such grants will be paid on time as specified; (4) pursuant to the specific situation between the Group and such grants, other relevant conditions (if any) should be satisfied.

A government grant related to an asset shall be recognized as deferred income, and included in profit or loss over the useful life of the asset based on reasonable and systemic methods. For government grants related to income, where the grant is a compensation for related cost expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs or losses are recognised; where the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

At the same time, if the government grants contain both assets related and income related, the accounting treatment will depend on the different parts of government grants; if it is difficult to distinguish, the whole government grants are classified as the income-related government grants.

The government grants related to daily activities of the Group, depending on the essence of economic business, are recognized in other income or used to offset relevant cost and expenses, otherwise, recognized in non-operating income or non-operating expenses.

For the repayment of a government grant already recognized, if there is any balance of related deferred income, the repayment shall be set-off against the book balance of deferred income, and any excess shall be recognized in profit or loss for the period; if there is other circumstance, the repayment shall be recognized immediately in profit or loss for the period.

28. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current or prior periods are measured at the expected amount of the income tax to be paid (or recovered) under applicable tax laws. The taxable incomes used for calculation of current income tax expenses are determined after adjusting the accounting profits before tax for the current reporting period in accordance with relevant requirements of tax laws.

(2) Deferred income tax assets and deferred income tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognized as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognized for taxable temporary differences related to: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction (except for individual transactions that result in equal taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities). In addition, the Group recognizes the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except when both of the following conditions are satisfied: the Group is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets are not recognized for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction (except for individual transactions that result in equal taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities). In addition, the Group recognizes the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, except when both of the following conditions are satisfied: it is not probable that the temporary difference will be reversed in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

In respect of deductible losses and tax credits that can be carried forward to subsequent periods, deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available in the future against which the deductible losses and tax credits can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the applicable tax laws.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is written down when it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. The amount of such write-down shall be reversed when it is probable that sufficient taxable profits will be available.

(3) Income tax expense

Income tax expense comprises current income tax expense and deferred income tax expense.

Apart from current income tax and deferred income tax related to transactions and events that are directly recognized in other comprehensive income or shareholders' equity, which are recognized in other comprehensive income or shareholders' equity, and deferred income tax arising from a business combination which adjusts the carrying amount of goodwill, all other current income tax and deferred income tax expense or income are recognized in profit or loss for the period.

(4) Offset of income tax

Current income tax assets and current income tax liabilities are offset and presented on a net basis if the Group has a legally enforceable right to set them off on a net basis and intends either to settle on a net basis or to realize assets, settle the liabilities simultaneously.

When the Group has a legally enforceable right to settle current income tax assets and liabilities on a net basis, and deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

29. Leases

Lease is a contract under which the Group has the right to transfer or obtain the right to control the use of an identified asset or several identified assets in exchange for payment of consideration or in order to pay the consideration within a certain period of time. At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

(1) The Group as a lessee

The Group's leased assets mainly include buildings, machinery and equipment, etc.

① *Initial measurement*

At the commencement date, the Group shall recognize its right to use the leased asset over the lease term as the right-of-use asset, and shall recognize the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and leases for which the underlying asset is of low value. The lease payments shall be discounted using the interest rate which is implicit in the lease. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate as the discount rate.

② *Subsequent measurement*

The Group subsequently makes depreciation provisions for the right-of-use assets with reference to the depreciation requirements of the Accounting Standards for Business Enterprises No. 4 – Fixed Assets (see Note IV. 17 "**Fixed assets**"). If the Group can reasonably determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets will be depreciated over their useful life. If there is no reasonable certainty that the Group can determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets are depreciated over the shorter of the lease term and useful life.

As for the lease liabilities, the Group calculates their interest expenses of each period during the lease term according to a fixed periodic interest rate and includes them in current profit or loss when incurred. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss as incurred.

After the commencement date of the lease term, when the actual fixed payment, the estimated amount due for the residual value of the guarantee, the index or ratio used to determine the lease payment, the assessment result or the actual exercise of call option, renewal option or termination option changes, the Group re-measures the lease liability based on the present value of the changed lease payment, and adjusts the carrying amount of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset has been written down to zero, but further write-down is still required for the lease liability, the Group recognises the remaining amount in the current profit and loss.

③ *Short-term leases and leases of low-value assets*

For short-term leases (of which the lease term starting from the commencement date of lease is 12 months or less) and leases of low-value assets, the Group simplifies their treatment and does not recognize the right-of-use assets and lease liabilities, but includes the lease payments in current profit or loss on straight-line basis or other systematic and reasonable basis during each period of the lease term.

(2) The Group as a leaser

The Group classifies leases into finance lease and operating lease based on the substance of transactions at the commencement date of lease. Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Operating leases are the leases other than finance leases.

① *Operating leases*

The Group recognizes lease income received under operating leases as rental income in each period during the lease term using the straight-line method. Variable lease payments not included in lease income received in relation to operating lease is included in the current profit or loss when incurred.

30. Other Important Accounting Policies and Accounting Estimates

(1) Discontinued operation

Discontinued operation is a component that meets one of the following conditions and can be separately distinguished and disposed of by the Company or classified as held for sale: ① this component represents an independent principal business or a separate principal operation area; ② this component is part of an associated program to be disposed of for an independent main business or a separate main business area; ③ this component is a subsidiary acquired for resale.

For the accounting treatment of discontinued operations, please refer to the descriptions in Note IV. 14 "Assets Held for Sale and Disposal Groups".

31. Changes in Major Accounting Policies and Accounting Estimates

(1) Changes in accounting policies

① On 13 December 2022, the Ministry of Finance issued the "Interpretation No. 16 of Accounting Standards for Business Enterprises" (hereinafter referred to as "**Interpretation No. 16**"). According to Question One of Interpretation No. 16:

For individual transactions which are neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction and that result in equal temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities, exemption from the initial recognition of deferred tax liabilities and deferred tax assets do not apply (except for individual transactions that result in equal temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities). The Group should recognize the corresponding deferred tax liabilities and deferred tax assets at the time of the transaction for the temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities due to the transaction. Pursuant to the requirements of Interpretation No. 16, the Group has decided to implement the above provisions on 1 January 2023. The impact of this change on the Group's and the Company's financial statements as at 31 December 2022 and for the year of 2022 is as follows:

	The impact amount on the balance as at 1 January 2022 (increase "+", decrease "-")	
Items in statements	**Consolidated statements**	**Company statements**
Deferred income tax assets	91,657,079.69	91,657,079.69
Deferred income tax liabilities	102,489,389.06	102,489,389.06
Undistributed profit	-10,832,309.37	-10,832,309.37

The impact of this change on financial statements as at 31 December 2022 and for the year of 2022 is as follows:

Items in statements	The impact amount on the balance for the year of 2022/ as at 31 December 2022 (increase "+", decrease "-") Consolidated statements	Company statements
Deferred income tax assets	86,331,030.14	86,331,030.14
Deferred income tax liabilities	101,338,505.39	101,338,505.39
Undistributed profit	-15,007,475.25	-15,007,475.25
Income tax expense	4,175,165.88	4,175,165.88
Net profit	-4,175,165.88	-4,175,165.88

② *Interpretation No. 17 of Accounting Standards for Business Enterprises*

On 9 November 2023, the Ministry of Finance issued the "Interpretation No. 17 of Accounting Standards for Business Enterprises" (hereinafter referred to as "**Interpretation No. 17**") with effect from 1 January 2024. The implementation of the relevant provisions under Interpretation No. 17 has no impact on the financial statements of the Group and the Company during the reporting period.

③ *Interpretation No. 18 of Accounting Standards for Business Enterprises*

On 31 December 2024, the Ministry of Finance issued the "Interpretation No. 18 of Accounting Standards for Business Enterprises" (hereinafter referred to as "**Interpretation No. 18**") with effect from the date of issuance. The Group has elected to early adopt the Interpretation from the year of issuance (2024). The implementation of the relevant provisions under Interpretation No. 18 has no impact on the financial statements of the Group and the Company during the reporting period.

(2) Changes in accounting estimates

The Group had no changes in accounting estimates during the reporting period.

32. Major Accounting Judgment and Estimate

(1) Impairment of financial assets

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgements and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical data in combination with economic policies, macroeconomic indicators, industry risks, external market environment, technical environment and customers' situation. The difference between actual outcome and the previously estimated outcome will influence the carrying value of receivables and accrual or reversal of provision for bad debts during the period accounting estimates are changed.

(2) Fair value of financial instruments

The Group recognises the fair value of financial instruments without active trading market through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. The Group needs to evaluate the future cash flow, credit risks, market volatility and relevance, etc. and choose the proper discount rate. These relevant hypotheses are uncertain, and the changes will inflict impact on the fair value of financial instruments. Where an equity instrument investment or contract has a public offer, the Group does not use the cost as the best estimate of its fair value.

V. TAX

1. Main Taxes and Tax Rates

Tax types	Specific tax rates
Value-added tax	Output tax is calculated at a tax rate of 6% and 9% on the taxable income, and is levied according to the difference after deducting deductible input tax for the current period.
Corporate income tax	At 15% of taxable income.
Urban maintenance and construction tax	At 7% of the turnover tax actually paid.
Education surcharge	At 3% of the turnover tax actually paid.
Local education surcharge	At 2% of the turnover tax actually paid.
Other taxes	At the specific rates specified by the State.

2. Tax Preferences and Approvals

According to the Notice on Preferential Policies on Enterprise Income Tax for Hainan Free Trade Port (Cai Shui [2020] No. 31) issued by the Ministry of Finance and the State Administration of Taxation, enterprises in encouraged industries registered and substantially operating in Hainan Free Trade Port shall be subject to a reduced enterprise income tax at a rate of 15%; this Notice shall be implemented from 1 January 2020 to 31 December 2024. The Company enjoys the preferential tax policies of Hainan Free Trade Port and pays enterprise income tax at a reduced rate of 15%. In January 2025, the Ministry of Finance and the State Administration of Taxation issued a notice specifying that the aforementioned preferential policies would be extended until 31 December 2027.

VI. NOTES TO THE FINANCIAL STATEMENTS

1. Monetary Funds

Item	30 April 2025	31 December 2024	31 December 2023
Bank deposit	5,640,126.43	23,462,780.98	3,705,797.42
Other monetary funds		4,564.92	
Total	5,640,126.43	23,467,345.90	3,705,797.42

Note 1: The Group has monetary funds with restricted use at the end of each reporting period as detailed in Note VI. 42.

Note 2: The Group does not have any funds deposited overseas with restrictions on repatriation of funds at the end of each reporting period.

2. Accounts Receivable

(1) Disclosure by aging

Aging	30 April 2025	31 December 2024	31 December 2023
Within 1 year (inclusive)	217,868,179.20	242,693,549.32	268,720,169.01
1 to 2 years (inclusive)	88,204,682.91	63,467,274.94	11,661,352.04
2 to 3 years (inclusive)	10,708,149.60	11,388,882.54	82,157,339.70
3 to 4 years (inclusive)	51,922,955.99	81,657,239.40	55,842,763.07
4 to 5 years (inclusive)	86,435,078.02	54,688,062.67	8,730,965.85
More than 5 years	12,453,527.77	10,749,149.27	2,019,135.00
Subtotal	467,592,573.49	464,644,158.14	429,131,724.67
Less: Provision for bad debts	119,232,112.02	110,895,080.55	89,589,561.75
Total	348,360,461.47	353,749,077.59	339,542,162.92

(2) Provision for bad debts by category

	30 April 2025				
	Carrying balance		Provision for bad debts		Carrying value
Category	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with provision for bad debts made on an individual basis	34,254,011.77	7.33	34,254,011.77	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	433,338,561.72	92.67	84,978,100.25	19.61	348,360,461.47
Including:					
Aging portfolio	433,338,561.72	92.67	84,978,100.25	19.61	348,360,461.47
Related party portfolio					
Total	467,592,573.49	100.00	119,232,112.02	25.50	348,360,461.47

(continued)

	31 December 2024				
	Carrying balance		Provision for bad debts		Carrying value
Category	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with provision for bad debts made on an individual basis	34,253,916.15	7.37	34,253,916.15	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	430,390,241.99	92.63	76,641,164.40	17.81	353,749,077.59
Including:					
Aging portfolio	430,390,241.99	92.63	76,641,164.40	17.81	353,749,077.59
Related party portfolio					
Total	464,644,158.14	100.00	110,895,080.55	23.87	353,749,077.59

(continued)

	31 December 2023				
	Carrying balance		Provision for bad debts		Carrying value
Category	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with provision for bad debts made on an individual basis	35,907,983.25	8.37	35,907,983.25	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	393,223,741.42	91.63	53,681,578.50	13.65	339,542,162.92
Including:					
Aging portfolio	393,223,741.42	91.63	53,681,578.50	13.65	339,542,162.92
Related party portfolio					
Total	429,131,724.67	100.00	89,589,561.75	20.88	339,542,162.92

① *Accounts receivable with individual provision for bad debts at the end of the year*

	30 April 2025			
Name of debtor	Carrying balance	Provision for bad debts	Provision ratio (%)	Reasons for the provision
Air Guilin Co., Ltd. (桂林航空有限公司)	34,203,746.00	34,203,746.00	100.00	Uncertainty of expected recovery
Korea Express Air Co.,Ltd.	50,265.77	50,265.77	100.00	Uncertainty of expected recovery
Total	34,254,011.77	34,254,011.77	100.00	

(continued)

	31 December 2024			
Name of debtor	**Carrying balance**	**Provision for bad debts**	**Provision ratio** *(%)*	**Reasons for the provision**
Air Guilin Co., Ltd. (桂林航空有限公司)	34,203,746.00	34,203,746.00	100.00	Uncertainty of expected recovery
Korea Express Air Co., Ltd.	50,170.15	50,170.15	100.00	Uncertainty of expected recovery
Total	34,253,916.15	34,253,916.15	100.00	

(continued)

	31 December 2023			
Name of debtor	**Carrying balance**	**Provision for bad debts**	**Provision ratio** *(%)*	**Reasons for the provision**
Air Guilin Co., Ltd. (桂林航空有限公司)	34,203,746.00	34,203,746.00	100.00	Uncertainty of expected recovery
Okay Airways Company Limited Tianjin Branch (奧凱航空有限公司天津分公司)	1,654,800.00	1,654,800.00	100.00	Uncertainty of expected recovery
Korea Express Air Co., Ltd.	49,437.25	49,437.25	100.00	Uncertainty of expected recovery
Total	35,907,983.25	35,907,983.25	100.00	

② *Accounts receivable in the portfolio for which provision for bad debts is made on the basis of aging portfolio*

Item	30 April 2025 Carrying balance	Provision for bad debts	Provision ratio *(%)*
Within 1 year (inclusive)	217,868,179.20	10,893,408.97	5.00
1 to 2 years (inclusive)	87,375,882.91	8,737,588.29	10.00
2 to 3 years (inclusive)	10,362,740.60	3,108,822.18	30.00
3 to 4 years (inclusive)	42,003,872.99	16,801,549.20	40.00
4 to 5 years (inclusive)	75,727,886.02	45,436,731.61	60.00
Total	433,338,561.72	84,978,100.25	19.61

(continued)

Item	31 December 2024 Carrying balance	Provision for bad debts	Provision ratio *(%)*
Within 1 year (inclusive)	242,691,866.44	12,134,593.09	5.00
1 to 2 years (inclusive)	62,293,065.94	6,229,306.59	10.00
2 to 3 years (inclusive)	9,347,532.54	2,804,259.76	30.00
3 to 4 years (inclusive)	70,808,306.40	28,323,322.56	40.00
4 to 5 years (inclusive)	45,249,470.67	27,149,682.40	60.00
Total	430,390,241.99	76,641,164.40	17.81

(continued)

Item	31 December 2023 Carrying balance	Provision for bad debts	Provision ratio (%)
Within 1 year (inclusive)	267,545,962.41	13,377,298.12	5.00
1 to 2 years (inclusive)	9,620,001.94	962,000.19	10.00
2 to 3 years (inclusive)	70,808,306.40	21,242,491.92	30.00
3 to 4 years (inclusive)	45,249,470.67	18,099,788.27	40.00
Total	393,223,741.42	53,681,578.50	13.65

(3) Provision for bad debts

Category	Balance as at 31 December 2024	Amount of change during current year: Provision	Recovery or reversal	Charge-offs or write-offs	Other changes	Balance as at 30 April 2025
Individual provision	34,253,916.15	95.62				34,254,011.77
Portfolio provision	76,641,164.40	8,336,935.85				84,978,100.25
Total	110,895,080.55	8,337,031.47				119,232,112.02

(continued)

Category	Balance as at 31 December 2023	Amount of change during current year: Provision	Recovery or reversal	Charge-offs or write-offs	Other changes	Balance as at 31 December 2024
Individual provision	35,907,983.25		1,654,067.10			34,253,916.15
Portfolio provision	53,681,578.50	22,959,585.90				76,641,164.40
Total	89,589,561.75	22,959,585.90	1,654,067.10			110,895,080.55

(continued)

Category	Balance as at 31 December 2022	Amount of change during current year: Provision	Recovery or reversal	Charge-offs or write-offs	Other changes	Balance as at 31 December 2023
Individual provision	31,696,587.00	4,924,076.25	712,680.00			35,907,983.25
Portfolio provision	37,697,369.39	15,984,209.11				53,681,578.50
Total	69,393,956.39	20,908,285.36	712,680.00			89,589,561.75

(4) Top five accounts receivable with closing balances by debtors

As of the end of April 2025, the aggregate amount of the Group's top five accounts receivable with closing balances by debtors was RMB402,170,489.11, accounting for 86.01% of the total closing balances of accounts receivable, and the aggregate amount of the closing balances of the corresponding provision for bad debts was RMB112,758,745.96.

As of the end of 2024, the aggregate amount of the Group's top five accounts receivable with closing balances by debtors was RMB406,961,426.24, accounting for 87.59% of the total closing balances of accounts receivable, and the aggregate amount of the closing balances of the corresponding provision for bad debts was RMB105,542,644.31.

As of the end of 2023, the aggregate amount of the Group's top five accounts receivable with closing balances by debtors was RMB378,527,573.49, accounting for 88.21% of the total closing balances of accounts receivable, and the aggregate amount of the closing balances of the corresponding provision for bad debts was RMB84,300,966.86.

3. Receivables Financing

(1) Receivables financing by category

Item	30 April 2025	31 December 2024	31 December 2023
Bank acceptance bills		21,294,065.00	
Total		21,294,065.00	

(2) Receivable financing discounted at period-end and not yet due on the balance sheet date

Item	Amounts derecognized at 30 April 2025	Amounts not derecognized at 30 April 2025
Notes receivable	101,935,995.00	
Total	101,935,995.00	

4. Prepayments

(1) By aging

Aging	30 April 2025		31 December 2024		31 December 2023	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (inclusive)	911,642.38	100.00	2,177,088.29	100.00	1,603,576.80	100.00
Total	911,642.38	100.00	2,177,088.29	100.00	1,603,576.80	100.00

(2) Top five prepayments with closing balances by prepayment recipients

As of the end of April 2025, the aggregate amount of the Group's top five prepayments with closing balances by prepayment recipients was RMB842,188.49, accounting for 92.38% of the aggregate closing balance of prepayments.

As of the end of 2024, the aggregate amount of the Group's top five prepayments with closing balances by prepayment recipients was RMB2,165,252.73, accounting for 99.46% of the aggregate closing balance of prepayments.

As of the end of 2023, the aggregate amount of the Group's top five prepayments with closing balances by prepayment recipients was RMB1,326,327.37, accounting for 82.71% of the aggregate closing balance of prepayments.

5. Other Receivables

(1) Disclosure by aging

Aging	30 April 2025	31 December 2024	31 December 2023
Within 1 year	30,000.00		115,458,910.76
1 to 2 years (inclusive)		130,000.00	660.00
2 to 3 years (inclusive)	130,000.00	660.00	18,603,000.00
3 to 4 years (inclusive)	660.00	18,003,000.00	
4 to 5 years (inclusive)	18,003,000.00		
Subtotal	18,163,660.00	18,133,660.00	134,062,570.76
Less: Provision for bad debts	18,000,966.00	18,000,966.00	18,000,966.00
Total	162,694.00	132,694.00	116,061,604.76

(2) Classification by nature of amounts

Nature of amounts	30 April 2025	31 December 2024	31 December 2023
Current accounts			115,458,910.76
Deposit, security deposit, etc.	18,133,660.00	18,133,660.00	18,603,660.00
Others	30,000.00		
Subtotal	18,163,660.00	18,133,660.00	134,062,570.76
Less: Provision for bad debts	18,000,966.00	18,000,966.00	18,000,966.00
Total	162,694.00	132,694.00	116,061,604.76

(3) Provision for bad debts

Provision for bad debts	Phase I Expected credit losses for the next 12 months	Phase II Lifetime expected credit losses (without credit impairment)	Phase III Lifetime expected credit losses (with credit impairment)	Total
Balance at 31 December 2024	666.00		18,000,300.00	18,000,966.00
The opening balance in current period:				
Provision for current period				
Reversal for current period				
Charge-offs for current period				
Write-offs for current period				
Other changes				
Balance at 30 April 2025	666.00		18,000,300.00	18,000,966.00

(continued)

Provision for bad debts	Phase I Expected credit losses for the next 12 months	Phase II Lifetime expected credit losses (without credit impairment)	Phase III Lifetime expected credit losses (with credit impairment)	Total
Balance at 31 December 2023	666.00		18,000,300.00	18,000,966.00
The opening balance in current year:				
Provision for current year				
Reversal for current year				
Charge-offs for current year				
Write-offs for current year				
Other changes				
Balance at 31 December 2024	666.00		18,000,300.00	18,000,966.00

(continued)

Provision for bad debts	Phase I Expected credit losses for the next 12 months	Phase II Lifetime expected credit losses (without credit impairment)	Phase III Lifetime expected credit losses (with credit impairment)	Total
Balance at 31 December 2022	6,882.22		33,588,300.00	33,595,182.22
The beginning balance in current year:				
Provision for current year				
Reversal for current year	6,216.22			6,216.22
Charge-offs for current year				
Write-offs for current year			15,588,000.00	15,588,000.00
Other changes				
Balance at 31 December 2023	666.00		18,000,300.00	18,000,966.00

(4) Provision for bad debts

Category	Balance as at 31 December 2024	Amount of change during current year: Provision	Recovery or reversal	Charge-offs or write-offs	Other changes	Balance as at 30 April 2025
Provision for bad debts	18,000,966.00					18,000,966.00
Total	18,000,966.00					18,000,966.00

(continued)

Category	Balance as at 31 December 2023	Amount of change during current year: Provision	Recovery or reversal	Charge-offs or write-offs	Other changes	Balance as at 31 December 2024
Provision for bad debts	18,000,966.00					18,000,966.00
Total	18,000,966.00					18,000,966.00

(continued)

Category	Balance as at 31 December 2022	Amount of change during current year: Provision	Recovery or reversal	Charge-offs or write-offs	Other changes	Balance as at 31 December 2023
Provision for bad debts	33,595,182.22		6,216.22	15,588,000.00		18,000,966.00
Total	33,595,182.22		6,216.22	15,588,000.00		18,000,966.00

(5) Other receivables actually written off in 2023 are as follows:

Item	Amount written off
L3Harris Commercial Training Solutions Limited	15,588,000.00

(6) Top five other receivables with closing balances by debtors

As of the end of April 2025, the Group's top five other receivables with closing balances by debtors amounted to RMB18,163,000.00, accounting for 100% of the total closing balance of other receivables, and the corresponding closing balance of the provision for bad debts was RMB18,000,966.00.

As of the end of 2024, the Group's top five other receivables with closing balances by debtors amounted to RMB18,133,660.00, accounting for 100% of the total closing balance of other receivables, and the corresponding closing balance of the provision for bad debts was RMB18,000,966.00.

As of the end of 2023, the Group's top five other receivables with closing balances by debtors amounted to RMB134,061,910.76, accounting for 100% of the total closing balances of other receivables, and the corresponding closing balance of the provision for bad debts was RMB18,000,900.00.

6. Inventory

Item	30 April 2025			31 December 2024			31 December 2023		
	Carrying balance	Provision for decline in value of inventories	Carrying value	Carrying balanc	Provision for decline in value of inventories	Carrying value	Carrying balance	Provision for decline in value of inventories	Carrying value
Raw materials	62,127.05		62,127.05	76,241.48		76,241.48	163,337.84		163,337.84
Consumable parts of aeronautical materials	2,157,750.28		2,157,750.28	2,339,949.13		2,339,949.13	2,117,507.58		2,117,507.58
Total	2,219,877.33		2,219,877.33	2,416,190.61		2,416,190.61	2,280,845.42		2,280,845.42

7. Other Current Assets

Item	30 April 2025	31 December 2024	31 December 2023
Prepaid taxes			5,220,564.62
Input tax pending certification and deduction	41,472,565.95	38,853,698.37	44,588,403.23
Total	41,472,565.95	38,853,698.37	49,808,967.85

8. Investments in Other Equity Instruments

Item	30 April 2025	31 December 2024	31 December 2023
Shares of Hainan Airlines Holding Co., Ltd.			18,038,340.64
Total			18,038,340.64

9. Fixed Assets

Item	Machinery and equipment and high-value rotables	Office equipment and others	Total
I. Original book value			
1. Balance at 31 December 2024	123,299,875.60	10,885,170.54	134,185,046.14
2. Increase in January to April 2025	184,386,898.75		184,386,898.75
(1) Acquisition	2,108,994.52		2,108,994.52
(2) Transfer from construction in progress	182,277,904.23		182,277,904.23
3. Decrease in January to April 2025		14,410.24	14,410.24
(1) Disposal or scrapping		14,410.24	14,410.24
4. Balance at 30 April 2025	307,686,774.35	10,870,760.30	318,557,534.65
II. Accumulated depreciation			
1. Balance at 31 December 2024	14,787,859.57	5,860,227.29	20,648,086.86
2. Increase in January to April 2025	4,573,214.08	63,605.64	4,636,819.72
(1) Provision	4,573,214.08	63,605.64	4,636,819.72
3. Decrease in January to April 2025	–	13,689.73	13,689.73
(1) Disposal or scrapping		13,689.73	13,689.73
4. Balance at 30 April 2025	19,361,073.65	5,910,143.20	25,271,216.85
III. Provision for impairment			
1. Balance at 31 December 2024			
2. Increase in January to April 2025			
3. Decrease in January to April 2025			
4. Balance at 30 April 2025			
IV. Carrying value			
1. Carrying value at 30 April 2025	288,325,700.70	4,960,617.10	293,286,317.80
2. Carrying value at 31 December 2024	108,512,016.03	5,024,943.25	113,536,959.28

(continued)

Item	Machinery and equipment and high-value rotables	Office equipment and others	Total
I. Original book value			
1. Balance at 31 December 2023	122,473,326.92	4,389,889.11	126,863,216.03
2. Increase in 2024	826,548.68	6,610,701.83	7,437,250.51
(1) Acquisition	749,734.52	6,610,701.83	7,360,436.35
(2) Transfer from construction in progress	76,814.16		76,814.16
3. Decrease in 2024		115,420.40	115,420.40
(1) Disposal or scrapping		115,420.40	115,420.40
4. Balance at 31 December 2024	123,299,875.60	10,885,170.54	134,185,046.14
II. Accumulated depreciation			
1. Balance at 31 December 2023	10,204,749.21	3,537,746.27	13,742,495.48
2. Increase in 2024	4,583,110.36	2,392,849.42	6,975,959.78
(1) Provision	4,583,110.36	2,392,849.42	6,975,959.78
3. Decrease in 2024		70,368.40	70,368.40
(1) Disposal or scrapping		70,368.40	70,368.40
4. Balance at 31 December 2024	14,787,859.57	5,860,227.29	20,648,086.86
III. Provision for impairment			
1. Balance at 31 December 2023			
2. Increase in 2024			
3. Decrease in 2024			
4. Balance at 31 December 2024			
IV. Carrying value			
1. Carrying value at 31 December 2024	108,512,016.03	5,024,943.25	113,536,959.28
2. Carrying value at 31 December 2023	112,268,577.71	852,142.84	113,120,720.55

(continued)

Item	Houses and buildings	Machinery and equipment and high-value rotables	Office equipment and others	Total
I. Original book value				
1. Balance at 31 December 2022	170,000.00	23,836,303.07	4,051,294.71	28,057,597.78
2. Increase in 2023		98,991,182.38	527,353.05	99,518,535.43
(1) Acquisition		8,561,647.95	173,194.52	8,734,842.47
(2) Transfer from construction in progress		90,429,534.43		90,429,534.43
(3) Other			354,158.53	354,158.53
3. Decrease in 2023	170,000.00	354,158.53	188,758.65	712,917.18
(1) Disposal or scrapping	170,000.00		188,758.65	358,758.65
(2) Other decrease		354,158.53		354,158.53
4. Balance at 31 December 2023		122,473,326.92	4,389,889.11	126,863,216.03
II. Accumulated depreciation				
1. Balance at 31 December 2022	24,222.96	7,576,025.67	3,494,052.87	11,094,301.50
2. Increase in 2023	8,074.32	2,767,679.19	223,014.09	2,998,767.60
(1) Provision	8,074.32	2,767,679.19	223,014.09	2,998,767.60
3. Decrease in 2023	32,297.28	138,955.65	179,320.69	350,573.62
(1) Disposal or scrapping	32,297.28		179,320.69	211,617.97
(2) Other decrease		138,955.65		138,955.65
4. Balance at 31 December 2023		10,204,749.21	3,537,746.27	13,742,495.48
III. Provision for impairment				
1. Balance at 31 December 2022				
2. Increase in 2023				
3. Decrease in 2023				
4. Balance at 31 December 2023				
IV. Carrying value				
1. Carrying value at 31 December 2023		112,268,577.71	852,142.84	113,120,720.55
2. Carrying value at 31 December 2022	145,777.04	16,260,277.40	557,241.84	16,963,296.28

10. Construction in Progress

Item	30 April 2025 Carrying balance	30 April 2025 Provision for impairment	30 April 2025 Carrying value	31 December 2024 Carrying balance	31 December 2024 Provision for impairment	31 December 2024 Carrying value	31 December 2023 Carrying balance	31 December 2023 Provision for impairment	31 December 2023 Carrying value
Simulators				182,167,409.19		182,167,409.19			
Piecemeal work							76,814.16		76,814.16
Total				182,167,409.19		182,167,409.19	76,814.16		76,814.16

Changes in significant construction-in-progress projects during the reporting period

Project name	Budget *(RMB ten thousand)*	Balance at 31 December 2024	Increase during current year	Amounts transferred to fixed assets during current year	Other decreases during current year	Balance at 30 April 2025
Simulators	Uncertain	182,167,409.19	110,495.04	182,277,904.23		
Total		182,167,409.19	110,495.04	182,277,904.23		

(continued)

Project name	Cumulative investment in construction as a percentage of budget *(%)*	Progress *(%)*	Accumulated amount of interest capitalized	Of which: amount of interest capitalized during current year	Interest capitalization rate during current year *(%)*	Source of funds
Simulators	N/A	N/A				Self-raised
Total						

(continued)

Project name	Budget *(RMB ten thousand)*	Balance at 31 December 2023	Increase during current year	Amounts transferred to fixed assets during current year	Other decreases during current year	Balance at 31 December 2024
Simulators	Uncertain		182,167,409.19			182,167,409.19
Total			182,167,409.19			182,167,409.19

(continued)

Project name	Cumulative investment in construction as a percentage of budget *(%)*	Progress *(%)*	Accumulated amount of interest capitalized	Of which: amount of interest capitalized during current year	Interest capitalization rate during current year *(%)*	Source of funds
Simulators	N/A	N/A				Self-raised
Total						

(continued)

Project name	Budget *(RMB ten thousand)*	Balance at 31 December 2022	Increase during current year	Amounts transferred to fixed assets during current year	Other decreases during current year	Balance at 31 December 2023
Simulators	Uncertain		90,429,534.43	90,429,534.43		
Total			90,429,534.43	90,429,534.43		

(continued)

Project name	Cumulative investment in construction as a percentage of budget *(%)*	Progress *(%)*	Accumulated amount of interest capitalized	Of which: amount of interest capitalized during current year	Interest capitalization rate during current year *(%)*	Source of funds
Simulators	N/A	N/A				Self-raised
Total						

11. Right-of-use Assets

Item	Houses and buildings	Machinery and equipment	Total
I. Original book value			
1. Balance at 31 December 2024	121,308,118.88	1,640,643,922.55	1,761,952,041.43
2. Increase in January to April 2025	3,577,879.47	17,665,410.84	21,243,290.31
3. Decrease in January to April 2025			
4. Balance at 30 April 2025	124,885,998.35	1,658,309,333.39	1,783,195,331.74
II. Accumulated depreciation			
1. Balance at 31 December 2024	5,279,374.56	379,479,993.30	384,759,367.86
2. Increase in January to April 2025	6,863,683.68	40,851,540.44	47,715,224.12
(1) Provision	6,863,683.68	40,851,540.44	47,715,224.12
3. Decrease in January to April 2025			
4. Balance at 30 April 2025	12,143,058.24	420,331,533.74	432,474,591.98
III. Provision for impairment			
1. Balance at 31 December 2024			
2. Increase in January to April 2025			
3. Decrease in January to April 2025			
4. Balance at 30 April 2025			
IV. Carrying value			
1. Carrying value at 30 April 2025	112,742,940.11	1,237,977,799.65	1,350,720,739.76
2. Carrying value at 31 December 2024	116,028,744.32	1,261,163,929.25	1,377,192,673.57

(continued)

Item	Houses and buildings	Machinery and equipment	Total
I. Original book value			
1. Balance at 31 December 2023	100,779,834.93	1,559,646,922.73	1,660,426,757.66
2. Increase in 2024	73,389,967.57	103,178,529.29	176,568,496.86
3. Decrease in 2024	52,861,683.62	22,181,529.47	75,043,213.09
4. Balance at 31 December 2024	121,308,118.88	1,640,643,922.55	1,761,952,041.43
II. Accumulated depreciation			
1. Balance at 31 December 2023	33,356,086.83	281,021,860.53	314,377,947.36
2. Increase in 2024	21,025,417.13	117,695,489.03	138,720,906.16
(1) Provision	21,025,417.13	117,695,489.03	138,720,906.16
3. Decrease in 2024	49,102,129.40	19,237,356.26	68,339,485.66
(1) Disposal	49,102,129.40	19,237,356.26	68,339,485.66
4. Balance at 31 December 2024	5,279,374.56	379,479,993.30	384,759,367.86
III. Provision for impairment			
1. Balance at 31 December 2023			
2. Increase in 2024			
3. Decrease in 2024			
4. Balance at 31 December 2024			
IV. Carrying value			
1. Carrying value at 31 December 2024	116,028,744.32	1,261,163,929.25	1,377,192,673.57
2. Carrying value at 31 December 2023	67,423,748.10	1,278,625,062.20	1,346,048,810.30

(continued)

Item	Houses and buildings	Machinery and equipment	Total
I. Original book value			
1. Balance at 31 December 2022	61,960,768.56	872,570,557.45	934,531,326.01
2. Increase in 2023	53,701,366.71	687,076,365.28	740,777,731.99
3. Decrease in 2023	14,882,300.34		14,882,300.34
4. Balance at 31 December 2023	100,779,834.93	1,559,646,922.73	1,660,426,757.66
II. Accumulated depreciation			
1. Balance at 31 December 2022	22,562,941.97	236,378,348.14	258,941,290.11
2. Increase in 2023	14,789,318.08	44,643,512.39	59,432,830.47
(1) Provision	14,789,318.08	44,643,512.39	59,432,830.47
3. Decrease in 2023	3,996,173.22		3,996,173.22
(1) Disposal	3,996,173.22		3,996,173.22
4. Balance at 31 December 2023	33,356,086.83	281,021,860.53	314,377,947.36
III. Provision for impairment			
1. Balance at 31 December 2022			
2. Increase in 2023			
3. Decrease in 2023			
4. Balance at 31 December 2023			
IV. Carrying value			
1. Carrying value at 31 December 2023	67,423,748.10	1,278,625,062.20	1,346,048,810.30
2. Carrying value at 31 December 2022	39,397,826.59	636,192,209.31	675,590,035.90

Note: The Group's right-of-use assets with restricted use at each period-end are shown in Note VI. 42.

12. Intangible Asset

Item	Software	Total
I. Original book value		
1. Balance at 31 December 2024	4,081,450.69	4,081,450.69
2. Increase in January to April 2025		
3. Decrease in January to April 2025		
4. Balance at 30 April 2025	4,081,450.69	4,081,450.69
II. Accumulated amortization		
1. Balance at 31 December 2024	1,592,930.23	1,592,930.23
2. Increase in January to April 2025	136,042.88	136,042.88
(1) Provision	136,042.88	136,042.88
3. Decrease in January to April 2025		
4. Balance at 30 April 2025	1,728,973.11	1,728,973.11
III. Provision for impairment		
1. Balance at 31 December 2024		
2. Increase in January to April 2025		
3. Decrease in January to April 2025		
4. Balance at 30 April 2025		
IV. Carrying value		
1. Carrying value at 30 April 2025	2,352,477.58	2,352,477.58
2. Carrying value at 31 December 2024	2,488,520.46	2,488,520.46

(continued)

Item	Software	Total
I. Original book value		
1. Balance at 31 December 2023	3,974,398.61	3,974,398.61
2. Increase in 2024	280,636.99	280,636.99
3. Decrease in 2024	173,584.91	173,584.91
4. Balance at 31 December 2024	4,081,450.69	4,081,450.69
II. Accumulated amortization		
1. Balance at 31 December 2023	1,317,998.66	1,317,998.66
2. Increase in 2024	405,114.77	405,114.77
(1) Provision	405,114.77	405,114.77
3. Decrease in 2024	130,183.20	130,183.20
4. Balance at 31 December 2024	1,592,930.23	1,592,930.23
III. Provision for impairment		
1. Balance at 31 December 2023		
2. Increase in 2024		
3. Decrease in 2024		
4. Balance at 31 December 2024		
IV. Carrying value		
1. Carrying value at 31 December 2024	2,488,520.46	2,488,520.46
2. Carrying value at 31 December 2023	2,656,399.95	2,656,399.95

(continued)

Item	Software	Total
I. Original book value		
1. Balance at 31 December 2022	3,122,431.60	3,122,431.60
2. Increase in 2023	851,967.01	851,967.01
3. Decrease in 2023		
4. Balance at 31 December 2023	3,974,398.61	3,974,398.61
II. Accumulated amortization		
1. Balance at 31 December 2022	952,895.66	952,895.66
2. Increase in 2023	365,103.00	365,103.00
(1) Provision	365,103.00	365,103.00
3. Decrease in 2023		
4. Balance at 31 December 2023	1,317,998.66	1,317,998.66
III. Provision for impairment		
1. Balance at 31 December 2022		
2. Increase in 2023		
3. Decrease in 2023		
4. Balance at 31 December 2023		
IV. Carrying value		
1. Carrying value at 31 December 2023	2,656,399.95	2,656,399.95
2. Carrying value at 31 December 2022	2,169,535.94	2,169,535.94

13. Deferred Tax Assets and Deferred Tax Liabilities

(1) Breakdown of deferred income tax assets not offset

Item	30 April 2025		31 December 2024		31 December 2023	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income taxassets
Changes in fair value of investments in other equity instruments					6,451,669.28	967,750.39
Provision for impairment of assets	137,233,078.02	20,584,961.70	128,896,046.55	19,334,406.98	107,590,527.75	16,138,579.16
Deductible losses	122,549,574.81	18,382,436.23	140,448,335.63	21,067,250.34	206,523,402.90	30,978,510.44
Lease liabilities	1,246,081,028.81	186,912,154.32	1,287,909,093.10	193,186,363.97	1,249,194,841.51	187,379,226.23
Total	1,505,863,681.64	225,879,552.25	1,557,253,475.28	233,588,021.29	1,569,760,441.44	235,464,066.22

(2) Breakdown of deferred income tax liabilities not offset

Item	30 April 2025		31 December 2024		31 December 2023	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income taxliabilities	Taxable temporary differences	Deferred income taxliabilities
Right-of-use assets	1,350,720,739.76	202,608,110.96	1,377,192,673.57	206,578,901.04	1,346,048,810.30	201,907,321.55
Total	1,350,720,739.76	202,608,110.96	1,377,192,673.57	206,578,901.04	1,346,048,810.30	201,907,321.55

14. Other Non-current Assets

Item	30 April 2025	31 December 2024	31 December 2023
Aircraft simulator procurement prepayment			180,752,001.69
Total			180,752,001.69

15. Short-term Borrowings

Classification of short-term borrowings

Item	30 April 2025	31 December 2024	31 December 2023
Unsecured borrowings		21,294,065.00	
Total		21,294,065.00	

16. Accounts Payable

(1) Presentation of ageing analysis

Item	30 April 2025	31 December 2024	31 December 2023
Within 1 year (inclusive)	75,316,852.77	117,809,589.66	113,352,158.13
Over one year	181,128,458.94	161,896,645.60	250,607,133.23
Total	256,445,311.71	279,706,235.26	363,959,291.36

(2) As of the end of April 2025, the Group's significant accounts payable aged over one year amounted to RMB179,138,582.74, which was mainly due to the outstanding payments for services or labor received.

As of the end of 2024, the Group's significant accounts payable aged over one year amounted to RMB161,241,440.64, which was mainly due to the outstanding payments for services or labor received.

As of the end of 2023, the Group's significant accounts payable aged over one year amounted to RMB249,752,557.74, which was mainly due to the outstanding payments for services or labor received.

17. Contract Liabilities

Item	30 April 2025	31 December 2024	31 December 2023
Advance from training	9,596.33	221,081.30	18,252.43
Total	9,596.33	221,081.30	18,252.43

18. Employee Benefits Payable

(1) Presentation of employee compensation payable

Item	31 December 2024	Increase in the current period	Decrease in the current period	30 April 2025
I. Short-term employee benefits	3,549,479.19	17,460,002.62	18,227,525.03	2,781,956.78
II. Post-employment benefits – defined contribution plans		1,886,759.27	1,886,759.27	
Total	3,549,479.19	19,346,761.89	20,114,284.30	2,781,956.78

(continued)

Item	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
I. Short-term employee benefits	3,494,280.09	51,448,825.57	51,393,626.47	3,549,479.19
II. Post-employment benefits – defined contribution plans		5,528,709.43	5,528,709.43	
III. Termination benefits		143,665.00	143,665.00	
Total	3,494,280.09	57,121,200.00	57,066,000.90	3,549,479.19

(continued)

Item	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
I. Short-term employee benefits	4,128,546.93	51,874,971.58	52,509,238.42	3,494,280.09
II. Post-employment benefits – defined contribution plans	2,887,660.30	4,732,622.53	7,620,282.83	
III. Termination benefits				
Total	7,016,207.23	56,607,594.11	60,129,521.25	3,494,280.09

(2) Presentation of short-term employee benefits

Item	31 December 2024	Increase in the current period	Decrease in the current period	30 April 2025
1. Wages, bonuses, allowances and subsidies	3,186,978.69	14,081,722.93	14,672,390.00	2,596,311.62
2. Staff welfare		905,759.29	905,759.29	
3. Social security contributions		790,451.72	790,451.72	
Including: Medical insurance		754,480.09	754,480.09	
Work injury, Maternity insurance		35,971.63	35,971.63	
4. Housing funds		1,403,072.00	1,403,072.00	
5. Labour union funds and employee education funds	362,500.50	278,996.68	455,852.02	185,645.16
Total	3,549,479.19	17,460,002.62	18,227,525.03	2,781,956.78

(continued)

Item	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
1. Wages, bonuses, allowances and subsidies	3,373,834.93	41,005,305.09	41,192,161.33	3,186,978.69
2. Staff welfare		2,870,102.10	2,870,102.10	–
3. Social security contributions	–	2,646,194.16	2,646,194.16	–
Including: Medical insurance		2,544,539.95	2,544,539.95	
Work injury, Maternity insurance		101,654.21	101,654.21	–
4. Housing funds		4,098,316.00	4,098,316.00	
5. Labour union funds and employee education funds	120,445.16	828,908.22	586,852.88	362,500.50
Total	3,494,280.09	51,448,825.57	51,393,626.47	3,549,479.19

(continued)

Item	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
1. Wages, bonuses, allowances and subsidies	4,072,537.70	40,948,733.41	41,647,436.18	3,373,834.93
2. Staff welfare		3,928,926.43	3,928,926.43	
3. Social security contributions	56,009.23	2,532,047.42	2,588,056.65	
Including: Medical insurance		2,446,391.68	2,446,391.68	
Work injury, Maternity insurance	56,009.23	85,655.74	141,664.97	
4. Housing funds		3,479,921.00	3,479,921.00	
5. Labour union funds and employee education funds		985,343.32	864,898.16	120,445.16
Total	4,128,546.93	51,874,971.58	52,509,238.42	3,494,280.09

(3) Presentation of defined contribution plans

Item	31 December 2024	Increase in the current period	Decrease in the current period	30 April 2025
1. Basic pensions		1,829,584.14	1,829,584.14	
2. Unemployment insurance		57,175.13	57,175.13	
Total		1,886,759.27	1,886,759.27	

(continued)

Item	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
1. Basic pensions		5,361,172.93	5,361,172.93	
2. Unemployment insurance		167,536.50	167,536.50	
Total		5,528,709.43	5,528,709.43	

(continued)

Item	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
1. Basic pensions	2,800,145.45	4,589,207.71	7,389,353.16	
2. Unemployment insurance	87,514.85	143,414.82	230,929.67	
Total	2,887,660.30	4,732,622.53	7,620,282.83	

(4) Termination benefits

Item	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Termination benefits		143,665.00	143,665.00	
Total		143,665.00	143,665.00	

19. Taxes Payable

Item	30 April 2025	31 December 2024	31 December 2023
VAT		859,794.62	
Individual income	177,950.78	362,285.14	398,663.07
Total	177,950.78	1,222,079.76	398,663.07

20. Other payables

(1) Presentation of accounts receivable by nature

Item	30 April 2025	31 December 2024	31 December 2023
Current account	25,486,404.60	25,358,620.33	116,587,715.68
Daily operating expenses	757,362.54	1,457,037.42	692,956.03
Deposits, guarantees	136,486.69	124,252.77	88,210.00
Total	26,380,253.83	26,939,910.52	117,368,881.71

(2) As of the end of April 2025, the balance of the Group's significant other payables aged over one year at the end of the current reporting year amounted to RMB25,362,537.14, which had not been unsettled or carried forward because the two parties had not reached an agreement on the settlement matters.

As of the end of 2024, the balance of the Group's significant other payables aged over one year amounted to RMB16,200,978.88, which had not been unsettled or carried forward because the two parties had not reached an agreement on the settlement matters.

As of the end of 2023, the Group's significant other payable balance aged over one year amounted to RMB16,059,875.85, which had not been unsettled or carried forward because the parties had not reached an agreement on settlement matters.

21. Non-current Liabilities due within One Year

Item	30 April 2025	31 December 2024	31 December 2023
Current portion of lease liabilities	159,363,928.82	181,923,804.59	191,185,180.52
Total	159,363,928.82	181,923,804.59	191,185,180.52

22. Other Current Liabilities

Item	30 April 2025	31 December 2024	31 December 2023
Output VAT to be recognised	575.78	13,264.88	1,095.15
Total	575.78	13,264.88	1,095.15

23. Lease liabilities

		Increase in the current period				
Item	31 December 2024	New lease	Interest for the current period	Others	Decrease in the current period	30 April 2025
Houses and buildings	116,426,521.03	4,031,183.64	1,592,550.50		8,238,312.85	113,811,942.32
Machinery and equipment	1,171,482,572.07	17,262,488.98	15,514,702.51	402,921.86	72,393,598.93	1,132,269,086.49
Less: Lease liabilities due within one year	181,923,804.59	–	–	–	–	159,363,928.82
Total	1,105,985,288.51	–	–	–	–	1,086,717,099.99

(continued)

		Increase in the current year				
Item	31 December 2023	New lease	Interest for the current year	Others	Decrease in the current year	31 December 2024
Buildings	67,390,146.79	75,019,317.12	2,020,934.06		28,003,876.94	116,426,521.03
Machinery and equipment	1,181,804,694.72	113,469,492.42	40,748,840.57		164,540,455.64	1,171,482,572.07
Less: Lease liabilities due within one year	191,185,180.52	–	–	–	–	181,923,804.59
Total	1,058,009,660.99	–	–	–	–	1,105,985,288.51

(continued)

Item	31 December 2022	Increase in the current year: New lease	Increase in the current year: Interest for the current year	Increase in the current year: Others	Decrease in the current year	31 December 2023
Houses and buildings	40,940,518.98	48,659,584.87	6,683,770.72		28,893,727.78	67,390,146.79
Machinery and equipment	534,599,681.95	919,930,157.03	8,526,690.95		281,251,835.21	1,181,804,694.72
Less: Current portion of lease liabilities within one year	67,404,811.20	–	–	–	–	191,185,180.52
Total	508,135,389.73	–	–	–	–	1,058,009,660.99

24. Share capital

Owner's name	31 December 2024	Increase in the current period	Decrease in the current period	30 April 2025
Hainan Airport Development Industry Group Co., Ltd.	374,953,130.86			374,953,130.86
Total	374,953,130.86			374,953,130.86

(continued)

Owner's name	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Hainan Airport Development Industry Group Co., Ltd.	374,953,130.86			374,953,130.86
Total	374,953,130.86			374,953,130.86

(continued)

Owner's name	31 December 2022	Increase in the current year	Decrease in current year	31 December 2023
Hainan Airport Development Industry Group Co., Ltd.	374,953,130.86			374,953,130.86
Total	374,953,130.86			374,953,130.86

25. Other Comprehensive Income

Item	31 December 2023	Amount before income tax: Amount incurred during the year	Amount before income tax: Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Amount before income tax: Less: Previous other comprehensive income converted to current retained earnings	Less: Income tax expenses	After-tax amount attributable to parent company	After-tax amount attributable to minority shareholders	31 December 2024
I. Other comprehensive income that cannot be reclassified to profit or loss	-5,483,918.89	6,451,669.28			967,750.39	5,483,918.89		
Of which: remeasurement of changes in defined benefit plans								
Other comprehensive income not transferable to profit or loss under the equity method								
Changes in fair value of investments in other equity instruments	-5,483,918.89	6,451,669.28			967,750.39	5,483,918.89		
Changes in fair value of the enterprise's own credit risk								
II. Other comprehensive income to be reclassified to profit or loss								
Of which: Other comprehensive income available for transfer to profit or loss under the equity method								
Changes in fair value of other debt investments								
Amounts reclassified from financial assets to other comprehensive income								
Provision for credit impairment of other debt investments								
Cash flow hedge reserve								

Item	31 December 2023	Amount before income tax: Amount incurred during the year	Amount before income tax: Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Amount before income tax: Less: Previous other comprehensive income converted to current retained earnings	Less: Income tax expenses	After-tax amount attributable to parent company	After-tax amount attributable to minority shareholders	31 December 2024
Translation differences on foreign currency financial statements								
Total other comprehensive income	-5,483,918.89	6,451,669.28			967,750.39	5,483,918.89		

(continued)

Item	31 December 2022	Amount incurred during the year: Amount before income tax	Amount incurred during the year: Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Amount incurred during the year: Less: Previous other comprehensive income converted to current retained earnings	Less: Income tax expense	After-tax amount attributable to parent company	After-tax amount attributable to minority shareholders	31 December 2023
I. Other comprehensive income that cannot be reclassified to profit or loss		-6,451,669.28			-967,750.39	-5,483,918.89		-5,483,918.89
Of which: remeasurement of changes in defined benefit plans								
Changes in fair value of investments in other equity instruments		-6,451,669.28			-967,750.39	-5,483,918.89		-5,483,918.89
II. Other comprehensive income to be reclassified to profit or loss								

Item	31 December 2022	Amount incurred during the year						31 December 2023
		Amount before income tax	Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Less: Previous other comprehensive income converted to current retained earnings	Less: Income tax expense	After-tax amount attributable to parent company	After-tax amount attributable to minority shareholders	
Of which: Other comprehensive income available for transfer to profit or loss under the equity method								
Changes in fair value of other debt investments								
Amounts reclassified from financial assets to other comprehensive income								
Provision for credit impairment of other debt investments								
Cash flow hedge reserve								
Translation differences on foreign currency financial statements								
Total other comprehensive income		-6,451,669.28			-967,750.39	-5,483,918.89		-5,483,918.89

26. Surplus reserve

Item	31 December 2024	Increase in the current period	Decrease in the current period	30 April 2025
Statutory surplus reserve	41,929,964.92	1,289,203.65		43,219,168.57
Total	41,929,964.92	1,289,203.65		43,219,168.57

(continued)

Item	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Statutory surplus reserve	36,421,533.65	5,508,431.27		41,929,964.92
Total	36,421,533.65	5,508,431.27		41,929,964.92

(continued)

Item	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Statutory surplus reserve	28,985,229.63	7,436,304.02		36,421,533.65
Total	28,985,229.63	7,436,304.02		36,421,533.65

27. Retained Earnings

Item	January to April 2025	2024	2023
Undistributed profit as at the end of last period before adjustment	106,746,537.72	66,926,736.19	-79,686,803.65
Adjustment for total undistributed profits as at the beginning of the period (+ for increase and – for decrease)			
Undistributed profits as at the beginning of the period after adjustment	106,746,537.72	66,926,736.19	-79,686,803.65
Add: Net profit attributable to owners of the parent company for the current period	12,892,036.47	55,084,312.69	153,895,162.43
Less: Appropriation of statutory surplus reserve	1,289,203.65	5,508,431.27	7,436,304.02
Less: Internal transfer of owners' equity		9,756,079.89	
Add: Others:			154,681.43
Retained earnings at the end of the period	118,349,370.54	106,746,537.72	66,926,736.19

28. Revenue and Cost of Sales

	January to April 2025		2024		2023	
Item	Revenue	Cost	Revenue	Cost	Revenue	Cost
Main operations	128,640,036.11	79,667,674.28	378,272,516.80	226,832,884.21	414,079,244.80	252,824,262.59
Other operations	2,266,858.58		6,466,896.32		7,013,089.05	
Total	130,906,894.69	79,667,674.28	384,739,413.12	226,832,884.21	421,092,333.85	252,824,262.59

29. Taxes and Surcharges

Item	January to April 2025	2024	2023
Stamp tax	53,676.76	108,156.82	235,197.61
Total	53,676.76	108,156.82	235,197.61

30. Selling Expenses

Item	January to April 2025	2024	2023
Employee benefits	1,708,596.37	5,298,732.38	5,368,614.26
Depreciation and amortization	606.40	1,504.38	840.48
Travel expenses	6,900.79	28,948.38	45,409.31
Others	9,974.09	41,317.21	60,515.50
Total	1,726,077.65	5,370,502.35	5,475,379.55

31. Administrative Expenses

Item	January to April 2025	2024	2023
Employee benefits	2,323,167.02	10,278,568.90	10,848,038.80
Depreciation and amortization	2,246,491.12	7,042,736.60	7,156,409.41
Property utilities	2,004,284.88	7,129,866.83	7,253,302.89
Party construction expenses	266,839.03	748,706.77	931,069.90
Travel cost	111,897.32	755,663.67	747,370.06
Information service expenses	111,865.70	430,120.93	545,228.21
Intermediary service expenses		8,000.00	614,328.07
Others	371,310.47	730,813.51	1,977,975.25
Total	7,435,855.54	27,124,477.21	30,073,722.59

32. Finance Expenses

Item	January to April 2025	2024	2023
Interest expenses	17,107,253.01	42,769,774.63	15,210,461.67
Less: Interest income	36,930.19	196,263.75	1,074,719.12
Bank charges	7,137.50	30,204.63	31,453.05
Currency exchange losses	38,079.09	26,238.60	62,158.22
Total	17,115,539.41	42,629,954.11	14,229,353.82

33. Other Income

Classification of other income

Item	January to April 2025	Amounts included in non-recurring profit or loss in January to April 2025	2024	Amounts included in non-recurring profit or loss in 2024	2023	Amounts included in non-recurring profit or loss in 2023
Government grants			176,635.06	176,635.06	100,000.00	100,000.00
Additional deduction of VAT					4,236,020.80	4,236,020.80
Refund of service fees for individual income tax	59,396.36		65,383.81		44,699.56	
Total	59,396.36		242,018.87	176,635.06	4,380,720.36	4,336,020.80

Note: For details of government grants included in other income, please refer to Note IX "Government grants".

34. Investment Income

Item	January to April 2025	2024	2023
Others		-25,498.76	
Total		-25,498.76	

35. Expected Credit Losses

Item	January to April 2025	2024	2023
Provision for bad debt of accounts receivables	-8,337,031.47	-21,305,518.80	-20,195,605.36
Provision for bad debt of other receivables			6,216.22
Total	-8,337,031.47	-21,305,518.80	-20,189,389.14

36. Gain on Disposals of Assets

Item	January to April 2025	Amounts included in non-recurring profit or loss in January to April 2025	2024	Amounts included in non-recurring profit or loss in 2024	2023	Amounts included in non-recurring profit and loss in 2023
Gain on disposals of long-term assets			13,149.55	13,149.55	-779,646.38	-779,646.38
Total			13,149.55	13,149.55	-779,646.38	-779,646.38

37. Non-operating Income

Item	January to April 2025	Amounts included in non-recurring profit or loss in January to April 2025	2024	Amounts included in non-recurring profit or lose in 2024	2023	Amounts included in non-recurring profit or loss in 2023
Others			3,052.18	3,052.18	0.37	0.37
Total			3,052.18	3,052.18	0.37	0.37

38. Non-operating Expenses

Item	January to April 2025	Amounts included in non-recurring profit or loss in January to April 2025	2024	Amounts included in non-recurring profit or loss in 2024	2023	Amounts included in non-recurring profit or loss in 2023
Non-current asset damage and scrap loss	720.51	720.51	46,466.32	46,466.32	9,437.96	9,437.96
Penalty			146,472.61	146,472.61		
Total	720.51	720.51	192,938.93	192,938.93	9,437.96	9,437.96

39. Income Tax Expenses

(1) Income tax expense statement

Item	January to April 2025	2024	2023
Current income tax expenses		743,515.81	-4,642,027.28
Deferred income tax expenses	3,737,678.96	5,579,874.03	-47,596,469.53
Total	3,737,678.96	6,323,389.84	-52,238,496.81

(2) Reconciliation of accounting profit and income tax expenses

Item	January to April 2025	2024	2023
Total profits	16,629,715.43	61,407,702.53	101,656,664.94
Income tax expense calculated at statutory/applicable tax rates	2,494,457.31	9,211,155.38	15,248,499.74
Effect of application of different tax rate to subsidiaries			
Adjustment to income tax in previous year		743,515.81	-4,642,027.28
Effect of non-taxable income			
Effect of non-deductible cost, expense and loss	1,243,221.65	27,650.89	5,447.82
Utilization of tax losses and deductible losses in previous period		-3,658,932.24	-17,295,634.40
Effect of recognition of previously unrecognized deferred income tax			-45,554,783.58
Effect of deductible temporary difference or deductible loss unrecognized as deferred tax assets in current year			0.89
Total	3,737,678.96	6,323,389.84	-52,238,496.81

40. Items in the Cash Flow Statement

(1) Cash received relating to other operating activities

Item	January to April 2025	2024	2023
Deposit interest	36,930.19	196,263.75	1,074,719.12
Current accounts and others	536,868.71	9,549,765.91	3,910,401.55
Total	573,798.90	9,746,029.66	4,985,120.67

(2) Cash paid relating to other operating activities

Item	January to April 2025	2024	2023
Out-of-pocket costs and others	529,509.52	9,606,036.70	3,659,492.22
Payment of current accounts	699,674.88	6,868,733.07	25,339,783.77
Total	1,229,184.40	16,474,769.77	28,999,275.99

(3) Cash received from other activities relating to investments

Item	January to April 2025	2024	2023
Disposal of investments in other equity instruments		14,746,734.09	
Total		14,746,734.09	

(4) Cash paid relating to other investing activities

Item	January to April 2025	2024	2023
Payment of stock transaction fees		12,742.61	
Total		12,742.61	

(5) Cash received relating to other financing activities

Item	January to April 2025	2024	2023
Funds on discounted bills		54,821,399.40	
Total		54,821,399.40	

(6) Cash payments relating to other financing activities

Item	January to April 2025	2024	2023
Payment of rental expense	100,253,288.52	119,963,049.22	145,527,855.58
Total	100,253,288.52	119,963,049.22	145,527,855.58

41. Supplementary Information to the Cash Flow Statement

(1) Supplementary information to the cash flow statement

Supplementary information	End of April 2025	2024	2023
1. Reconciliation of net profit to cash flows from operating activities:			
Net profit	12,892,036.47	55,084,312.69	153,895,161.75
Add: Provision for assets impairment			
Credit impairment losses	8,337,031.47	21,305,518.80	20,189,389.14
Depreciation of fixed assets	4,636,819.72	6,975,959.78	2,998,767.60
Depreciation of right-of-use assets	47,715,224.12	138,720,906.16	59,432,830.47
Amortisation of intangible assets	136,042.88	405,114.77	365,103.00
Amortisation of long-term prepaid expenses			
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain denoted in "-")		-13,149.55	779,646.38
Loss on retirement of fixed assets (Gain denoted in "-")	720.51	46,466.32	9,437.96
Loss on change in fair value (Gain denoted in "-")		–	
Financial expenses (Gain denoted in "-")	17,107,253.01	42,769,774.63	15,210,461.67
Investment loss (Gain denoted in "-")		25,498.76	–
Decrease in deferred tax assets (Increase denoted in "-")	7,708,469.04	908,294.54	-148,165,285.69
Increase in deferred tax liabilities (Decrease denoted in "-")	-3,970,790.08	4,671,579.49	100,568,816.16
Decrease in inventories (Increase denoted in "-")	196,313.28	-135,345.19	129,638.55
Decrease in operating receivables (Increase denoted in "-")	19,581,068.56	58,548,900.80	-24,860,614.50
Increase in operating payables (Decrease denoted in "-")	-18,436,671.89	-186,317,500.41	33,076,810.65
Others			
Net cash flows from operating activities	95,903,517.09	142,996,331.59	213,630,163.14
2. Significant investment and financing activities not involving cash receipts and payments:			
Liabilities converted into equity			
Convertible company debentures due within one year			
Fixed assets under finance leases			
3. Net movement in cash and cash equivalents:			
Cash at the end of the year	5,040,126.43	22,867,345.90	3,705,797.42
Less: Cash at the beginning of the year	22,867,345.90	3,705,797.42	34,189,802.87
Add: Cash equivalents at the end of the year			
Less: Cash equivalents at the beginning of the year			
Net increase in cash and cash equivalents	-17,827,219.47	19,161,548.48	-30,484,005.45

(2) Composition of cash and cash equivalents

Item	End of April 2025	2024	2023
I. Cash	5,040,126.43	22,867,345.90	3,705,797.42
Including: cash on hand			
Bank deposits that can be used for payment at any time	5,040,126.43	22,862,780.98	3,705,797.42
Other monetary funds that can be used for payment at any time		4,564.92	
II. Cash equivalents			
Including: Debt investments due within three months			
III. Cash and cash equivalents at the end of the year	5,040,126.43	22,867,345.90	3,705,797.42

42. Assets with Ownership or Use Right Restricted

Item	Carrying value as at 30 April 2025	Carrying value as at 31 December 2024	Carrying value as at 31 December 2023	Reasons for such restriction
Cash at bank and on hand	600,000.00	600,000.00		Bond for letter of guarantee
Right-of-use assets	532,400,745.70	546,143,470.06	587,371,643.14	Security over Leasing Equipment under Finance Lease
Total	533,000,745.70	546,743,470.06	587,371,643.14	

43. Monetary Items Denominated in Foreign Currencies

Item	Balance denominated in foreign currency as at the end of 2024	Exchange rate	Balance denominated in RMB as at the end of 2024
Cash at bank and on hand			
Including: United States dollars	0.17	7.1884	1.22

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

There were no changes in the scope of consolidation of the Group during the reporting period.

VIII. INTERESTS IN OTHER ENTITIES

Interests in subsidiaries:

Name of subsidiaries	Main place of business	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Chongqing Sky Plumage Flight Training Co., Ltd. (重慶天羽航空飛行培訓有限公司)	Chongqing	Chongqing	Commercial pilot training	81.00		Establishment

IX. GOVERNMENT GRANT

Government grants included in profit or loss for the current year

Type	End of April 2025	2024	2023
Subsidies for stabilizing posts		111,035.06	
Refund subsidies for key groups with employment		15,600.00	
Municipal Science Museum Assessment Award in 2023 (2023年度市級科普場館考核獎)		50,000.00	
Special Funds for Provincial Basic-level Science Popularization Campaign in 2023 (2023年省級基層科普行動計劃專項資金)			100,000.00

X. RISK RELATED TO FINANCIAL INSTRUMENT

The Group's normal activities expose it to a variety of financial risks, mainly including: market risk, credit risk and liquidity risk. The Group's risk management policies are established to identify and analyze the risks faced by the Group, and the Group has adopted the following financial management policies and practices to control these risks to ensure that the above risks are controlled within a limited scope.

1. Market Risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group is subject to foreign exchange risk mainly related to USD, EUR and HKD, and the Group's major business activities are still denominated and settled in RMB. As at 30 April 2025, the balances of assets and liabilities of the Group were denominated in RMB. The exchange rate risk arising from the assets and liabilities of such foreign currency balance has limited amount of impact on the Group's operating results. The Group has not taken any measures to hedge against foreign exchange risk at present.

As the Group held a very small amount of foreign exchange at the end of the period, the impact of a reasonably possible change in foreign exchange on current profit or loss and shareholders' equity is negligible.

(2) Interest rate risk – risk of changes in cash flows

The risk of changes in cash flows from financial instruments as a result of interest rate change mainly relates to floating-rate bank loans. It is the Group's policy to determine the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market conditions. As at 30 April 2025, the Group's interest-bearing debt mainly consisted of RMB-denominated fixed-rate borrowing contracts.

Under the assumption that other variables were held constant, reasonable interest rate fluctuations would have no effect on profit or loss for the current period and shareholders' equity.

(3) Other price risk

Other price risks refer to the risks of fluctuations due to change of market prices other than the exchange rate risk and the interest rate risk, no matter whether the change is caused by the factors related to individual financial instruments or their issuers, or by the factors related to all similar financial instruments the transactions of which are carried out in the market.

2. Credit Risk

(1) Cash at bank and on hand

The Group's credit risk related to liquidity was relatively low as its liquidity was deposited in banks with a high credit rating.

(2) Receivables

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant.

The Group's aviation training revenues are generally paid by settlement with airline lines, with a longer payment period during the settlement period. Credit risk is managed centrally on the basis of the ageing of customer payments. The Group's maximum possible credit risk equals to the carrying amounts of accounts receivable in the consolidated balance sheet. As at 30 April 2025, receivables with impairment individually amounted to RMB34,254,011.77. Based on the estimated recoverable amount, the Group has made provision for bad debts at 100% or other probable recoverable rates, which can effectively prevent the risks.

3. Liquidity Risk

In managing the liquidity risk, the Group maintains and monitors cash and cash equivalents as deemed sufficient by the management to meet the Group's operating requirements and to minimize the impact of fluctuations in cash flows. The Group's management monitors the utilization of bank borrowings and makes sure the related borrowing agreements are complied with.

As at 30 April 2025, the following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Item	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Accounts payable	256,445,311.71				256,445,311.71
Other payable	26,380,253.83				26,380,253.83
Non-current liabilities due within one year (including interest)	159,363,928.82				159,363,928.82
Lease liabilities (including interest)		158,958,715.70	172,211,330.63	755,547,053.66	1,086,717,099.99
Total	442,189,494.36	158,958,715.70	172,211,330.63	755,547,053.66	1,528,906,594.35

As at 31 December 2024, the following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Item	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Accounts payable	279,706,235.26				279,706,235.26
Other payable	26,939,910.52				26,939,910.52
Short-term borrowings	21,294,065.00				21,294,065.00
Non-current liabilities due within one year (including interest)	181,923,804.59				181,923,804.59
Lease liabilities (including interest)		152,623,401.86	156,663,468.39	796,698,418.26	1,105,985,288.51
Total	509,864,015.37	152,623,401.86	156,663,468.39	796,698,418.26	1,615,849,303.88

An analysis of the financial liabilities held by the Group at 31 December 2023, based on the maturity of the undiscounted remaining contractual obligations is as follows:

Item	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Accounts payable	363,959,291.36				363,959,291.36
Other payable	117,368,881.71				117,368,881.71
Non-current liabilities due within one year (including interest)	191,185,180.52				191,185,180.52
Lease liabilities (including interest)		109,334,128.47	116,348,323.75	832,327,208.77	1,058,009,660.99
Total	672,513,353.59	109,334,128.47	116,348,323.75	832,327,208.77	1,730,523,014.58

XI. FAIR VALUE DISCLOSURE

1. Closing Fair Values of Assets and Liabilities Measured at Fair Value

	Fair value at the end of 2024			
Item	Level 1 fair value measurements	Level 2 fair value measurements	Level 3 fair value measurements	Total
I. Continuous measurement at fair value				
(I) Trading financial assets				
(II) Investments in other equity instruments				
(III) Receivables financing			21,294,065.00	21,294,065.00
1. Bank acceptance bills			21,294,065.00	21,294,065.00
Total assets measured at fair value on a recurring basis			21,294,065.00	21,294,065.00

(continued)

	Fair value at the end of 2023			
Item	Level 1 fair value measurements	Level 2 fair value measurements	Level 3 fair value measurements	Total
I. Continuous measurement at fair value				
(I) Trading financial assets				
(II) Investments in other equity instruments	18,038,340.64			18,038,340.64
(III) Receivables financing				
Total assets measured at fair value on a recurring basis	18,038,340.64			18,038,340.64

2. Determination basis for the market price of items measured at fair value at Level 1 on a continuous and non-continuous basis

The Group's level 1 fair value measurement items other investments in equity instruments are financial assets at fair value through other comprehensive income are partly listed company shares, which are measured at fair value based on the closing price of the stock exchange at the end of the period.

3. Determination basis for the market price of items measured at fair value at Level 3 on a continuous and non-continuous basis

The Group's level 3 fair value measurements of items receivable financing bank acceptance bills are measured at carrying value as fair value.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. General Information of the Parent Company

Name of the parent company	Place of registration	Nature of business	Registered capital *(RMB ten thousand)*	The percentages of shareholding in the Company held by the parent company *(%)*	The percentages of voting rights in the Company held by the parent company *(%)*
Hainan Airport Development Industry Group Co., Ltd. (海南空港開發產業集團有限公司)	Haikou	Investment management	2,000,862.4648	100.00	100.00

Note: The ultimate controlling party of the Company is Hainan State-owned Assets Supervision and Administration Commission (海南省國有資產監督管理委員會).

2. Information of Other Related Parties

Name of other related parties	Relationship with the Group
Grand China Aircraft Maintenance Service Co., Ltd. (大新華飛機維修服務有限公司)	Other related party
Grand China Aircraft Maintenance Service Co., Ltd., Beijing Branch (大新華飛機維修服務有限公司北京分公司)	Other related party
Tibet Jing Rong Enterprises Management Company Limited. (西藏璟融企業管理有限公司) (formerly known as Duilong Hangyuan Chuang Rong Venture Capital Investment Management Co., Ltd. (堆龍航遠創融創業投資管理有限公司))	Other related party
HNA Aviation Management Services Co.,Ltd. (海航航空管理服務有限公司)	Other related party
HNA Technic Co., Ltd. (海航航空技術有限公司)	Other related party
HNA Import and Export Co., Limited (海航進出口有限公司)	Other related party

Name of other related parties	Relationship with the Group
Hainan Supply and Marketing Daji Kupu Trading Co., Ltd., Haikou Branch (海南供銷大集酷鋪商貿有限公司海口分公司)	Other related party
Hainan Haidao Linkong Industry Group Co., Ltd. (海南海島臨空產業集團有限公司)	Common ultimate controller
Hainan Airport Development Industry Group Co., Ltd. (海南空港開發產業集團有限公司)	Common ultimate controller
Hainan Haidao One-card Payment Network Co., Ltd. (海南海島一卡通支付網絡有限公司)	Other related party
HNA Meilan Airport Industry Investment Development Co., Ltd. (海南海航美蘭臨空產業投資開發有限公司)	Common ultimate controller
HNA Business Services Co., Ltd. (海南海航商務服務有限公司)	Other related party
Hainan Haikong Environment Technology Holding Co., Ltd. (海南海控環保科技有限公司)	Common ultimate controller
Hainan Airport Infrastructure Co., Ltd.(海南機場設施股份有限公司)	Common ultimate controller
Hainan Meilan Airport Hotel Investment Co., Ltd. (海南美蘭機場酒店投資有限公司)	Other related party
Hainan Property Management Group Co., Ltd. (海南物管集團股份有限公司)	Common ultimate controller
Hainan Property Management Group Co., Ltd., Sanya Branch (海南物管集團股份有限公司三亞分公司)	Common ultimate controller
Bank of Hainan Co., Ltd. (海南銀行股份有限公司)	Other related parties
Sanya Phoenix International Airport Terminal Services Co. Ltd., Phoenix Airport Hotel Branch (三亞鳳凰國際機場候機樓服務有限公司鳳凰機場酒店分公司) (formerly known as Sanya Phoenix International Airport Air Terminal Services Co. Ltd., Airport Branch (三亞鳳凰國際機場候機樓服務有限公司機場分公司))	Common ultimate controller
Sanya Aviation & Tourism College (三亞航空旅遊職業學院)	Other related party

3. Related Party Transactions

(1) Related party transactions on purchases and sales of goods, provision and receipt of services

① *Purchase of goods/acceptance of services*

Related party	Related-party transaction details	January to April 2025	2024	2023
HNA Technic Co., Ltd. (海航航空技術有限公司)	Procurement of aviation materials, system utilization fees	902,871.29	1,229,043.53	1,308,581.55
Hainan Property Management Group Co., Ltd., Sanya Branch (海南物管集團股份有限公司三亞分公司)	Property management fees		901,465.26	881,099.33
Hainan Meilan Airport Hotel Investment Co., Ltd. (海南美蘭機場酒店投資有限公司)	Training assurance fees	106,620.30	1,367,482.00	1,109,500.94
Grand China Aircraft Maintenance Service Co., Ltd. (大新華飛機維修服務有限公司)	Maintenance fees		35,076.69	
Sanya Aviation & Tourism College (三亞航空旅遊職業學院)	Four-pest disinfecting and garden maintenance fees	29,994.41	31,525.32	61,446.31

② *Sale of goods/provision of services*

Related party	Related-party transaction details	January to April 2025	2024	2023
HNA Technic Co., Ltd. (海航航空技術有限公司)	Training fees	387,867.93	1,141,067.46	1,036,288.13
Grand China Aircraft Maintenance Service Co., Ltd. (大新華飛機維修服務有限公司)	Training fees	89,867.93	116,320.76	76,716.98
Grand China Aircraft Maintenance Service Co., Ltd., Beijing Branch (大新華飛機維修服務有限公司北京分公司)	Training fees			9,584.91
HNA Meilan Airport Industry Investment Development Co., Ltd. (海南海航美蘭臨空產業投資開發有限公司)	Revenue from simulator experience			2,264.15
Hainan Airport Infrastructure Co., Ltd. (海南機場設施股份有限公司	Revenue from simulator experience			2,264.15

(2) Leases

① *The Group as the lessor*

Lessee	Leased Asset Type	January to April 2025	2024	2023
Hainan Supply and Marketing Daji Kupu Trading Co., Ltd., Haikou Branch (海南供銷大集酷鋪商貿有限公司海口分公司)	Building	17,929.54	71,718.16	71,718.16

② *The Group as the lessee*

Lessor	Leased Asset Type	January to April 2025	2024	2023
Sanya Aviation & Tourism College (三亞航空旅遊職業學院)	Building, simulators	9,230,481.52	28,065,162.69	28,269,734.13

(3) Deposits placed with related parties and interest income

Related party	Deposit balance 30 April 2025	Deposit balance 31 December 2024	Deposit balance 31 December 2023	Interest income January to April 2025	Interest income 2024	Interest income 2023
Bank of Hainan Co., Ltd. (海南銀行股份有限公司)	2,042,021.29	16,707,982.65	3,483,084.77	24,426.83	160,388.53	957,555.74

4. Receivables and Payables from Related Parties

(1) Receivables from related parties

Related party	30 April 2025 Carrying amount	30 April 2025 Bad debt reserve	31 December 2024 Carrying amount	31 December 2024 Bad debt reserve	31 December 2023 Carrying amount	31 December 2023 Bad debt reserve
Accounts receivable:						
Grand China Aircraft Maintenance Service Co., Ltd. (大新華飛機維修服務有限公司)	95,260.00	4,763.00	20,320.00	1,016.00	38,240.00	1,912.00
HNA Technic Co., Ltd. (海航航空技術有限公司)	623,712.70	31,185.64	212,572.70	10,628.64	232,080.00	11,604.00
Total	718,972.70	35,948.64	232,892.70	11,644.64	270,320.00	13,516.00
Other receivables:						
Hainan Airport Development Industry Group Co., Ltd. (海南空港開發產業集團有限公司)					115,428,910.76	
Total					115,428,910.76	

(2) Payables

Related party	30 April 2025	31 December 2024	31 December 2023
Accounts payable:			
Sanya Aviation & Tourism College (三亞航空旅遊職業學院)	25,001,238.34	98,532.72	5,822,931.39
Hainan Property Management Group Co., Ltd. (海南物管集團股份有限公司)	3,337,443.19	3,337,443.19	16,502,476.97
Sanya Phoenix International Airport Terminal Services Co. Ltd., Phoenix Airport Hotel Branch (三亞鳳凰國際機場候機樓服務有限公司鳳凰機場酒店分公司) (formerly known as Sanya Phoenix International Airport Air Terminal Services Co. Ltd., Airport Branch (三亞鳳凰國際機場候機樓服務有限公司機場分公司))	2,034,014.41	2,034,014.41	18,542,374.41
HNA Technic Co., Ltd. (海航航空技術有限公司)	1,183,819.38	164,619.14	457,982.09
Hainan Property Management Group Co., Ltd., Sanya Branch (海南物管集團股份有限公司三亞分公司)	630,862.97	630,862.97	3,563,630.97
Hainan Meilan Airport Hotel Investment Co., Ltd. (海南美蘭機場酒店投資有限公司)	99,370.00	45,175.94	37,045.62
Hainan Haikong Environment Technology Holding Co., Ltd. (海南海控環保科技有限公司)	5,824.14	5,824.14	5,824.14
Hainan Haidao Linkong Industry Group Co., Ltd. (海南海島臨空產業集團有限公司)			6,831,217.19
Total	32,292,572.43	6,316,472.51	51,763,482.78

Related party	30 April 2025	31 December 2024	31 December 2023
Other payables:			
Hainan Airport Development Industry Group Co., Ltd. (海南空港開發產業集團有限公司)	9,084,788.74	9,084,788.74	
Tibet Jing Rong Enterprises Management Company Limited. (西藏璟融企業管理有限公司) (formerly known as Duilong Hangyuan Chuang Rong Venture Capital Investment Management Co., Ltd. (堆龍航遠創融創業投資管理有限公司))	7,602,800.00	7,602,800.00	7,602,800.00
Hainan Haidao One-card Payment Network Co., Ltd. (海南海島一卡通支付網絡有限公司)	123,867.46	123,867.46	123,867.46
Hainan Meilan Airport Hotel Investment Co., Ltd. (海南美蘭機場酒店投資有限公司)		100,000.00	100,000.00
Hainan Supply and Marketing Daji Kupu Trading Co., Ltd., Haikou Branch (海南供銷大集酷鋪商貿有限公司海口分公司)	50,000.00	50,000.00	50,000.00
Hainan Property Management Group Co., Ltd. (海南物管集團股份有限公司)		100.00	100.00
HNA Import and Export Co., Limited (海航進出口有限公司)			100,000.00
HNA Business Services Co., Ltd. (海南海航商務服務有限公司)			21,710.00
HNA Aviation Management Services Co., Ltd. (海航航空管理服務有限公司)			100,000.00
Hainan Airport Infrastructure Co., Ltd. (海南機場設施股份有限公司)			99,914,512.49
Total	16,861,456.20	16,961,556.20	108,012,989.95

XIII. SHARE-BASED PAYMENTS

The Group has not events related to payment of dividend.

XIV. COMMITMENTS AND CONTINGENCIES

1. Important Commitment

As of 30 April 2025, the Company had no important commitment that needs to be disclosed.

2. Contingencies

As of 30 April 2025, the Group has no important contingency that needs to be disclosed.

XV. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

As at the date of this report, the Group has no other significant post balance sheet date non-adjusting events required to be disclosed.

XVI. OTHER MATERIAL MATTERS

As of 30 April 2025, there were no other material matters for the Group to disclose.

XVII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts Receivable

(1) Disclosure by age

Age	30 April 2025	31 December 2024	31 December 2023
Within 1 year (inclusive)	217,868,179.20	242,693,549.32	268,720,169.01
1 to 2 years (inclusive)	88,204,682.91	63,467,274.94	11,661,352.04
2 to 3 years (inclusive)	10,708,149.60	11,388,882.54	82,157,339.70
3 to 4 years (inclusive)	51,922,955.99	81,657,239.40	55,842,763.07
4 to 5 years (inclusive)	86,435,078.02	54,688,062.67	8,730,965.85
Ove 5 years	12,453,527.77	10,749,149.27	2,019,135.00
Subtotal	467,592,573.49	464,644,158.14	429,131,724.67
Less: Provision for bad debts	119,232,112.02	110,895,080.55	89,589,561.75
Total	348,360,461.47	353,749,077.59	339,542,162.92

(2) Method of provision for bad debts by category

	30 April 2025				
	Carrying amount		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Provision ratio (%)	Carrying amount
Accounts receivable with provision for bad debts made on an individual basis	34,254,011.77	7.33	34,254,011.77	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	433,338,561.72	92.67	84,978,100.25	19.61	348,360,461.47
Including:					
Aging portfolio	433,338,561.72	92.67	84,978,100.25	19.61	348,360,461.47
Related party portfolio					
Total	467,592,573.49	100.00	119,232,112.02	25.50	348,360,461.47

(continued)

	31 December 2024				
	Carrying amount		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Provision ratio (%)	Carrying amount
Accounts receivable with provision for bad debts made on an individual basis	34,253,916.15	7.37	34,253,916.15	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	430,390,241.99	92.63	76,641,164.40	17.81	353,749,077.59
Including:					
Aging portfolio	430,390,241.99	92.63	76,641,164.40	17.81	353,749,077.59
Related party portfolio					
Total	464,644,158.14	100.00	110,895,080.55	23.87	353,749,077.59

(continued)

	31 December 2023				
	Carrying amount		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Provision ratio (%)	Carrying amount
Accounts receivable with provision for bad debts made on an individual basis	35,907,983.25	8.37	35,907,983.25	100.00	
Accounts receivable with provision for bad debts accrued on a portfolio basis	393,223,741.42	91.63	53,681,578.50	13.65	339,542,162.92
Including:					
Ageing portfolio	393,223,741.42	91.63	53,681,578.50	13.65	339,542,162.92
Related Party Portfolio					
Total	429,131,724.67	100.00	89,589,561.75	20.88	339,542,162.92

① *Accounts receivable with provision for bad debts made on an individual basis at the end of the year*

	30 April 2025			
Name of debtors	Carrying amount	Provision for bad debts	Provision ratio (%)	Reasons for provision
Air Guilin Co., Ltd.	34,203,746.00	34,203,746.00	100.00	Expected recovery is subject to uncertainty
Korea Express Air Co., Ltd.	50,265.77	50,265.77	100.00	Expected recovery is subject to uncertainty
Total	34,254,011.77	34,254,011.77	100.00	

(continued)

Name of debtors	31 December 2024 Carrying amount	Provision for bad debts	Provision ratio *(%)*	Reasons for provision
Air Guilin Co., Ltd.	34,203,746.00	34,203,746.00	100.00	Expected recovery is subject to uncertainty
Korea Express Air Co., Ltd.	50,170.15	50,170.15	100.00	Expected recovery is subject to uncertainty
Total	34,253,916.15	34,253,916.15	100.00	

(continued)

Name of debtor	31 December 2023 Carrying amount	provision for bad debts	Accrual ratio *(%)*	Reasons for provision
Air Guilin Co., Ltd.	34,203,746.00	34,203,746.00	100.00	Expected recovery is subject to uncertainty
Okay Airways Co., Ltd. Tianjin Branch	1,654,800.00	1,654,800.00	100.00	Expected recovery is subject to uncertainty
Korea Express Air Co., Ltd.	49,437.25	49,437.25	100.00	Expected recovery is subject to uncertainty
Total	35,907,983.25	35,907,983.25	100.00	

② *Among the portfolios, accounts receivable with provision for bad debts accrued on an age portfolio basis*

Item	Carrying amount	30 April 2025 Provision for bad debts	Provision ratio (%)
Within 1 year (inclusive)	217,868,179.20	10,893,408.97	5.00
1 to 2 years (inclusive)	87,375,882.91	8,737,588.29	10.00
2 to 3 years (inclusive)	10,362,740.60	3,108,822.18	30.00
3 to 4 years (inclusive)	42,003,872.99	16,801,549.20	40.00
4 to 5 years (inclusive)	75,727,886.02	45,436,731.61	60.00
Total	433,338,561.72	84,978,100.25	19.61

(continued)

Item	Carrying amount	31 December 2024 Provision for bad debts	Provision ratio (%)
Within 1 year (inclusive)	242,691,866.44	12,134,593.09	5.00
1 to 2 years (inclusive)	62,293,065.94	6,229,306.59	10.00
2 to 3 years (inclusive)	9,347,532.54	2,804,259.76	30.00
3 to 4 years (inclusive)	70,808,306.40	28,323,322.56	40.00
4 to 5 years (inclusive)	45,249,470.67	27,149,682.40	60.00
Total	430,390,241.99	76,641,164.40	17.81

(continued)

Item	Carrying amount	31 December 2023 provision for bad debts	Provision ratio (%)
Within 1 year (inclusive)	267,545,962.41	13,377,298.12	5.00
1 to 2 years (inclusive)	9,620,001.94	962,000.19	10.00
2 to 3 years (inclusive)	70,808,306.40	21,242,491.92	30.00
3 to 4 years (inclusive)	45,249,470.67	18,099,788.27	40.00
Total	393,223,741.42	53,681,578.50	13.65

(3) Provision for bad debts

Category	Balance as at 31 December 2024	Amount of change during the period: Provision	Reversal or transferred	Resale or write-off	Other changes	Balance as at 30 April 2025
On an individual basis	34,253,916.15	95.62				34,254,011.77
On a grouping basis	76,641,164.40	8,336,935.85				84,978,100.25
Total	110,895,080.55	8,337,031.47				119,232,112.02

(continued)

Category	Balance as at 31 December 2023	Amount of change during the year: Provision	Reversal or transferred	Resale or write-off	Other changes	Balance as at 31 December 2024
On an individual basis	35,907,983.25		1,654,067.10			34,253,916.15
On a grouping basis	53,681,578.50	22,959,585.90				76,641,164.40
Total	89,589,561.75	22,959,585.90	1,654,067.10			110,895,080.55

(continued)

Category	Balance at 31 December 2022	Amount of change during the year: Provision	Reversal or transferred	Resale or write-off	Other changes	Balance at 31 December 2023
On an individual basis	31,696,587.00	4,924,076.25	712,680.00			35,907,983.25
On a grouping basis	37,697,369.39	15,984,209.11				53,681,578.50
Total	69,393,956.39	20,908,285.36	712,680.00			89,589,561.75

(4) Top five entities with the largest balances of accounts receivable

As of the end of April 2025, the sum of top five accounts receivable by debtor at the end of the period amounted to RMB402,170,489.11, representing 86.01% of the total balance of accounts receivable at the end of the period, and the balance of provision for bad debts made accordingly as at the end of the period amounted to RMB112,758,745.96.

As of the end of 2024, the sum of top five accounts receivable by debtor at the end of the period amounted to RMB406,961,426.24, representing 87.59% of the total balance of accounts receivable at the end of the period, and the balance of provision for bad debts made accordingly as at the end of the period amounted to RMB105,542,644.31.

As of the end of 2023, the sum of top five accounts receivable by debtor at the end of the period amounted to RMB378,527,573.49, representing 88.21% of the total balance of accounts receivable at the end of the period, and the balance of provision for bad debts made accordingly as at the end of the period amounted to RMB84,300,966.86.

2. Other Receivables

(1) Disclosure by age

Age	30 April 2025	31 December 2024	31 December 2023
Within 1 year (inclusive)	30,000.00		115,458,910.76
1 year to 2 years (inclusive)		130,000.00	660.00
2 years to 3 years (inclusive)	130,000.00	660	18,603,000.00
3 years to 4 years (inclusive)	660.00	18,003,000.00	
4 years to 5 years (inclusive)	18,003,000.00		
Subtotal	18,163,660.00	18,133,660.00	134,062,570.76
Less: Provision for bad debts	18,000,966.00	18,000,966.00	18,000,966.00
Total	162,694.00	132,694.00	116,061,604.76

(2) Classification by nature of payment

Nature of payment	30 April 2025	31 December 2024	31 December 2023
Current account			115,458,910.76
Deposit, security deposit, etc.	18,133,660.00	18,133,660.00	18,603,660.00
Others	30,000.00		
Subtotal	18,163,660.00	18,133,660.00	134,062,570.76
Less: Provision for bad debts	18,000,966.00	18,000,966.00	18,000,966.00
Total	162,694.00	132,694.00	116,061,604.76

(3) Details of provision for bad debts

Provision for bad debts	Stage 1 12-month ECL	Stage 2 ECL for the year (no credit impairment)	Stage 3 ECL for the year (credit impairment has occurred)	Total
Balance as at 31 December 2024	666.00		18,000,300.00	18,000,966.00
Opening balance in current period:				
Provision for the period				
Move back for the period				
Carry-forward for the period				
Written off for the period				
Other changes				
Balance as at 30 April 2025	666.00		18,000,300.00	18,000,966.00

Provision for bad debts	Stage 1 12-month ECL	Stage 2 ECL for the year (no credit impairment)	Stage 3 ECL for the year (credit impairment has occurred)	Total
Balance as at 31 December 2023	666.00		18,000,300.00	18,000,966.00
Opening balance in current year				
Provision for the year				
Move back for the year				
Carry-forward for the year				
Written off for the year				
Other changes				
Balance as at 31 December 2024	666.00		18,000,300.00	18,000,966.00

(continued)

Provision for bad debts	Stage 1 12-month ECL	Stage 2 ECL for the year (no credit impairment)	Stage 3 ECL for the year (credit impairment has occurred)	Total
Balance as at 31 December 2022	6,882.22		33,588,300.00	33,595,182.22
Opening balance in current year				
Provision for the year				
Move back for the year	6,216.22			6,216.22
Charge-off for the year				
Written off for the year			15,588,000.00	15,588,000.00
Other changes				
Balance as at 31 December 2023	666.00		18,000,300.00	18,000,966.00

(continued)

(4) Provision for bad debts

Category	Balance as at 31 December 2024	Changes of the year: Provisions	Changes of the year: Reversal or move back	Changes of the year: Carry-forward or write-offs	Changes of the year: Other Changes	Balance as at 30 April 2025
Provision for bad debts	18,000,966.00					18,000,966.00
Total	18,000,966.00					18,000,966.00

(continued)

Category	Balance as at 31 December 2023	Changes of the year: Provisions	Changes of the year: Reversal or move back	Changes of the year: Carry-forward or write-offs	Changes of the year: Other Changes	Balance as at 31 December 2024
Provision for bad debts	18,000,966.00					18,000,966.00
Total	18,000,966.00					18,000,966.00

(continued)

Category	Balance as at 31 December 2022	Changes of the year: Provisions	Changes of the year: Reversal or move back	Changes of the year: Carry-forward or write-offs	Changes of the year: Other Changes	Balance as at 31 December 2023
Provision for bad debts	33,595,182.22		6,216.22	15,588,000.00		18,000,966.00
Total	33,595,182.22		6,216.22	15,588,000.00		18,000,966.00

(5) Details of written off in other receivables in 2023 are as follows:

Item	Charge-off amount
L3Harris Commercial Training Solutions Limited	15,588,000.00

(6) Details of the top five of closing balances of other receivables presented by debtors

As of the end of April 2025, the sum of top five accounts receivable by debtor at the end of the period amounted to RMB18,163,000.00, representing 100% of the total balance of other accounts receivable at the end of the period, and the balance of provision for bad debts made accordingly as at the end of the period amounted to RMB18,000,966.00.

As of the end of 2024, the sum of top five accounts receivable by debtor at the end of the period amounted to RMB18,133,660.00, representing 100% of the total balance of other accounts receivable at the end of the period, and the balance of provision for bad debts made accordingly as at the end of the period amounted to RMB18,000,966.00.

As of the end of 2023, the sum of top five accounts receivable by debtor at the end of the period amounted to RMB134,061,910.76, representing 100% of the total balance of other accounts receivable at the end of the period, and the balance of provision for bad debts made accordingly as at the end of the period amounted to RMB18,000,900.00.

3. Revenue, Cost of Sales

Item	January to April 2025		2024		2023	
	Income	Cost	Income	Cost	Income	Cost
Main operations	128,640,036.11	79,667,674.28	378,272,516.80	226,832,884.21	414,079,244.80	252,824,262.59
Other operations	2,266,858.58		6,466,896.32		7,013,089.05	
Total	130,906,894.69	79,667,674.28	384,739,413.12	226,832,884.21	421,092,333.85	252,824,262.59

4. Investment Income

Item	January to April 2025	2024	2023
Other		-25,498.76	
Total		-25,498.76	

XVIII. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Item	January to April 2025	2024	2023
Gains and losses on disposal of non-current assets, including the write-off of provision for impairment of assets		-33,316.77	-789,084.34
Government grants included in the current profit or loss, excluding those that are closely related to the normal business operations of the Company, comply with the national policies and regulations, are enjoyed in accordance with the established standards, and have a continuous impact on the profits and losses of the Company		176,635.06	4,336,020.80
Gains and losses arising from changes in the fair value of financial assets and financial liabilities held by non-financial enterprises, and gains and losses arising from the disposal of financial assets and financial liabilities, except for effective hedging business related to the normal business operations of the Company		-25,498.76	
Funds utilization fees collected from non-financial enterprises included in the profit or loss for the period			
Gains and losses on entrusted investments or management of assets			
Gains and losses from external entrusted loan			
Loss of assets due to force majeure, such as natural disasters			
Reversal of provision for impairment of receivables individually tested for impairment		1,654,067.10	712,680.00
Gains from the excess of the fair value of identifiable net assets of the investee attributable to the enterprise at acquisition over the investment costs for the subsidiaries, associates, and joint ventures			

Item	January to April 2025	2024	2023
Net gains or losses for the period of subsidiaries arising from a business merger under common control from the beginning of the period to the date of combination			
Gains and losses from the exchange of non-monetary assets			
Gain s and losses from debt restructuring			
Non-recurring expenses incurred by the enterprise due to the fact that the relevant business activities are no longer continuing, such as the expenses for the placement of employees			
Non-recurring impact on current profit and loss due to the adjustment of tax, accounting, and other laws and regulations			
Non-recurring share-based payment expenses recognized due to the cancellation or modification of the equity incentive plan			
Gains and losses arising from changes in the fair value of employee remuneration payable after the vesting date for cash-settled share-based payments			
Gains and losses from the changes in fair value of investment properties measured by the fair value model subsequently			
Gains from transactions where the transaction price is clearly unfair			
Gains and losses arising from contingencies unrelated to the normal business operations of the Company			
Entrust fee income from entrusted operation			

Item	January to April 2025	2024	2023
Other non-operating revenue and expenditures apart from the above	-720.51	-143,420.43	0.37
Other items of profit or loss meeting the definition of non-recurring profit or loss			
Subtotal	-720.51	1,628,466.20	4,259,616.83
Less: Effect of income tax	-108.08	266,240.82	638,942.52
Effect of non-controlling interest (after tax)			
Total	-612.43	1,362,225.38	3,620,674.31

Note: For non-recurring profit or loss items, the number "+" indicates income and "-" indicates loss or expenditure.

Extraordinary items were recognized in complies with the requirements of No.1 Interpretative announcement of Information disclosures of Companies Publicly issued securities - Non-recurring Profit and Loss (Revised 2023) (CSRC' announcement [2023] No. 65).

Legal Representative:	Accounting Principal:	Head of the Accounting Department:
Zhao Hongqi	Li Xiaopeng	Chen Long

Hainan Sky Plumage Flight Training Co., Ltd.
30 July 2025

Report from Rainbow Capital in relation to the Unaudited Financial Information

The following is the text of the report from Rainbow Capital in relation to the Unaudited Financial Information in accordance with the requirements under Rules 10.3 and 10.4 of the Takeovers Code.

RAINBOW CAPITAL (HK) LIMITED
泓 博 資 本 有 限 公 司

The Board of Directors
Hainan Airport Infrastructure Co., Ltd.
42/F, 1# Main Building, Hainan Building, No. 5 Guoxing Avenue
Meilan District, Haikou City
Hainan Province, the PRC

The sole Director
Hainan Airport Infrastructure (Hongkong) Co., Limited
Room 1123, 11/F, Star House
3 Salisbury Road, Tsim Sha Tsui
Hong Kong Special Administrative Region, the PRC

27 August 2025

Dear Sirs,

We refer to (i) the announcement of even date (the "**Announcement**") jointly issued by Hainan Airport Infrastructure Co., Ltd. (Stock Code: 600515.SH), Hainan Airport Infrastructure (Hongkong) Co., Limited (collectively, the "**Offerors**") and Hainan Meilan International Airport Company Limited* (海南美蘭國際空港股份有限公司) (Stock Code: 357.HK) (the "**Company**"); and (ii) Unaudited Financial Information, details of which are set out in the Announcement. Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless otherwise specified.

The Unaudited Financial Information is regarded as a profit forecast under the Takeovers Code and therefore, are required to be reported on pursuant to Rule 10 of the Takeovers Code. This report is issued in compliance with the requirement under Rules 10.3 and 10.4 of the Takeovers Code.

The Unaudited Financial Information has been prepared based on the unaudited consolidated management accounts of HNA Technic for the four months ended 30 April 2025 (the "**4M2025 Management Accounts**"). For the purpose of providing this letter, we, in our capacity as the financial adviser to the Offerors in connection with the Special Deals, have conducted the following due diligence:

(i) reviewed and discussed the Unaudited Financial Information, the 4M2025 Management Accounts and the bases upon which the Unaudited Financial Information and the 4M2025 Management Accounts have been made (no assumption was involved as it is related to a period already ended) with the management of the Offerors and the management of HNA; and

(ii) considered the report on the Unaudited Financial Information from WUYIGE Certified Public Accountants LLP dated 27 August 2025 addressed to you regarding the accounting policies and calculations upon which the Unaudited Financial Information has been made, which stated that the Unaudited Financial Information, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the bases adopted by the directors of HNA.

Based on the above, we are satisfied that the Unaudited Financial Information has been made by the directors of HNA with due care and consideration. The work undertaken by us in giving this opinion is for the sole purpose of reporting to you under Rules 10.3 and 10.4 of the Takeovers Code and for no other purposes. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited

Larry Choi
Managing Director

Report from WUYIGE in relation to the Unaudited Financial Information

The following is the text of the report from WUYIGE in relation to the Unaudited Financial Information in accordance with the requirements under Rules 10.3 and 10.4 of the Takeovers Code.

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The Board of Directors
Hainan Airport Infrastructure Co., Ltd.
42/F, 1# Main Building, Hainan Building, No. 5 Guoxing Avenue
Meilan District, Haikou City
Hainan Province, the PRC

The sole Director
Hainan Airport Infrastructure (Hongkong) Co., Limited
Room 1123, 11/F, Star House
3 Salisbury Road, Tsim Sha Tsui
Hong Kong Special Administrative Region, the PRC

Dear Sir or Madam,

We refer to (i) the announcement of even date (the "**Announcement**") jointly issued by Hainan Airport Infrastructure Co., Ltd. (Stock Code: 600515.SH), Hainan Airport Infrastructure (Hongkong) Co., Limited (collectively, the "**Offerors**") and Hainan Meilan International Airport Company Limited* (海南美蘭國際空港股份有限公司) (Stock Code: 357.HK) (the "**Company**"); and (ii) the Unaudited Financial Information, details of which are set out in the Announcement. Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless otherwise specified.

We have conducted the audit work for the accounting policies and calculation methods used in the preparation of the Unaudited Financial Information. The Unaudited Financial Information was prepared by the directors of HNA. We have been informed that we are required to report on the Unaudited Financial Information in accordance with Rule 10 of the Takeovers Code.

Directors' Responsibilities

The directors of HNA have prepared the Unaudited Financial Information in accordance with the unaudited financial statements of HNA Technic. It is the responsibility of the directors of HNA to prepare the Unaudited Financial Information in accordance with the accounting policies and calculation methods which are consistently adopted by HNA. The responsibility includes designing, implementing, and maintaining internal controls related to the appropriate accounting policies and calculation methods selected and applied in the preparation of the Unaudited Financial Information, to ensure that the Unaudited Financial Information is free from material mis-statements, and to ensure that the Unaudited Financial Information is prepared in accordance with the appropriate accounting policies and calculation methods adopted in HNA's audited financial statements for the financial year 2024.

The directors of HNA are solely responsible for the preparation of the Unaudited Financial Information.

Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Chinese Institute of Certified Public Accountants (the "**CICPA**"), which requires that a certified public accountant should follow the principles of integrity, objectivity and impartiality, acquire and maintain professional competence, maintain due care, and fulfill the obligation of confidentiality.

We have complied with the "Hong Kong Standard on Quality Control 1" issued by the HKICPA and the "Quality Control 5101 − Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Engagements" issued by the CICPA, and have accordingly put in place a comprehensive risk-based quality control system, which includes documented policies and procedures for compliance with the relevant code of ethics, professional standards and applicable legal and regulatory requirements.

Accountant's Responsibility

Our responsibility is to give opinions on, pursuant to Rules 10.3 and 10.4 of the Takeover Code, whether HNA has prepared the Unaudited Financial Information in accordance with the basis of preparation as stated in "Directors' Responsibilities", and whether the accounting policies and calculation methods applied to the Unaudited Financial Information are consistent with those applied in the notes to the audited financial statements of HNA as of 31 December 2024. The opinion does not provide any assurance regarding the designing and implementing of internal controls related to the preparation of the Unaudited Financial Information. Our work does not constitute an audit or review conducted in accordance with "Hong Kong Standards on Auditing" or "Hong Kong Standards on Review Engagements" issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Financial Information.

We conducted our work in accordance with the requirements of the "Hong Kong Standard on Investment Circular Reporting Engagement 500-Reporting on Profit Forecasts, Statement of Sufficiency of Working Capital and Statements of Indebtedness" and the "Hong Kong Standard on Assurance Engagement 3000 (Revised)-Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA and the "China Standard on Other Assurance Engagements No.3101-Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the CICPA.

Procedures and Opinions

Our work consisted primarily of procedures such as: (1) inquiry procedures, inquiring with relevant financial personnel about the basis for preparing the Unaudited Financial Information and the accounting policies and calculation methods adopted; (2) acquiring the internal controls related to the accounting policies and calculation methods selected and applied in preparing the Unaudited Financial Information; (3) checking the accounting policies and calculation methods used in the Unaudited Financial Information with those used in the notes to the audited financial statements of HNA as of 31 December 2024; and (4) verifying and sampling other relevant information and documents that we consider necessary.

In our opinion, so far as the accounting policies and calculations are concerned, HNA has prepared the Unaudited Financial Information in accordance with the basis of preparation stated in "Directors' Responsibilities" and is consistent in all material respects with the accounting policies and calculation methods adopted in the notes to the audited financial statements of HNA as of 31 December 2024.

WUYIGE Certified Public Accountants LLP
Beijing, the PRC
27 August 2025