*You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the three financial years ended December 31, 2021, 2022 and 2023 included in the Accountant's Report set out in Appendix I to this Prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**").*

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Prospectus.

OVERVIEW

We are a pioneer and a global market leader in the personal aviation industry, according to Frost & Sullivan. We design, develop, manufacture, and sell premium aircraft recognized across the industry, which incorporate innovations in safety, technology, connectivity, performance, and comfort. Our two aircraft product lines, the SR2X Series and the Vision Jet, have successfully set the industry standard for owner-piloted aircraft and are currently certified and validated in more than 60 countries. The SR2X Series aircraft has been the best-selling single-engine piston model for the last 22 consecutive years, according to GAMA. First delivered in 2016, our Vision Jet is designed for owners to fly at jet speed without requiring support from a full-time pilot or flight department and has been the best-selling business jet for the last six consecutive years, according to GAMA and Frost & Sullivan. We aim to cultivate a distinctive "The Cirrus Life" experience for our customers to make owning and operating an aircraft more convenient to access and productive for everyone through our products and the wide-ranging services associated with them, which includes maintenance, upgrades, training, and Cirrus-branded social events.

By leveraging our market leadership, continuous product innovation, and expanding ecosystem, we have achieved a remarkable financial track record. For the years ended December 31, 2021, 2022 and 2023, we recorded revenue of US$738.1 million, US$894.1 million and US$1,067.7 million, respectively, representing a CAGR of 20.3%, and profit for the year of US$72.4 million, US$88.1 million and US$91.1 million, respectively, representing a CAGR of 12.2%. For the year ended December 31, 2023, we recorded adjusted profit for the year (non-IFRS measure) of US$98.4 million. For the year ended December 31, 2023, we achieved a return on equity and adjusted EBITDA margin (non-IFRS measure) of 21.1% and 15.2%, respectively. As of December 31, 2023, our gearing ratio was 0.1. As of the Latest Practicable Date, we had a backlog of 1,320 aircraft.

BASIS OF PREPARATION

Our consolidated historical financial information has been prepared in accordance with IFRS, as issued by the IASB. The consolidated historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are stated at fair value. The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are critical to the historical financial information, are disclosed in Note 4 to the Accountant's Report included in Appendix I to this Prospectus. All relevant standards, amendments to the existing standards and interpretations that are effective during the Track Record Period have been adopted by our Group consistently throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and are expected to continue to be, affected by the following key factors:

Market Acceptance and Growth of the Global Personal Aviation Industry

The overall growth of the personal aviation industry significantly impacts our revenue growth. According to Frost & Sullivan, the personal aviation industry has seen a growth in terms of market size during the Track Record Period, due in part to the increasing demand and consumption preferences of consumers to seek enhanced and premium travel options and the stimulating effects of the COVID-19 pandemic. Global personal aircraft deliveries increased from 1,927 units in 2021 to 2,215 units in 2023. In addition, an increase in the number of qualified pilots has expanded the personal aviation market. According to Frost & Sullivan, the number of licensed pilots in the United States reached approximately 757,000 in 2022. This has contributed to a certain extent to favorably changing the traditional customer perception and significantly increased the market desire for personal aircraft, further stimulating industry growth.

The COVID-19 pandemic led to reductions in commercial air travel which increased demand for personal aviation alternatives and increased opportunities for individuals to obtain their private pilot's license as many prospective customers had greater time and resources during this period due to shutdowns and strong equity performance at the beginning of the Track Record Period. During the post-pandemic stage, supported by the increasing availability and accessibility of airport infrastructure, evolving technology, and favorable government policies, personal aviation has become an increasingly attractive option for HNWI. See "Industry Overview."

We operate in a high-end premium personal aviation market where the price and demand of the aircraft reflect the value of our brand. Our customers are highly engaged in the purchase process and are very loyal to their chosen brand, often willing to pay a premium for their personal aircraft. According to Frost & Sullivan, personal aviation industry tends to be associated with a higher gross margin compared to commercial jets, as consumers are less price-sensitive and rather values advanced product features and value-adding services. Our premium brand is widely acknowledged in the personal aviation industry for the outstanding performance, innovative designs and numerous safety features of our aircraft. During the Track Record Period, we were able to generate a higher gross profit margin due to our increased delivery volume, favorable product mix consisting of higher margin aircraft and our ability for continuous price increases as new features and innovation are rolled out.

As a market leader in the personal aviation industry, according to Frost & Sullivan, with a demonstrated capability of bringing advanced, certified aircraft to market, we are well positioned to capitalize on this growth.

Our Ability to Expand Our Ecosystem and Broaden our Product and Service Portfolio

To support ownership of our aircraft, we have established a wide-ranging global ownership ecosystem to make owning and operating an aircraft, convenient to access, productive and enjoyable. Our direct-to-customer model is enabled by our global ecosystem called Cirrus Services, where we ensure a close connection with our prospective and current customers in every aspect of aircraft ownership. Our ecosystem is supported by our direct service centers and global authorized partner network, and by our training network that is convenient to access for all levels of experience facilitated through our factory training facilities, authorized training facilities and digital training offerings. See "Business — Our Ecosystem." This enables us to build brand loyalty, attract new pilots, progress customers through our product portfolio and capitalize on opportunities related to all facets of aircraft ownership.

For our aircraft, we have been continuously introducing new features and options as well as generational changes which are broadening our product and service portfolio. As part of our intentional, wide-ranging product offering strategy, our SR2X Series provides a product "ladder" with increasing levels of performance and capabilities addressing different customer needs and preferences for a single-engine piston aircraft at different price points and providing a stepping-stone to our Vision Jet. During the Track Record Period, we developed and launched several new features and broadened our product and service offerings including the introduction of our Cirrus IQ, new propeller options, improvements to the exterior of our aircraft allowing for faster flight, and new aesthetics on the SR2X Series, as well as the seventh generation of aircraft which brought jet like avionics to the piston market. In addition, we launched our second generation of the Vision Jet and introduced subsequent enhancements including improved engine performance, the availability of Wi-Fi and Cirrus IQ.

Expansion of Production Capacity and Improvement of Production Efficiency

We are focused on optimizing our existing production facilities to increase the production and deliveries of our product portfolio. During the Track Record Period, we strategically made investments to improve our production efficiency, including adding certain facilities and the continued roll-out of our Cirrus Operating System across our production facilities. For example, we significantly expanded our paint center in Duluth, Minnesota and acquired an additional paint center in Benton Harbor, Michigan. There are further opportunities to increase utilization of our existing facilities by automating current work processes, improving production efficiency by optimizing our workflows, and addressing labor constraints. We believe that our ability to continuously increase the number of aircraft we are able to deliver directly impacts our revenue-generating capability and affects our results of operations and financial condition. See "Business — Production — Production Process and Facilities — Production Facilities" for more information.

Our Ability to Attract Orders

Our orders and backlog, as well as our ability to convert our order intake and backlog into revenue, have impacted and will continue to impact the growth of our revenue. As of the Latest Practicable Date, we had a backlog of 1,320 aircraft. Our ecosystem and direct-to-customer model have been integral to cultivating a lifestyle associated with ownership of our aircraft, which contributes to our progression through our product portfolio and referrals. During the Track Record Period, approximately 200, or 75%, of our Vision Jet deliveries were made to owners who had already owned a Cirrus aircraft. We believe our unparalleled advantage in product attractiveness and the wide-ranging services we provide will continue to contribute to our growth in new customers and orders in addition to our ability to service existing customers within our ecosystem to grow repeat purchases and referrals.

Our Ability to Increase Profitability by Controlling Costs and Providing Increased Value

Our overall profitability is affected by our product and service mix. We benefit from increased manufacturing efficiency and productivity as our products continue to mature and we further enable the Cirrus Operating System. In addition, we have introduced many features which drive increased value for our customers and improve our profit margins. Additionally, as our services business is continuing to mature, we strive to further improve our margin performance.

We continue to make enhancements to our existing processes to improve efficiency and increase overall production rates, including through the introduction of our proprietary Cirrus Operating System which improves our workflows. See "Business — Production — Cirrus Operating System."

MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

We prepare our consolidated financial information in accordance with IFRS. The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

The preparation of our consolidated financial information in conformity with IFRS also requires the use of certain critical accounting estimates and judgments listed below, which involve a higher degree of judgment or complexity. It also requires us to exercise judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are critical to the historical financial information are disclosed in Note 4 to the Accountant's Report in Appendix I to this Prospectus.

We consider the policies and estimates discussed below to be critical to an understanding of our consolidated financial information. For details of our material accounting policy information, see Note 2 to the Accountant's Report in Appendix I to this Prospectus.

Material Accounting Policy Information

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of our activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Company.

We generate revenue from contracts with customers by selling aircraft and providing services within our core business. A substantial portion of our revenues is related to the sale of our two types of aircraft, the SR2X Series piston aircraft and the Vision Jet. Transaction sale prices are allocated to performance obligations on a proportional basis of the standalone selling prices of the related performance obligations.

The standalone sale price is measured as the price at which an entity would sell a promised good or service separately to the customer. We assess these standalone selling prices at least on an annual basis and adjust accordingly to keep prices competitive in the current market. Any discounts given are allocated to the deliverables on the same basis as above and recognized to revenue over the life of the applicable performance obligations.

Revenue is recognized upon customer acceptance and delivery of the aircraft. Revenue from the sale of our aircraft is measured as the fair value of the consideration received or receivable, net of discounts. The aircraft sale price, net of deposits received and any notes receivables, must be paid on or before the date the aircraft is delivered. The deposit is recognized as a liability until the aircraft is delivered.

Revenue from Cirrus Services and Other includes but is not limited to sales of after market parts, service sales, warranty sales, training sales and revenue from a related party. See "Connected Transactions" for more information. Parts can be purchased through the website (Cirrus Direct) or at participating company-owned service centers or authorized service centers. Risk of loss is transferred to the customer upon shipment and/or receipt at a participating location. Revenue from service sales and training sales is recognized when the relevant services or trainings are provided. Revenue from warranty sales and maintenance is discussed below. Revenue is measured at fair value of the consideration received, net of returns and allowances, trade discounts and volume rebates.

Revenue from a related party primarily for a one-off development project was recognized as services were rendered. This is determined based on the actual costs spent relative to the total expected costs. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

We provide normal warranty provisions for general repairs for two to three years on the aircraft sold. A warranty liability is recognized at the time the product is sold.

We currently accept the risk of three year and up to five-year warranties as extended warranties. To alleviate the associated risks, the suppliers of avionics and engines offer extended warranties to cover years three through five for our purchases. Revenue from the sale of extended warranty contracts is deferred and amortized over the term into income on a straight-line basis in the year the warranty contract becomes applicable and is included in Cirrus Services and Other. Any receipts from sales of extended warranties are recognized as deferred revenue and recognized as revenue on a straight-line basis during years three to five of the warranty period, based on the length of the warranty period purchased. Related costs are expensed as incurred, including any extended warranty purchased from suppliers.

Under the express limited warranty, we warrant that the aircraft airframe will be free of material and workmanship defects under normal use and service for a period of 24 months or 1,000 flight hours (whichever occurs first) for the Vision Jet and a period of 36 months or 1,000 flight hours (whichever occurs first) for the SR2X Series, respectively. The express limited warranty is not sold separately and therefore does not provide an additional service to the customer.

Revenue from the sale of maintenance coverage contracts is deferred and amortized into Cirrus Services and Other on a point-in-time basis as each maintenance event occurs over the contract period.

Accrued Warranty Costs

We estimate the accrual for warranty costs based upon historical warranty experience and recognize this cost at the time of sale. Suppliers of avionics and engines provide standard two-year warranties to the company and customer. We also recognize the estimated expenses and related liabilities of service bulletins issued during the reporting periods. Factors that affect our warranty liability include the number of units, historical and anticipated rates of warranty claims, and cost per claim. We periodically assesses the adequacy of our warranty liabilities and adjust the amounts as necessary.

Property, Plant and Equipment

Property, plant and equipment are recognized as costs, net of accumulated depreciation and impairment losses, if any, including any replacement and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, we depreciate them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in profit or loss as incurred. Depreciation on plant and equipment is calculated on a straight-line method over the estimated useful lives of the assets, as follows:

Asset	**Useful Life**
Buildings	Shorter of lease terms or 15–40 years
Machinery and equipment	3–10 years
Office equipment	3–10 years
Aircraft and vehicles	5–10 years

An item of property, plant, and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other income in the consolidated statements of profit or loss when the asset is derecognized.

Plant and equipment as right-of-use assets are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

The residual values, useful lives and methods of depreciation of property, plant, and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction-in-progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the cost of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

Goodwill and intangible assets with indefinite useful life

Goodwill is measured as the excess of the purchase price over the estimated fair value of net assets of acquired businesses. In accordance with IFRS, goodwill is not amortized. We assess whether there has been an impairment of goodwill and intangible assets with indefinite useful life annually and whenever an event occurs, or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill and intangible assets with indefinite useful life is done at each of the cash generating units or groups of cash generating units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at not higher than operating segment level. The carrying value of the cash generating unit containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. An impairment loss is recognized when the carrying amount of the cash generating unit's net assets exceeds the recoverable amount of the cash generating unit. The test for impairment requires us to make several estimates about the recoverable amount, most of which are based on projected future cash flows. Any impairment is recognized immediately as an expense. The results of the annual impairment test are discussed in Note 14 to the Accountant's Report in Appendix I to this Prospectus.

Intangible Assets

Trademark acquired in a business combination is recognized at fair value at the acquisition date. The trademark has an indefinite useful life, as there is no foreseeable limit to the period over which the trademark is expected to generate net cash inflows for our Group, and carried at cost less accumulated impairment losses. Impairment assessment is undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

Contractual customer relationship acquired in a business combination is recognized at fair value at the acquisition date. The contractual customer relationship has a finite useful life and is subsequently carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship of seven years, which is the estimated period that these relationships will bring economic benefit.

Aircraft type certificates represents the certificates and development efforts for the aircraft and is acquired in a business combination is recognized at fair value at the acquisition date. The aircraft type certificates has a finite useful life and is subsequently carried at cost less accumulated amortization. We select units of production method for amortizing the aircraft type certificates. The total units selected for amortization is based on production estimates not to exceed 25 years.

In terms of internally developed intangible assets, we incur significant costs and effort on research and development activities, such as expenditures on prototypes and testing. Research expenditures are charged to the consolidated statements of profit or loss as an expense in the period the expenditure is incurred. Development costs are recognized as assets if they can be clearly assigned to a newly developed product or process and all of the following recognition criteria can be demonstrated:

- The technical feasibility to complete the development project is achieved so that it will be available for use or sale;
- The intention to complete the development project to use it;
- The ability to use the output of the development project;
- The manner-in-which the development project will generate probable future economic benefits for the Company;
- The availability of adequate technical, financial and other resources to complete the development project and use or sell the intangible asset; and
- The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use or sale. The costs capitalized in connection with the intangible asset includes costs of materials and services used or consumed and employee costs incurred in the creation of the asset. Development expenditures not satisfying the above recognition criteria are recognized in the consolidated statements of profit or loss as incurred. Capitalized development costs are amortized using a units-delivered method over the expected total unit of production of the related production program or useful life if the life is deemed to be finite. The expected total unit of production can vary depending on whether the programs are for the initial type certificate of an aircraft or are for internally developed intangible assets to an existing aircraft. Internally generated intangible assets are amortized based on production estimates ranging between 3 to 10 years.

Capitalized development costs are amortized using a units-delivered method over the expected total unit of production of the related production program. The expected total unit of production can vary depending on if the programs are for the initial type certificate of an aircraft or are for intangible assets generated internally to an existing aircraft.

Inventories

Inventories are stated as the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: standard cost
- Pre-flown aircraft and merchandise: purchase cost on a first-in, first-out basis
- Finished goods and work in process: cost of direct materials and labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is written down to their estimated realizable value when their cost may no longer be recoverable, such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The realizable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date, and inherently involves estimates regarding the future expected realizable value. In general, such an evaluation process requires significant judgment and may materially affect the carrying amount of inventories at the reporting date.

Provisions for excess and obsolete inventories are made through an examination of historical component consumption, current market demands and shifting production demands. Significant assumptions with respect to market trends, customer product acceptance and service warranty demands are utilized to formulate the Company's provision methods. Sudden downward changes in the Company's product markets may cause the Company to recognize additional inventory charges in future periods.

All FAA certification and preproduction costs are charged to operations as incurred, except for costs associated with new aircraft models in the development stages, which are capitalized.

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- Variable lease payments that are based on an index or a rate;

- Amounts expected to be payable by the lessee under residual value guarantees;

- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

- Payments of penalties for terminating the lease if the lease term reflects the lessee's exercise of that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that interest rate cannot be readily determined, the lessee's implied incremental borrowing rate is used being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the implied borrowing rate, we: (i) where possible, use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since the third-party financing was received; (ii) use a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company; and (iii) make adjustments specific to the lease (e.g., term, country, currency and security).

Right-of-use assets are measured as the cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If we are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of one-time trade show and miscellaneous equipment rental.

Extension, purchase and termination options are included in a number of property and equipment leases to maximize operational flexibility in managing the assets used in our operations. The majority of extension, purchase and termination options held are exercisable only by us and not the respective lessor. To determine the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option, or not exercise a termination operation. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Critical Accounting Estimates and Judgments

We prepare our financial statements in conformity with IFRS, which requires the use of certain critical accounting estimates listed below. It also requires us to exercise judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated useful lives of property, plant and equipment, intangible assets and right-of-use assets (other than goodwill)

Our property, plant and equipment are depreciated based on their estimated useful lives and estimated residual values. Our right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis. We reviewed the estimated useful lives and consider they are appropriate. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and right-of-use assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions.

Our aircraft type certificate and intangible assets generated internally are amortized based upon units produced and delivered over the expected total life of the related asset. This is based upon management's estimates of future aircraft demand which they believe this amortization method best reflects the pattern of benefit from these intangible assets over their useful life.

We will increase the depreciation and amortization charges where useful lives are less than previously estimated and will dispose of technically obsolete or non-strategic assets that have been abandoned. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation or amortization expense in future periods.

Estimated Impairment of Goodwill and Indefinite Useful Life Intangible Assets

We test annually whether goodwill and indefinite useful life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.8 to the Accountant's Report in Appendix I to this Prospectus. The recoverable amounts of cash generating units have been determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. These calculations require the use of estimates. As of December 31, 2023, the indicators were reviewed and there was no indication of impairment. In accordance with IAS 36, the impairment assessment will be performed for year-end reporting.

Current and Deferred Income Tax

We are subject to income taxes in the United States. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, we assess the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on our estimates and assumptions that we will be recovered from taxable income arising from continuing operations in the foreseeable future.

Net Realizable Value of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. We reassess these estimates at the end of each reporting date.

Accrued Product Liability and Reinsurance Recoverable

We estimate accrued product liability by reviewing the loss estimates of our lead products underwriter as a basis to determine loss exposure for us related to our self-insured retentions. The lead underwriter determines estimated total loss exposure by examining field-related accidents, establishing an estimate of potential liability exposure based on the facts of the accident and possible theories of liability, jurisdiction, and other factors; and the determination of legal and other fees that may be incurred. This estimate of overall loss exposure for all cases is updated periodically, in conjunction with third-party estimates, giving consideration for new developments in each case. Once the aggregate insurance loss exposure has been determined for any policy year, we recognize our loss exposure if it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. We then calculate our total loss exposure consistent with our applicable retention for the policy year. Such amount above the self-insured retention is recognized as a reinsurance receivable as it is virtually certain of collection. We review the reinsurance recoverable at each reporting period and the facts and circumstances to the matters to ensure that the receivable remains virtually certain. If it is determined that it is no longer virtually certain, the receivable will be derecognized and expensed within the period that determination is reached.

Accrued Warranty

We recognize provision for expected warranty claims during the first two or three years, depending on model type, after the product is sold based on experience of the level of repair and returns. The assumptions used to calculate the provision for warranties are based on current sales levels and current information available about repairs and returns based on the warranty period for all products sold. We reassess these estimates at the end of each reporting date.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statement of profit or loss with line items in actual terms and as a percentage of our total revenue for the years indicated derived from our consolidated statements of profit or loss and consolidated statements of comprehensive income set out in the Accountant's Report included in Appendix I to this Prospectus:

	For the year ended December 31,					
	2021		2022		2023	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
REVENUE	**738,130**	**100.0**	**894,082**	**100.0**	**1,067,708**	**100.0**
Cost of sales	(495,855)	(67.2)	(595,952)	(66.7)	(703,016)	(65.8)
GROSS PROFIT	**242,275**	**32.8**	**298,130**	**33.3**	**364,692**	**34.2**
Selling and marketing expenses	(66,391)	(9.0)	(88,290)	(9.9)	(106,766)	(10.0)
General and administrative expenses	(93,661)	(12.7)	(102,486)	(11.5)	(135,184)	(12.7)
OPERATING PROFIT BEFORE OTHER INCOME	**82,223**	**11.1**	**107,354**	**12.0**	**122,742**	**11.5**
Other income, net	7,486	1.0	4,779	0.5	1,372	0.1
OPERATING PROFIT	89,709	12.2	112,133	12.5	124,114	11.6
Finance costs	(3,509)	(0.5)	(3,199)	(0.4)	(5,529)	(0.5)
PROFIT BEFORE INCOME TAX	**86,200**	**11.7**	**108,934**	**12.2**	**118,585**	**11.1**
Income tax expenses	(13,797)	(1.9)	(20,858)	(2.3)	(27,442)	(2.6)
PROFIT FOR THE YEAR	**72,403**	**9.8**	**88,076**	**9.9**	**91,143**	**8.5**

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS.

We believe that adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) provide useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of a non-IFRS measure may not be comparable to similarly titled measures presented by other companies.

The following table sets forth the reconciliation of our non-IFRS measures for the years indicated with the nearest measure prepared in accordance with IFRS:

	For the year ended December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
Reconciliation of profit to adjusted profit for the year (non-IFRS measure) and adjusted EBITDA for the year (non-IFRS measure):			
Profit for the year	72,403	88,076	91,143
Add back:			
Listing expenses (Note)	—	—	7,243
Adjusted profit for the year (non-IFRS measure)	72,403	88,076	98,386
Add back:			
Finance costs	3,509	3,199	5,529
Income tax expenses	13,797	20,858	27,442
Depreciation of property, plant and equipment	18,248	13,596	16,857
Depreciation of right-of-use assets	2,507	3,995	4,068
Amortization of intangible assets	14,421	15,866	15,650
Less:			
Interest income	(834)	(696)	(5,788)
Adjusted EBITDA for the year (non-IFRS measure)	124,051	144,894	162,144

Note: Listing expenses represent expenses relating to this Global Offering.

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue

We design, develop, produce and sell single-engine aircraft. Our two aircraft product lines are (1) the SR2X Series, our single-engine piston airplanes designed for consumer use and specialized configuration aircraft for fleet and other specific applications; and (2) the Vision Jet, our single-engine jet plane designed for consumer use. For the SR2X Series, customers pay based on pricing at time of estimated delivery to ensure all upgrades and customizations are included. For the Vision Jet, we have a limited number of prior contracts from inception of the product line that specify price from the time of signing, indexed further for CPI, upgrades, substitutions and customizations. Our other Vision Jet orders follow the same pricing model as the SR2X Series with final pricing provided closer to full configuration. We also offer Cirrus Services and Other, a wide-ranging service and experience offering and a wide variety of other ancillary products and services including but not limited to sales of after market parts, service sales, warranty sales, training sales and revenue from a related party. See "Connected Transactions" for more information. We manage and report our results of operations across the following two revenue streams for the purpose of allocation of our resources and assessment of our performance: (1) Aircraft which includes our SR2X Series and Vision Jet aircraft and (2) Cirrus Services and Other. See "Business — Our Product Portfolio" and "Business — Our Services" for further information on our products and services.

During the years ended December 31, 2021, 2022 and 2023, we generated revenue of US$738.1 million, US$894.1 million and US$1,067.7 million, respectively.

Revenue by Revenue Stream

The following table sets forth the breakdown of our revenue by revenue stream for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Revenue						
Aircraft	619,612	83.9	759,740	85.0	915,654	85.8
SR2X Series	384,638	52.1	492,825	55.1	613,340	57.4
SR20	42,618	5.8	57,049	6.4	69,690	6.5
SR22	111,920	15.2	142,772	16.0	138,667	13.0
SR22T	230,100	31.1	293,004	32.8	404,983	37.9
Vision Jet	234,974	31.8	266,915	29.9	302,314	28.4
Cirrus Services and Other	118,518	16.1	134,342	15.0	152,054	14.2
Aftermarket Parts/ Maintenance *(Note)*	47,996	6.5	63,996	7.2	80,711	7.6
Training	12,712	1.7	15,787	1.8	19,800	1.9
Preowned Aircraft	10,320	1.4	23,611	2.6	26,648	2.5
Other	47,490	6.5	30,948	3.4	24,895	2.2
Total	**738,130**	**100.0**	**894,082**	**100.0**	**1,067,708**	**100.0**

Note: Aftermarket Parts/Maintenance includes extended warranty and JetStream program.

The following table sets forth the number of aircraft we delivered to customers for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Aircraft						
SR2X Series	442	83.7	539	85.7	612	86.4
SR20	81	15.3	100	15.9	115	16.2
SR22	131	24.8	159	25.3	142	20.1
SR22T	230	43.6	280	44.5	355	50.1
Vision Jet	86	16.3	90	14.3	96	13.6
Total	**528**	**100.0**	**629**	**100.0**	**708**	**100.0**

Note: Does not include aircraft kits that can be assembled into aircraft. Except for five aircraft produced in the year ended December 31, 2023, three of which will be delivered by March 31, 2024, and two of which will be used as corporate demonstrator assets until December 31, 2024 or a buyer is found, whichever occurs first, all aircraft produced for delivery were delivered during the Track Record Period. For the years ended December 31, 2021, 2022 and 2023, SR2X deliveries included five, 28 and 49 aircraft modified for our TRAC series, which is for flight training purposes.

Cost of Sales

We include material, labor and overhead and other costs, including the amortization of intangibles as we realize research and development projects, warranty costs and other minor variances, in the cost of sales for Aircraft. We include costs related to Cirrus Services such as after market parts, material and labor costs and other costs in our cost of sales for Cirrus Services and Other. For the years ended December 31, 2021, 2022 and 2023, our cost of sales were US$495.9 million, US$596.0 million and US$703.0 million, respectively.

The following table sets forth the breakdown of our cost of sales by revenue stream for the years indicated, both in actual terms and as a percentage of our total cost of sales:

	For the year ended December 31,					
	2021		2022		2023	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Cost of sales						
Aircraft	399,814	80.6	501,523	84.2	601,719	85.6
Cirrus Services and Other	96,041	19.4	94,429	15.8	101,297	14.4
Total	**495,855**	**100.0**	**595,952**	**100.0**	**703,016**	**100.0**

The following table sets forth the breakdown of our total cost of sales by nature for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Aircraft						
Material	287,965	72.0	354,549	70.7	412,791	68.6
Labor and Overhead	77,931	19.5	98,938	19.7	120,394	20.0
Other	33,918	8.5	48,036	9.6	68,534	11.4
Total	**399,814**	**100.0**	**501,523**	**100.0**	**601,719**	**100.0**
Cirrus Services and Other						
Cirrus Services	43,072	44.8	54,984	58.2	68,520	67.6
Other	52,969	55.2	39,445	41.8	32,777	32.4
Total	**96,041**	**100.0**	**94,429**	**100.0**	**101,297**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2021, 2022 and 2023, we generated gross profit of US$242.3 million, US$298.1 million and US$364.7 million, respectively, and our gross profit margin was 32.8%, 33.3% and 34.2% for the respective years.

The following table sets for the breakdown of our gross profit and gross profit margin by revenue stream for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Aircraft	219,798	35.5	258,217	34.0	313,935	34.3
Cirrus Services and Other	22,477	19.0	39,913	29.7	50,757	33.4
Total	**242,275**		**298,130**		**364,692**	

During the Track Record Period, the SR2X Series had a higher gross profit margin as compared to Vision Jet due to their different stage of development, given that the SR2X Series was initially certified by the FAA in 1998 with its first delivery in 1999, while the Vision Jet was only certified by the FAA and had its first delivery in 2016. The SR2X Series enjoyed better economies of scale as compared to the Vision Jet during the Track Record Period from years of design, cost and efficiency improvements and favorable market pricing (in terms of both sales and supplies), while the Vision Jet is relatively new and has yet to achieve these. See "Business — Our Product Portfolio" for details of the SR2X Series and the Vision Jet.

The increase in gross profit margin for Cirrus Services and Other from 19.0% in 2021 to 29.7% in 2022 was primarily as a result of the increase in the proportion of our revenue coming from services with higher margins, including JetStream program and flight training, as compared to other categories of Cirrus Services and Other. In particular, the increase in the proportion of our revenue from our JetStream program was primarily due to the increase in the number of our fielded Vision Jet as we continued to make deliveries of the Vision Jet and the JetStream program is available for enrollment by every Vision Jet customer. As of the Latest Practicable Date, we have maintained nearly 100% enrollment rate for all of our Vision Jet owners in the JetStream program. The increase in gross profit margin for Cirrus Services and Other from 29.7% in 2022 to 33.4% in 2023 was primarily due to the revenue from AG Zhejiang for aircraft development that was recognized during 2023, while the majority of the associated expense was incurred and recognized in prior years. See "Connected Transactions — Non-Exempt Connected Transactions that are subject to Reporting, Annual Review and Announcement Requirements — 1. Connected Transactions relating to the AG100/SR10 Program — One-off AG100/SR10 aircraft development transaction — Aircraft Development Program Agreement" for details of the aircraft development program with AG Zhejiang.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of employee expenses, facilities and equipment, outside selling and professional services expense and other including advertising costs such as those related to trade shows and digital marketing. See "Business — Sales and Marketing — Our Marketing Strategies." For the years ended December 31, 2021, 2022 and 2023, our selling and marketing expenses were US$66.4 million, US$88.3 million and US$106.8 million, respectively.

The following table sets forth a breakdown of our selling and marketing expenses for the years indicated, both in actual terms and as a percentage of our total selling and marketing expenses:

	For the year ended December 31,					
	2021		2022		2023	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Selling and marketing expenses						
Employee Expense	35,706	53.8	48,072	54.5	65,789	61.6
Facilities and Equipment	8,710	13.1	13,021	14.7	15,051	14.1
Outside Selling & Professional Services Expense	14,804	22.3	18,544	21.0	21,795	20.4
Other	7,171	10.8	8,653	9.8	4,131	3.9
Total	**66,391**	**100.0**	**88,290**	**100.0**	**106,766**	**100.0**

General and Administrative Expenses

Our general and administrative expenses primarily consist of employee expense, facilities and equipment, insurance and product liability costs, outside selling and professional services expense (including expenses for legal and audit services as well as listing expenses) and other including licenses, dues and research costs.

The following table sets forth a breakdown of our general and administrative expenses for the years indicated, both in actual terms and as a percentage of our total general and administrative expenses:

	For the year ended December 31,					
	2021		2022		2023	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
General and administrative expenses						
Employee Expense	55,258	59.0	60,272	58.8	75,614	55.9
Facilities and Equipment	18,408	19.6	22,696	22.2	26,539	19.6
Insurance and Product Liability	8,957	9.6	8,539	8.3	17,904	13.2
Outside Selling & Professional Services Expense	6,365	6.8	7,121	6.9	11,418	8.4
Other	4,673	5.0	3,858	3.8	3,709	2.9
Total	**93,661**	**100.0**	**102,486**	**100.0**	**135,184**	**100.0**

Operating Profit before Other Income

As a result of the foregoing, for the years ended December 31, 2021, 2022 and 2023, we generated operating profit before other income of US$82.2 million, US$107.4 million and US$122.7 million, respectively.

Other Income, Net

Our other income, net primarily consists of funds that have been disbursed to us based upon expenses incurred in connection with a federal government grant that we were awarded under the American Jobs Protection Act and government grants from Minnesota and Tennessee, primarily in connection with maintaining jobs. For the years ended December 31, 2021, 2022 and 2023, our other income, net was US$7.5 million, US$4.8 million and US$1.4 million, respectively.

Operating Profit and Operating Profit Margin

As a result of the foregoing, for the years ended December 31, 2021, 2022 and 2023, we generated operating profit of US$89.7 million, US$112.1 million and US$124.1 million, respectively, and our operating profit margin was 12.2%, 12.5% and 11.6% for the respective years.

Finance Costs

Our finance costs primarily consist of interest expenses related to our outstanding debt and recognition of interest related to leases as lease liabilities. For the years ended December 31, 2021, 2022 and 2023, our finance costs were US$3.5 million, US$3.2 million and US$5.5 million, respectively, which reflected 0.5%, 0.4% and 0.5% of our total revenue for the respective years.

Income Tax Expenses

For the years ended December 31, 2021, 2022 and 2023, we recorded income tax expenses of US$13.8 million, US$20.9 million and US$27.4 million, respectively. This tax expense comprises current and deferred tax. Effective tax rate is calculated as tax expenses for the year divided by the profit before tax, resulting in an effective tax rate of 16.0%, 19.1% and 23.1% for the years ended December 31, 2021, 2022 and 2023, respectively. The increase in our effective income tax rate from 16.0% in 2021 to 19.1% in 2022 was primarily due to the reduction in tax credits not previously expected to be utilized and certain permanent differences. The increase in our effective income tax rate from 19.1% in 2022 to 23.1% in 2023 was primarily due to the withholding tax associated with the dividend declared and paid from Cirrus Industries to our Company. For the years ended December 31, 2021, 2022 and 2023, the current tax expense was US$9.1 million, US$28.5 million and US$29.4 million, respectively. See Note 10 to the Accountant's Report set out in Appendix I to the Prospectus for further details. We are subject to tax laws and regulations in the United States, the Cayman Islands and the United Kingdom.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by US$173.6 million, or 19.4%, from US$894.1 million in 2022 to US$1,067.7 million in 2023, primarily as a result of (i) increased deliveries in Aircraft, driven by increased customer demand for personal aviation and (ii) price increases on our Aircraft driven by new feature launches and in response to broader inflationary pressures. Increased revenue was also a result of our growing Cirrus Services and Other facilitated by our broader sales and service presence and our continued expansion in our service offerings.

Our revenue derived from Aircraft increased by US$155.9 million, or 20.5%, from US$759.7 million in 2022 to US$915.7 million in 2023, primarily as a result of increased deliveries of aircraft from 629 to 708 and price increases with average sales prices for our SR2X Series aircraft increasing from US$914.3 thousand to US$1.0 million and for our Vision Jet aircraft increasing from US$2.97 million to US$3.15 million.

Our revenue derived from Cirrus Services and Other increased by US$17.7 million, or 13.2%, from US$134.3 million in 2022 to US$152.1 million in 2023, primarily as a result of increased ownership of our aircraft which led to increased utilization of our associated services and growth of our aftermarket and service repair and maintenance options.

Cost of Sales

Our total cost of sales increased by US$107.1 million, or 18.0%, from US$596.0 million in 2022 to US$703.0 million in 2023, which primarily reflected increases in line with the increase in total revenue resulting in greater volumes of material costs, together with the increased manufacturing costs due to an increase in labor pool volatility, and continued impact of inflation on raw materials. The labor pool volatility was primarily due to the improvement in unemployment in Grand Forks and Duluth, where our existing production lines are based, which lead to our increased turnover in direct labor and the lead time for increasing labor. Such labor pool volatility negatively affected our production in 2023. See "Business — Sales and Marketing — Aircraft Orders and Delivery." As a result of the foregoing, our cost of material for Aircraft increased by US$58.2 million, or 16.4%, from US$354.5 million in 2022 to US$412.8 million in 2023, and our cost of labor and overhead for Aircraft increased by US$21.5 million, or 21.7%, from US$98.9 million in 2022 to US$120.4 million in 2023.

Our cost of sales for Aircraft increased by US$100.2 million, or 20.0%, from US$501.5 million in 2022 to US$601.7 million in 2023, which primarily reflected growth in sales of Aircraft resulting in higher variable costs including materials and labor and higher overhead costs, together with the inflationary pressures on materials, increased manufacturing costs and increased employee compensation levels to address labor shortages and increased labor turnover, partially offset by improved efficiency due to the growth in sales and the continued implementation of the Cirrus Operating System.

Our cost of sales for Cirrus Services and Other increased by US$6.9 million, or 7.3%, from US$94.4 million in 2022 to US$101.3 million in 2023, which is in line with the increase in revenue from Cirrus Services and Other.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by US$66.6 million, or 22.3%, from US$298.1 million in 2022 to US$364.7 million in 2023. Our overall gross profit margin increased from 33.3% in 2022 to 34.2% in 2023, primarily as a result of growth in gross profit of Cirrus Services and Other.

As a result of the foregoing, our gross profit for Aircraft increased by US$55.7 million, or 21.6%, from US$258.2 million in 2022 to US$313.9 million in 2023. The gross profit margin for Aircraft remained stable at 34.0% in 2022 and 34.3% in 2023, respectively.

As a result of the foregoing, our gross profit for Cirrus Services and Other increased by US$10.8 million, or 27.2%, from US$39.9 million in 2022 to US$50.8 million in 2023. The gross profit margin for Cirrus Services and Other increased from 29.7% in 2022 to 33.4% in 2023, primarily as a result of the revenue from AG Zhejiang for aircraft development that was recognized in 2023, while the majority of the associated expense was incurred and recognized in prior years based on the completion progress of the aircraft development program, as (i) we have been incurring expense in the ordinary course of the aircraft development program, including but not limited to staff costs and materials (both raw materials and purchased components) in relation to this development program and we incurred less expense in 2023 when the aircraft development program entered into its final certification stage, and (ii) AG Zhejiang has settled the development fee associated with the cost overrun of the aircraft development program according to the progress of the program. See "Connected Transactions — Non-Exempt Connected Transactions that are subject to Reporting, Annual Review and Announcement Requirements — 1. Connected Transactions relating to the AG100/SR10 Program — One-off AG100/SR10 aircraft development transaction — Aircraft Development Program Agreement" for details of the aircraft development program with AG Zhejiang.

Selling and Marketing Expenses

Our selling and marketing expenses increased by US$18.5 million, or 20.9%, from US$88.3 million in 2022 to US$106.8 million in 2023, primarily as a result of increased employee expense as a result of enhancements to compensation packages and growth in our sales and marketing headcount and increased facilities and equipment expenditures in our Cirrus Services business unit and in particular the establishment of our field service centers. See "Business — Our Services." We also experienced an increase in outside selling and professional services expenses due to the commissions paid in connection with a growth in sales.

General and Administrative Expenses

Our general and administrative expenses increased by US$32.7 million, or 31.9%, from US$102.5 million in 2022 to US$135.2 million in 2023, primarily as a result of an increase in employee expense of US$15.3 million, or 25.5%, from US$60.3 million in 2022 to US$75.6 million in 2023 due to the inflationary labor pressure and growth in our general and administrative (including product development) headcount. This increase in headcount reflects growth in our product development and supporting functions, increased facilities and equipment expenditures, primarily as a result of investments related to product development facilities and growth of our supporting functions including information technology. The increase is also a result of the listing expenses incurred in 2023 and an increase in product liability expense due primarily to the de-recognition in 2023 of reinsurance receivables due from certain reinsurers amounting to US$7.9 million relating to certain material product liability claims, which are no longer deemed "virtually certain" of collection; see Note 34 to the Accountant's Report included in Appendix I to this Prospectus.

Operating Profit before Other Income

As a result of the foregoing, our total profit before other income increased by US$15.4 million, or 14.3%, from US$107.4 million in 2022 to US$122.7 million in 2023.

Other Income, Net

Our other income, net decreased by US$3.4 million, or 71.3%, from US$4.8 million in 2022 to US$1.4 million in 2023, primarily as a result of a lower amount in government grant income recognized.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our total operating profit increased by US$12.0 million, or 10.7%, from US$112.1 million in 2022 to US$124.1 million in 2023. Our overall operating profit margin decreased from 12.5% in 2022 to 11.6% in 2023, primarily as a result of the higher increase in general and administrative expenses.

Finance Costs

Our finance costs increased by US$2.3 million, or 72.8%, from US$3.2 million in 2022 to US$5.5 million in 2023, primarily as a result of an increase in interest expenses on borrowings due to an increase in the interest rate associated with our floating rate debt.

Income Tax Expense

Our income tax expense increased by US$6.6 million, from US$20.9 million in 2022 to US$27.4 million in 2023. Our effective income tax rate increased from 19.1% in 2022 to 23.1% in 2023, primarily due to the withholding tax associated with the dividend declared and paid from Cirrus Industries to our Company, and certain non-deductible listing expenses.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by US$3.1 million, or 3.5%, from US$88.1 million in 2022 to US$91.1 million in 2023. Our net profit margin was 9.9% and 8.5% in 2022 and 2023, respectively.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by US$156.0 million, or 21.1%, from US$738.1 million in 2021 to US$894.1 million in 2022, primarily as a result of (i) increased deliveries in Aircraft, driven by increased customer demand for personal aviation and (ii) price increases on our Aircraft driven by new feature launches and in response to broader inflationary pressures. Increased revenue was also a result of our growing Cirrus Services and Other facilitated by our broader sales and service presence and our continued expansion in our service offerings.

Our revenue derived from Aircraft increased by US$140.1 million, or 22.6%, from US$619.6 million in 2021 to US$759.7 million in 2022, primarily as a result of increased deliveries of all aircraft models from 528 to 629 and price increases with average sales prices for our SR2X Series aircraft increasing from US$870.2 thousand to US$914.3 thousand and for our Vision Jet aircraft increasing from US$2.73 million to US$2.97 million.

Our revenue derived from Cirrus Services and Other increased by US$15.8 million, or 13.4%, from US$118.5 million in 2021 to US$134.3 million in 2022, primarily as a result of increased ownership of our aircraft which led to increased utilization of our associated services and growth of our aftermarket and service repair and maintenance options.

Cost of Sales

Our total cost of sales increased by US$100.1 million, or 20.2%, from US$495.9 million in 2021 to US$596.0 million in 2022, which primarily reflected increases in line with the increase in total revenue resulting in greater volumes of material costs, together with the increased manufacturing costs due to an increase in supply chain and labor pool volatility, and continued impact of inflation on raw materials. The aforementioned supply chain volatility was primarily due to the impact of the COVID-19 pandemic, which led to destabilization of our supply of materials such as raw material components required to manufacture composite materials in terms of availability and the lead time to obtain supplies, aggravated by our increased demand for supplies to support our increased backlog, and delays in our production operations. The labor pool volatility was primarily due to the decrease in unemployment rate in Grand Forks and Duluth, where our existing production lines are based, which lead to our increased turnover in direct labor and the lead time for increasing labor. According to Frost & Sullivan, the unemployment rate in Grand Forks and Duluth dropped from 2.7% in 2021 to 1.9% in 2022 and from 4.3% in 2021 to 3.4% in 2022, respectively, and the price of carbon fiber was generally higher in 2022 as compared to 2021. See "Industry Overview — Price Analysis of Key Raw Materials and Labor" for details. Such supply chain and labor pool volatility negatively affected our production in 2022. See "Business — Sales and Marketing — Aircraft Orders and Delivery." As a result of the foregoing, our cost of material for Aircraft increased by US$66.6 million, or 23.1%, from US$288.0 million in 2021 to US$354.5 million in 2022, and our cost of labor and overhead for Aircraft increased by US$21.0 million, or 27.0%, from US$77.9 million in 2021 to US$98.9 million in 2022.

Our cost of sales for Aircraft increased by US$101.7 million, or 25.4%, from US$399.8 million in 2021 to US$501.5 million in 2022, which primarily reflected growth in sales of Aircraft resulting in higher variable costs including materials and labor and higher overhead costs, together with the inflationary pressures on materials, increased manufacturing costs and increased employee compensation levels to address labor shortages and increased labor turnover.

Our cost of sales for Cirrus Services and Other decreased by US$1.6 million, or 1.7%, from US$96.0 million in 2021 to US$94.4 million in 2022, which primarily reflected the increased proportion of higher margin products and services in Cirrus Services and Other, including JetStream program and flight training, compared to the prior year.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by US$55.9 million, or 23.1%, from US$242.3 million in 2021 to US$298.1 million in 2022. Our overall gross profit margin increased from 32.8% in 2021 to 33.3% in 2022, primarily as a result of growth in gross profit margin of Cirrus Services and Other which was partially offset by decreases in our gross profit margin for Aircraft due to increased manufacturing costs related to supply chain and labor pool volatility in part due to impacts from the COVID-19 pandemic.

As a result of the foregoing, our gross profit for Aircraft increased by US$38.4 million, or 17.5%, from US$219.8 million in 2021 to US$258.2 million in 2022. The gross profit margin for Aircraft decreased from 35.5% in 2021 to 34.0% in 2022, primarily as a result of supply chain and labor pool volatility.

As a result of the foregoing, our gross profit for Cirrus Services and Other increased by US$17.4 million from US$22.5 million in 2021 to US$39.9 million in 2022. The gross profit margin for Cirrus Services and Other increased from 19.0% in 2021 to 29.7% in 2022, primarily as a result of the increase in the proportion of our revenue coming from services with higher margins, including JetStream program and flight training, as compared to other categories of Cirrus Services and Other. In particular, the increase in the proportion of our revenue from our JetStream program was primarily due to the increase in the number of our fielded Vision Jet as we continued to make deliveries of the Vision Jet and the JetStream program is available for enrollment by every Vision Jet customer. As of the Latest Practicable Date, we have maintained nearly 100% enrollment rate for all of our Vision Jet owners in the JetStream program. See "Business — Our Services" for the breakdown of our revenue by service line.

Selling and Marketing Expenses

Our selling and marketing expenses increased by US$21.9 million, or 33.0%, from US$66.4 million in 2021 to US$88.3 million in 2022, primarily as a result of increased employee expense as a result of enhancements to compensation packages and growth in our sales and marketing headcount and increased facilities and equipment expenditures in our Cirrus Services business unit and in particular the establishment of our field service centers. See "Business — Our Services." We also experienced an increase in outside selling and professional services expenses due to higher commissions being paid due to a growth in international sales as a percentage of overall aircraft sales.

General and Administrative Expenses

Our general and administrative expenses increased by US$8.8 million, or 9.4%, from US$93.7 million in 2021 to US$102.5 million in 2022, primarily as a result of increased employee expense as a result of enhancements to compensation packages and growth in our general and administrative (including product development) headcount. This increase in headcount reflects growth in our product development and supporting functions, increased facilities and equipment expenditures, primarily as a result of investments related to product development facilities and growth of our supporting functions including information technology and decreased outside selling and professional services related to professional advisor fees.

Operating Profit before Other Income

As a result of the foregoing, our total profit before other income increased by US$25.1 million, or 30.6%, from US$82.2 million in 2021 to US$107.4 million in 2022.

Other Income, Net

Our other income, net decreased by US$2.7 million, or 36.2%, from US$7.5 million in 2021 to US$4.8 million in 2022, primarily as a result of a lower amount of government grant income recognized.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our total operating profit increased by US$22.4 million, or 25.0%, from US$89.7 million in 2021 to US$112.1 million in 2022. Our overall operating profit margin increased from 12.2% in 2021 to 12.5% in 2022, primarily as a result of growth in revenue and partially offset by a growth in selling and marketing and general and administrative costs.

Finance Costs

Our finance costs decreased by US$0.3 million, or 8.8%, from US$3.5 million in 2021 to US$3.2 million in 2022, primarily as a result of decreased lease liabilities in line with our buyout of leased buildings.

Income Tax Expense

Our income tax expense increased by US$7.1 million, from US$13.8 million in 2021 to US$20.9 million in 2022. Our effective income tax rate increased from 16.0% in 2021 to 19.1% in 2022, primarily due to the reduction in tax credits not previously expected to be utilized and certain permanent differences.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by US$15.7 million, or 21.6%, from US$72.4 million in 2021 to US$88.1 million in 2022. Our net profit margin was 9.8% and 9.9% in 2021 and 2022, respectively.

SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated financial position as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	112,748	161,784	197,933
Right-of-use assets	12,783	16,750	12,949
Intangible assets	225,501	231,320	245,173
Goodwill	115,923	115,923	115,923
Financial assets at fair value through other comprehensive income	257	215	471
Advances to suppliers	2,823	4,559	8,832
Notes receivables	62	21	—
Contract assets	145	152	112
Total non-current assets	**470,242**	**530,724**	**581,393**
Current assets			
Inventories	100,708	113,017	134,566
Reinsurance recoverable	19,528	42,211	21,417
Advances to suppliers	6,524	5,321	12,188
Contract assets	1,989	203	215
Notes and other receivables and prepayments	1,388	8,154	2,270
Accounts receivables	4,017	5,836	7,399
Financial assets at fair value through profit or loss	1,145	1,017	1,618
Cash and cash equivalents	181,381	243,254	246,869
Total current assets	**316,680**	**419,013**	**426,542**
TOTAL ASSETS	**786,922**	**949,737**	**1,007,935**
EQUITY			
Share capital	155,482	155,482	155,482
Capital reserve	(113,482)	(113,482)	(113,482)
Financial assets at fair value through other comprehensive income fair value reserve	4	3	4
Retained earnings	258,654	346,729	431,372
TOTAL EQUITY	**300,658**	**388,732**	**473,376**

	As of December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
LIABILITIES			
Non-current liabilities			
Borrowings	56,313	67,650	55,949
Lease liabilities	11,764	11,920	12,070
Deferred tax liabilities	24,838	17,150	15,160
Accrued warranty	4,043	4,905	7,363
Contract liabilities	41,155	45,971	57,047
Total non-current liabilities	**138,113**	**147,596**	**147,589**
Current liabilities			
Accounts payables	41,651	45,078	42,428
Employee wages and benefits payable	41,976	48,379	60,530
Accrued liabilities	2,897	16,908	10,033
Contract liabilities	39,578	39,546	45,241
Customer deposits	145,204	165,105	149,466
Deferred government grant income	59	—	—
Interest payable	68	210	121
Income tax payable	8,279	11,644	8,541
Accrued warranty	17,004	14,566	20,534
Accrued product liability	33,434	57,457	35,325
Borrowings	15,360	8,044	11,801
Lease liabilities	2,641	6,472	2,950
Total current liabilities	**348,151**	**413,409**	**386,970**
TOTAL LIABILITIES	**486,264**	**561,005**	**534,559**
TOTAL EQUITY AND LIABILITIES	**786,922**	**949,737**	**1,007,935**
NET CURRENT (LIABILITIES)/ASSETS	**(31,471)**	**5,604**	**39,572**

DISCUSSION OF CERTAIN KEY STATEMENTS OF FINANCIAL POSITION ITEMS

Intangible Assets

Our intangible assets are primarily composed of 1) our Cirrus trademark, 2) development costs and 3) aircraft type certificates. Our Cirrus trademark was accounted for as an indefinite-lived intangible asset, and as such, it is tested for impairment annually and whenever an event occurs, or circumstances change that would indicate the carrying amount may be impaired. The trademark was US$19.6 million as of December 31, 2021, 2022 and 2023, respectively. Our development costs are related to new product development. Development costs that are recognized as assets are amortized as we realize their value through aircraft deliveries. Our aircraft type certificates represent the certificates and development efforts for Aircraft and is acquired in a business combination is recognized at fair value at the acquisition date. The aircraft type certificates have a finite useful life and are subsequently carried at cost less accumulated amortization. We select units of production method for amortizing the aircraft type certificates. Our intangible assets increased from US$225.5 million as of December 31, 2021 to US$231.3 million as of December 31, 2022 and increased further to US$245.2 million as of December 31, 2023, primarily due to investments in product development including future product improvement and innovation launches.

Goodwill

Our goodwill consists of the excess of the purchase price of Cirrus Industries, Inc. in 2011 over the estimated fair value of net assets of the acquired business when we were purchased by CAIGA. We assess whether there has been an impairment of goodwill annually in the fourth quarter and whenever an event occurs, or circumstances change that would indicate the carrying amount may be impaired. Our goodwill was US$115.9 million as of December 31, 2021, 2022 and 2023.

As of December 31, 2023, the indicators were reviewed and there was no indication of impairment. In accordance with IAS 36, the impairment assessment will be performed for year-end reporting. For the impairment test for goodwill and trademark as of December 31, 2021, 2022 and 2023, the key assumptions used in the value-in-use calculations are disclosed below:

	For the year ended December 31,		
	2021	2022	2023
Pre-tax discount rate	18%	18%	18%
Gross profit margin	37%	37%	35%
Long term growth rate	3%	3%	3%

Based on the results of the impairment assessment, our Directors concluded that no impairment on goodwill and trademark had to be recognized during the Track Record Period.

Sensitivity Analysis

Based on the results of goodwill and trademark impairment testing, the estimated recoverable amounts as of December 31, 2021, 2022 and 2023 amounted to US$999.5 million, US$1,109.0 million and US$1,077.6 million, respectively.

Possible change in key assumptions	Recoverable amount of the CGU exceeding its carrying amount by		
	As of December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
Pre-tax discount rate increase by 3%.	556,036	567,070	460,427
Gross profit margin decrease by 3%	560,127	558,867	444,844
Long term growth rate decrease by 1%	662,453	685,283	570,353

Based on the sensitivity analysis, a reasonably possible change in the above key assumptions on which the impairment testing is based would not cause the carrying amount to exceed its recoverable amount.

The discount rate at 18% was first determined upon the acquisition of the business of the Company by our Controlling Shareholders in 2011 on a conservative basis. Management has revisited the pre-tax discount rate used in impairment assessment for each year based on market conditions and has determined the continued use of the discount rate of 18% remained conservative during the Track Record Period. Had there been significant adverse changes in the aforementioned factor, management would adjust the discount rate upward. Nonetheless, based on the Company's understanding of current market conditions, the discount rate of 18% remains at the high end of the reasonable range over the Track Record Period. Accordingly, as the discount rate of 18% was adopted on a conservative basis and no significant change was required based on the management's assessment during the Track Record Period, the management had not adjusted the pre-tax discount rate during the Track Record Period.

Advances to Suppliers

Our advances to suppliers primarily consist of our prepaid engine warranty which are purchased to reduce exposure in our profit generating warranty programs, prepaid insurance, prepaid materials and other prepaid expenses including software subscriptions. The non-current portion of our advances to suppliers increased from US$2.8 million as of December 31, 2021 to US$4.6 million as of December 31, 2022, and further to US$8.8 million as of December 31, 2023, primarily due to an increase in the long-term portion of our prepaid engine warranty in connection with increased sales of extended warranties as we delivered more aircraft.

The current portion of our advances to suppliers decreased from US$6.5 million as of December 31, 2021 to US$5.3 million as of December 31, 2022, primarily due to lower prepaid material costs. The current portion of our advances to suppliers increased to US$12.2 million as of December 31, 2023, primarily due to the increase in the short-term portion of our prepaid engine warranty in connection with increased sales of extended warranties as we delivered more aircraft.

Inventories

Our inventories primarily consist of raw materials, works in process, finished goods, pre-flown inventory and merchandise. Our inventories increased from US$100.7 million as of December 31, 2021 to US$113.0 million as of December 31, 2022, primarily due to increases in production rates and output in addition to our decision to hold more raw materials to mitigate the impact from global supply chain volatility. Our inventories increased to US$134.6 million as of December 31, 2023, primarily due to the higher levels of raw materials and preflown inventory as of December 31, 2023, which are attributable to increases in production rates and output.

The table below sets forth our inventories by types of products and materials as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	US$'000	*US$'000*	*US$'000*
Inventories			
Raw materials	46,696	75,664	89,804
Work in process	44,294	39,672	40,977
Finished goods	7,483	—	2,854
Preflown inventory	3,622	—	5,260
Merchandise	672	903	881
	102,767	116,239	139,776
Less: provision for inventory obsolescence	(2,059)	(3,222)	(5,210)
Total	**100,708**	**113,017**	**134,566**

The following is an aging analysis of inventories by types of products and materials as of the dates indicated:

	As of December 31,								
	2021			2022			2023		
	Within six months	Over six months	Total	Within six months	Over six months	Total	Within six months	Over six months	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Raw materials	44,794	1,902	46,696	72,599	3,065	75,664	85,042	4,762	89,804
Work in process	44,294	—	44,294	39,672	—	39,672	40,977	—	40,977
Finished goods	7,483	—	7,483	—	—	—	2,854	—	2,854
Preflown inventory	3,622	—	3,622	—	—	—	5,260	—	5,260
Merchandise	515	157	672	746	157	903	433	448	881
Total	**100,708**	**2,059**	**102,767**	**113,017**	**3,222**	**116,239**	**134,566**	**5,210**	**139,776**

The following table sets forth our inventory turnover days for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Inventory turnover days(1)	65.2	67.1	66.5

Note:

(1) We calculate inventory turnover days using the average of the beginning and ending gross balances of inventories for the relevant year, divided by the corresponding cost of sales for the year, multiplied by 365 days for the years ended December 31, 2021, 2022 and 2023.

For the year ended December 31, 2021, 2022 and 2023, our inventory turnover days were 65.2 days, 67.1 days and 66.5 days, respectively. The increase in our inventory turnover days from 2021 to 2022 was primarily attributable to increased inventory attributed to global supply chain issues which drove us to hold higher levels of raw materials to mitigate against unexpected delays or shortages from suppliers and in anticipation of increased production. The decrease in our inventory turnover days from 2022 to 2023 was primarily attributable to the growth in sales and the continued implementation of the Cirrus Operating System.

As of April 30, 2024, US$131.7 million or 97.9% of our inventories as of December 31, 2023 had been subsequently utilized.

Reinsurance Recoverable

Our reinsurance recoverable primarily arises from the coverage amount of the product liability valuation as determined by the lead insurance underwriter's estimates for loss exposure and fluctuates based on the estimated amount of liability with respect to the claims that are received, projected and resolved in the normal course of business. Our reinsurance recoverable increased from US$19.5 million as of December 31, 2021 to US$42.2 million as of December 31, 2022, primarily due to adjustments in our product liability valuation by our lead insurance underwriter's estimates for loss with respect to certain product liability claims. Our reinsurance recoverable decreased to US$21.4 million as of December 31, 2023, primarily due to resolution of those certain product liability claims in the ordinary and usual course of business.

Notes and Other Receivables and Prepayments

Our notes and other receivables and prepayments primarily consist of amounts due from reinsurance providers in connection with reimbursement claims for the resolution of product liability claims and promissory notes issued either short term (less than 30 days) or long term (less than one year), primarily for Australian goods and sales tax.

Our notes and other receivables and prepayments as of December 31, 2021, 2022 and 2023 were US$1.5 million, US$8.2 million and US$2.3 million, respectively. Our notes and other receivables and prepayments increased from US$1.5 million as of December 31, 2021 to US$8.2 million as of December 31, 2022, primarily due to promissory notes from customers in Australia related to aircraft which were in transit from the United States to Australia. Our notes and other receivables and prepayments decreased from US$8.2 million as of December 31, 2022 to US$2.3 million as of December 31, 2023, primarily due to the payment of the promissory notes outstanding in 2022.

As of April 30, 2024, US$2.2 million or 99.0% of our notes and other receivables and prepayments as of December 31, 2023 had been subsequently settled.

Accounts Receivables

Our accounts receivables primarily relate to our service business as payments may not be rendered at the time of services. Payment for our aircraft is due at the time of delivery and does not impact our accounts receivable balance. Within Cirrus Services and Other, credit limits and terms are generally extended for a 30 day period. Our accounts receivables increased from US$4.0 million as of December 31, 2021 to US$5.8 million as of December 31, 2022, and further to US$7.4 million as of December 31, 2023, primarily due to the growth of Cirrus Services.

As of April 30, 2024, US$7.8 million or 80.5% of our accounts receivables as of December 31, 2023 had been subsequently settled.

	As of December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
Accounts receivables	4,208	6,745	9,752
Less: Provision for impairment	(191)	(909)	(2,353)
Accounts receivables, net	4,017	5,836	7,399

The aging analysis of accounts receivables based on the invoice date was as follows:

	As of December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
Current-60 days	4,011	6,238	7,325
61-90 days	185	386	893
91-120 days	12	121	854
Over 120 days	—	—	680
	4,208	**6,745**	**9,752**

The following table sets forth our accounts receivables turnover days for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Accounts receivables turnover days(1)	2.0	2.2	2.8

(1) We calculate accounts receivables turnover days using the average of the beginning and ending gross balances of accounts receivables for the relevant year, divided by the corresponding revenue for the year, multiplied by 365 days for the years ended December 31, 2021, 2022 and 2023.

Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2021, 2022 and 2023 were US$181.4 million, US$243.3 million and US$246.9 million, respectively. For a discussion on the changes in our cash and cash equivalents, see "— Liquidity and Capital Resources — Cash Flows."

Our cash and cash equivalents primarily consist of cash and all highly liquid investments with an original maturity of three months or less including certificates of deposits.

Contract liabilities and contract assets

Our contract liabilities and contract assets primarily reflects customer maintenance contracts and our extended warranty and JetStream program. Contract assets primarily represent payments made in advance related to maintenance contracts and extended warranty. The amounts are capitalized as contract assets until the related performance obligations had occurred and revenue is recognized. Contract liabilities are our obligation to perform services for our customers for which we have received consideration from them. The contract liabilities are recognized as revenue upon the services provided to the customers. The non-current portion of our contract liabilities increased from US$41.2 million as of December 31, 2021 to US$46.0 million as of December 31, 2022, primarily due to increases in our obligations to customers mostly related with our services business, in particular in connection with our JetStream program as a result of increased ownership of our aircraft. The non-current portion of our contract liabilities further increased to US$57.0 million as of December 31, 2023, primarily due to increases in our obligations to customers mostly related with our services business, in particular in connection with our JetStream program as a result of increased ownership of our aircraft.

Our current contract liabilities stayed consistent at US$39.5 million as of December 31, 2022 and US$39.6 million as of December 31, 2021, with an increase in maintenance liability partially offsetting liabilities associated with a new development project. Our current contract liabilities increased to US$45.2 million as of December 31, 2023, primarily due to reclassification of contract liabilities in respect of maintenance liability from non-current liabilities to current liabilities due to passage of time.

	As of December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
Current contract (assets)/liabilities			
Extended warranty	4,854	5,356	5,499
Maintenance	23,486	29,607	36,916
Commissions	(175)	(203)	(215)
Other	9,424	4,583	2,826
	37,589	39,343	45,026

	As of December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
Non-current contract (assets)/liabilities			
Extended warranty	17,135	19,909	25,077
Maintenance	24,020	26,062	31,970
Commissions	(145)	(152)	(112)
	41,010	45,819	56,935

As of April 30, 2024, US$17.7 million or 17.3% of our contract liabilities as of December 31, 2023 had been subsequently recognized as revenue.

Accrued Warranty

Our standard warranty is sold as part of our aircraft and is not purchased separately. A provision is recognized for expected warranty claims during the first two or three years, depending on model type, after the product is sold based on experience of the level of repair and returns. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold. We recognize this cost at the time of the sale. We also recognize the estimated expenses and related liabilities of service bulletins issued during the relevant period.

	For the year ended December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
At beginning of the year	13,783	21,047	19,471
Additions	19,847	12,406	16,927
Settlements made	(11,296)	(16,822)	(10,351)
Change in estimate	(1,287)	2,840	1,850
At end of the year	21,047	19,471	27,897
Representing:			
Non-current portion	4,043	4,905	7,363
Current portion	17,004	14,566	20,534
Total	21,047	19,471	27,897

Our accrued warranty as of December 31, 2021, 2022 and 2023, was US$21.0 million, US$19.5 million and US$27.9 million, respectively. Our accrued warranty decreased from US$21.0 million as of December 31, 2021 to US$19.5 million as of December 31, 2022 primarily as a result of lower warranty and service bulletin cost trends leading to a reduction in provisions. Our accrued warranty increased to US$27.9 million as of December 31, 2023 primarily as a result of an increase in aircraft deliveries. Our actual claims and liability remained relatively consistent over the Track Record Period.

Accounts Payables

Our accounts payables primarily represent balances due to our suppliers for materials and supplies utilized in production and product development, services within our revenue lines and operating expenses, as well as capital expenditures. Our accounts payables are non-interest-bearing. We typically have a defined credit term for each of our vendors within our contracts with each supplier. These terms generally consist of a range of discount terms from 15 to 60-day payment periods.

Our accounts payables as of December 31, 2021, 2022 and 2023 were US$41.7 million, US$45.1 million and US$42.4 million, respectively. Our accounts payables increased from US$41.7 million as of December 31, 2021 to US$45.1 million as of December 31, 2022, primarily due to increases in aircraft production rates and materials costs. Our accounts payables stayed relatively stable at US$42.4 million as of December 31, 2023. During the Track Record Period and up to the Latest Practicable Date, we had no material defaults in our accounts payables.

The aging analysis of the accounts payables based on invoice date was as follows:

	As of December 31,		
	2021	**2022**	**2023**
	US$'000	*US$'000*	*US$'000*
Current–30 days	41,128	44,168	42,013
31–60 days	22	201	—
61–120 days	5	325	7
Over 120 days	496	384	408
	41,651	45,078	42,428

The carrying values of the accounts payables approximate their fair values as of December 31, 2021, 2022 and 2023. As of April 30, 2024, US$41.6 million or 98.1% of our accounts payables as of December 31, 2023 had been subsequently settled.

The following table sets forth our accounts payables turnover days for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
Accounts payables turnover days[1]	26.3	26.6	22.7

Note:

(1) We calculate accounts payables turnover days using the average of the beginning and ending gross balances of accounts payables for the relevant year, divided by the corresponding cost of sales for the year, multiplied by 365 days for the years ended December 31, 2021, 2022 and 2023.

Our accounts payables turnover days were 26.3, 26.6 and 22.7 for 2021, 2022 and 2023, respectively.

Accrued Liabilities

Our accrued liabilities primarily relate to unbilled fees including those related to ongoing construction projects, and audit and legal expenses. Our accrued liabilities increased from US$2.9 million as of December 31, 2021 to US$16.9 million as of December 31, 2022, primarily due to the committed contract agreements with our contractors and their subcontractors in relation to the construction of the Innovation Center project. The Innovation Center project is a building we purchased from the City of Duluth in 2022 which we developed as a flexible workspace and engineering hub. Our accrued liabilities decreased to US$10.0 million as of December 31, 2023, primarily due to completion of the construction of the Innovation Center project in September 2023.

Customer Deposits

We require deposits from our customers to secure their orders. We receive non-refundable deposits from customers for all aircraft orders, and refundable deposits for Vision Jet reservations. See "Business — Sales and Marketing — Key Terms of Our Sales Contracts" for details. As of December 31, 2021, 2022 and 2023, we had customer deposits of US$145.2 million, US$165.1 million and US$149.5 million, respectively. The increase in our overall customer deposits from December 31, 2021 to December 31, 2022 was due to significant increases in aircraft orders. The decrease in our customer deposits from December 31, 2022 to December 31, 2023 was primarily due to increased production rate in 2023, which resulted in increased aircraft deliveries in 2023.

Accrued Product Liability

Our accrued product liability represents provisions made based on estimates of our product liability exposure based on valuations by our insurance underwriters. Our accrued product liability increased from US$33.4 million as of December 31, 2021 to US$57.5 million as of December 31, 2022, primarily due to increases in our product liability valuation as determined by our lead insurance underwriter's estimates for loss exposure. Our accrued product liability decreased to US$35.3 million as of December 31, 2023, primarily due to the resolution of two product liability claims that arose in the ordinary course of business, which resulted in a corresponding update to the estimate to match the actual exposure based on this resolution. Such resolutions were covered by our insurance arrangements and allowed for a corresponding decrease in our reinsurance recoverable as of December 31, 2023 as compared to December 31, 2022, as these became actual receivables within our notes and other receivables. See "Business — Insurance" for more information on our insurance arrangements and Note 2.17 to the Accountant's Report included in Appendix I to this Prospectus for more information on the relevant accounting policy.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

The following table sets forth a summary of our liquidity and working capital as of the dates indicated:

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	US\$'000	*US\$'000*	*US\$'000*	*US\$'000* *(Unaudited)*
CURRENT ASSETS				
Inventories	100,708	113,017	134,566	234,541
Reinsurance recoverable	19,528	42,211	21,417	22,083
Advances to suppliers	6,524	5,321	12,188	10,315
Contract assets	1,989	203	215	220
Notes and other receivables and prepayments	1,388	8,154	2,270	5,083
Accounts receivables	4,017	5,836	7,399	8,629
Financial assets at fair value through profit or loss	1,145	1,017	1,618	2,022
Cash and cash equivalents	181,381	243,254	246,869	167,774
Total current assets	316,680	419,013	426,542	450,667

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
CURRENT LIABILITIES				
Accounts payables	41,651	45,078	42,428	57,009
Employee wages and benefits payable	41,976	48,379	60,530	48,954
Accrued liabilities	2,897	16,908	10,033	8,337
Contract liabilities	39,578	39,546	45,241	43,639
Customer deposits	145,204	165,105	149,466	191,783
Deferred government grant income	59	—	—	—
Interest payable	68	210	121	519
Income tax payable	8,279	11,644	8,541	5,746
Accrued warranty	17,004	14,566	20,534	19,816
Accrued product liability	33,434	57,457	35,325	37,277
Borrowings	15,360	8,044	11,801	13,676
Lease liabilities	2,641	6,472	2,950	3,147
Total current liabilities	348,151	413,409	386,970	429,903
NET CURRENT (LIABILITIES)/ASSETS	(31,471)	5,604	39,572	20,764

As of April 30, 2024, we had net current assets of US$20.8 million, as compared to net current assets of US$39.6 million as of December 31, 2023, primarily due to a decrease in cash and cash equivalents, an increase in customer deposits, and an increase in accounts payables, partially offset by an increase in inventories and a decrease in employee wages and benefits payable.

As of December 31, 2023, we had net current assets of US$39.6 million, as compared to net current assets of US$5.6 million as of December 31, 2022, primarily due to a decrease in accrued product liability, an increase in inventories and a decrease in customer deposits, partially offset by a decrease in reinsurance recoverable and an increase in employee wages and benefits payable.

As of December 31, 2022, we had net current assets of US$5.6 million, as compared to net current liabilities of US$31.5 million as of December 31, 2021, primarily due to increases in reinsurance recoverable, inventories and cash and cash equivalents, partially offset by an increase in customer deposits, accrued liabilities and accrued product liability.

Our net current liabilities of US$31.5 million as of December 31, 2021 was primarily due to customer deposits and borrowings. We require deposits from our customers to secure their orders, which is recorded as a current liability. During the Track Record Period, as our aircraft orders increased, our customer deposits also significantly increased. For more details on customer deposits, see "— Discussion of Certain Key Statements of Financial Position Items — Customer Deposits."

Cash Flows

During the Track Record Period, we had funded our cash requirements principally from cash generated from our operating activities. As of December 31, 2021, 2022 and 2023, we had cash and cash equivalents of US$181.4 million, US$243.3 million and US$246.9 million, respectively. The following table is a summary of our cash flow data from our consolidated statements of cash flows for the years indicated:

	For the year ended December 31,		
	2021	2022	2023
	US$'000	*US$'000*	*US$'000*
Net cash flows generated from/(used in) operating activities	198,277	132,859	113,291
Net cash flows used in investing activities	(47,519)	(71,033)	(90,637)
Net cash flows (used in)/generated from financing activities	(126,143)	47	(19,039)
Net increase in cash and cash equivalents	24,615	61,873	3,615
Cash and cash equivalents at beginning of the year	156,766	181,381	243,254
Cash and cash equivalents at end of the year	181,381	243,254	246,869

Cash Flows Generated From/Used In Operating Activities

Our cash flows generated from operating activities consist of profit before income tax adjusted for certain non-cash or non-operating activities related items and changes in working capital.

For the year ended December 31, 2023, our net cash generated from operating activities was US$113.3 million, primarily attributable to profit for the year of US$91.1 million adjusted for (i) non-cash items or non-operating items, which principally included income tax expenses of US$27.4 million and depreciation on property, plant and equipment of US$16.9 million, and (ii) changes in working capital of US$8.7 million. Changes in working capital mainly consisted of an increase in inventories of US$23.9 million, a decrease in customer deposits of US$15.6 million and a decrease in accounts and other payables of US$13.8 million, partially offset by a decrease in accounts, notes and other receivables and reinsurance recoverable of US$26.8 million and an increase in contract liabilities of US$16.8 million.

For the year ended December 31, 2022, our net cash generated from operating activities was US$132.9 million, primarily attributable to profit for the year of US$88.1 million adjusted for (i) non-cash items or non-operating items, which principally included depreciation on property, plant and equipment and right-of-use assets of US$17.6 million and amortization of intangibles of

US$15.9 million, partially offset by deferred tax benefit of US$7.7 million, and (ii) changes in working capital of US$15.2 million. Changes in working capital mainly consisted of an increase in payables of US$34.8 million and increase in customer deposits of US$19.9 million, partially offset by an increase in receivables of US$31.2 million and increase in inventories of US$18.4 million.

For the year ended December 31, 2021, our net cash generated from operating activities was US$198.3 million, primarily attributable to profit for the year of US$72.4 million, adjusted for (i) non-cash items or non-operating items, which principally included depreciation on property, plant and equipment and right-of-use assets of US$20.8 million, amortization of intangibles of US$14.4 million and deferred tax expense of US$4.7 million, and (ii) changes in working capital of US$80.8 million. Changes in working capital mainly consisted of increase in customer deposits of US$61.3 million, increase in contract liabilities of US$28.0 million and increase in payables of US$19.3 million, partially offset by an increase in inventories of US$27.8 million and increase in receivables of US$8.2 million.

Cash Flows Used in Investing Activities

Our cash flows used in investing activities consist of purchase of investments, proceeds from sale of investments, payment for property, plant and equipment and cash paid for intangible assets.

For the year ended December 31, 2023, our net cash used in investing activities was US$90.6 million, primarily attributable to payment for property, plant and equipment of US$60.8 million, primarily associated with increases to production capacity and development of our Cirrus Services business unit, in particular the establishment of service centers, and cash paid for intangible assets of US$29.5 million related to development activities.

For the year ended December 31, 2022, our net cash used in investing activities was US$71.0 million, primarily attributable to payment for property, plant and equipment of US$49.1 million, primarily associated with increases to production capacity and development of our Cirrus Services business unit, in particular the establishment of service centers, and cash expenditure paid for intangible assets of US$21.7 million related to development activities.

For the year ended December 31, 2021, our net cash used in investing activities was US$47.5 million, primarily attributable to payment for property, plant and equipment of US$40.8 million, primarily associated with increases to production capacity and development of our services and cash paid for intangible assets of US$8.4 million.

Cash Flows Generated From Financing Activities

Our cash flows generated from financing activities consist of proceeds from borrowing, principal payments and principal elements of lease payments.

For the year ended December 31, 2023, our net cash used in financing activities was US$19.0 million, primarily attributable to principal repayment of US$8.0 million relating to a term loan facility we entered into with a U.S. commercial bank and dividends paid of US$6.5 million.

For the year ended December 31, 2022, our net cash generated from financing activities was US$0.05 million, attributable to proceeds from borrowing of US$75.0 million relating to a term loan facility we entered into with a U.S. commercial bank, partially offset by principal payment of US$71.0 million relating to repayment of our outstanding loan with a non-U.S. commercial bank and lease payments of US$4.0 million.

For the year ended December 31, 2021, our net cash used in financing activities was US$126.1 million, primarily attributable to principal payments on our loan from a non-U.S. commercial bank of US$123.6 million.

Working Capital Sufficiency

Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, cash flow generated from our operations, and cash and cash equivalents on hand, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this Prospectus.

Our capital expenditures during the Track Record Period primarily consisted of payment for property, plant and equipment and intangible assets. Our capital expenditures were US$49.2 million, US$70.8 million and US$90.3 million for the years ended December 31, 2021, 2022 and 2023, respectively.

We expect to incur capital expenditures of approximately US$120.0 million and US$125.0 million in 2024 and 2025, primarily for our continued expansion plan and intangible assets. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
Borrowings	71,673	75,694	67,750	65,875
Lease liabilities	14,405	18,392	15,020	15,226
Total	**86,078**	**94,086**	**82,770**	**81,101**

Borrowings

As of December 31, 2021, 2022, 2023 and April 30, 2024, we had borrowings of US$71.7 million, US$75.7 million, US$67.8 million and US$65.9 million, respectively.

The following table sets out our borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
Non-current				
Long-term bank borrowings	66,735	71,250	63,750	61,875
Long-term other borrowings	4,938	4,444	4,000	4,000
Less: current portion of long-term bank and other borrowings	(15,360)	(8,044)	(11,801)	(13,676)
	56,313	67,650	55,949	52,199
Current				
Current portion of long-term bank borrowings	14,830	7,500	11,250	13,125
Current portion of long-term other borrowings	530	544	551	551
	15,360	8,044	11,801	13,676
Total	71,673	75,694	67,750	65,875

Our total borrowings increased from US$71.7 million as of December 31, 2021 to US$75.7 million as of December 31, 2022, primarily due to a new term loan facility with a U.S. commercial bank ("**Bank A**"), which was partially offset by the repayment of our loan with a non-U.S. commercial bank. Our total borrowings decreased from US$75.7 million as of December 31, 2022 to US$67.8 million as of December 31, 2023, primarily due to debt principal payments, and remained relatively stable at US$65.9 million as of April 30, 2024. As of April 30, 2024, we had US$37.5 million of unutilized credit facilities available. All long term bank and other borrowings are denominated in U.S. dollars. While we have working capital sufficiency, our customer deposits are recognized as current liabilities, despite being non-refundable, until an aircraft is delivered. We maintain long-term debt to provide flexibility at the outset of every year when deliveries are typically slower, and have established credit facilities in the event of any larger capital requirements.

On July 8, 2022, we entered into a credit agreement with Bank A, which contained both a committed and uncommitted revolving line of credit. We subsequently amended the agreement on December 29, 2022 and May 24, 2023. The committed line of credit is not to exceed US$37.5 million and is collateralized by our assets and equity interests. The agreement allows for us to request an increase in the revolver of up to US$5 million via a swingline commitment and also has the ability to voluntarily reduce the revolving credit commitment by up to US$5 million. The agreement further allows for an increase of up to US$50 million which can be allocated to either the committed or revolver portion of the line of credit at the Company's discretion. The agreement has a maturity date of July 8, 2025 at which time all outstanding draws are due. As of December 31, 2023, there are no amounts outstanding on the revolving line of credit.

Under the terms of our credit agreements with Bank A dated July 8, 2022, we are required to comply with certain financial covenants based on financial measures, including specified ratios: (i) between our indebtedness to EBITDA (non-IFRS measure) (as defined under the credit agreement) ("**Consolidated Total Leverage Ratio**") and (ii) between (a) the sum of EBIDA (non-IFRS measure) (as defined under the credit agreement) less unfinanced capital expenditures and cash dividends and distributions to (b) the sum of interest expense paid or payable in cash and scheduled principal payments with respect to indebtedness ("**Consolidated Fixed Charge Ratio**"). Under such credit agreement, the maximum Consolidated Total Leverage Ratio is 2, and the minimum Consolidated Fixed Charge Ratio is 1.25, both measured as of the last day of each fiscal quarter. As of December 31, 2022, March 31, 2023, June 30, 2023, September 30, 2023 and December 31, 2023, our Consolidated Total Leverage Ratio was 0.54, 0.54, 0.46, 0.49 and 0.54, with a headroom of 1.46, 1.46, 1.54, 1.51 and 1.46, and our Consolidated Fixed Charge Ratio was 3.36, 3.00, 8.35, 4.70 and 4.05, with a headroom of 2.11, 1.75, 7.10, 3.45 and 2.80, respectively. Such credit agreement also contains restrictions that may limit our ability to, among other things, incur additional debt over agreed threshold, create liens, make certain investments, effect a fundamental change, make certain asset dispositions, and declare or make restricted payments in certain circumstances. During the Track Record Period and up to the Latest Practicable Date, we were in compliance with all covenants under such credit agreements.

The following table sets forth the maturity profile of our borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
Within one year	15,360	8,044	11,801	13,676
Greater than one year and less than two years	52,349	11,712	15,531	15,531
Greater than two years and less the five years	1,590	54,144	39,198	35,448
Over five years	2,374	1,794	1,220	1,220
Total	**71,673**	**75,694**	**67,750**	**65,875**

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in bank and other borrowings, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in obtaining credit facilities, or withdrawal of facilities or request for early repayment.

Lease Liabilities

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had lease liabilities of US$14.4 million, US$18.4 million, US$15.0 million and US$15.2 million, respectively.

The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	US$'000	*US$'000*	*US$'000*	*US$'000* (*Unaudited*)
Current portion	2,641	6,472	2,950	3,147
Non-current portion	11,764	11,920	12,070	12,079
Total	**14,405**	**18,392**	**15,020**	**15,226**

Our lease liabilities increased from US$14.4 million as of December 31, 2021 to US$18.4 million as of December 31, 2022, primarily due to the addition of ground leases near the Tyson McGhee Airport in Tennessee in connection with expansion of our office space and training facilities. Our lease liabilities decreased to US$15.0 million as of December 31, 2023, primarily because we acquired one of the production facilities we previously leased from the City of Duluth, Minnesota in July 2023. See "Business — Property" for details. Our lease liabilities remained relatively stable at US$15.2 million as of April 30, 2024. All of our leases are unguaranteed.

Contingent Liabilities

During the Track Record Period and up to the Latest Practicable Date, we had contingent liabilities captured in our accrued product liability, relating to ongoing product liability claims. See "— Critical Accounting Estimates and Judgments — Accrued Product Liability and Reinsurance Recoverable."

Indebtedness Statement

Save as disclosed under "— Indebtedness" in this Prospectus, as of December 31, 2021, 2022 and 2023 and April 30, 2024, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings and other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since April 30, 2024 and up to the Latest Practicable Date.

CAPITAL COMMITMENTS

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had capital commitments on property, plant and equipment of approximately US$3 million, US$5 million, US$8 million and US$8 million, respectively. We had no other material commitments.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the Track Record Period, we entered into a number of related party transactions. Revenue from the sale of goods and services to AG Zhejiang, AG Services and AG Huanan, associates of our Controlling Shareholders relates to aircraft development, provision of procurement support and technical support, provision of aircraft products, aircraft kits sale and provision of program services. We also made purchases of engines and parts for our aircraft from Continental, an associate of one of our Controlling Shareholders. As of December 31, 2021, 2022 and 2023, the amounts due from related parties, consisting of our prepaid engine warranty purchased from Continental which will be utilized over the warranty period, were US$3.7 million, US$4.8 million and US$9.6 million, respectively. As of December 31, 2021, 2022 and 2023, the amounts due to related parties were US$3.2 million, US$1.9 million and US$1.9 million, respectively. The amounts due from or due to our related parties during the Track Record Period are trade in nature, unsecured, interest-free and repayable on demand. See Note 31 to the Accountant's Report set out in Appendix I to this Prospectus for further details about our related party transactions during the Track Record Period. We expect to have transactions with our related parties after the Listing. See "Connected Transactions" for further details.

Our Directors are of the view that each of the related party transactions set out in Note 31 to the Accountant's Report in Appendix I to this Prospectus was conducted on an arm's length basis and would not distort our track record results or cause our historical results to be not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the years indicated:

	As of/For the year ended December 31,		
	2021	2022	2023
Gross profit margin[(1)]	32.8%	33.3%	34.2%
Net profit margin[(2)]	9.8%	9.9%	8.5%
Return on equity[(3)]	27.4%	25.6%	21.1%
Return on total assets[(4)]	9.6%	10.1%	9.3%
Adjusted profit margin (non-IFRS measure)[(5)]	9.8%	9.9%	9.2%
Adjusted EBITDA margin (non-IFRS measure)[(6)]	16.8%	16.2%	15.2%
Current ratio[(7)]	0.9	1.0	1.1
Quick ratio[(8)]	0.6	0.7	0.8
Gearing ratio[(9)]	0.2	0.2	0.1

Notes:

(1) Gross profit margin calculated using gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Net profit margin is calculated using profit for the year divided by revenue for the year and multiplied by 100%.

(3) Return on equity ratio is profit for the year as a percentage of the average balance of total equity at the beginning and the end of the year and multiplied by 100%.

(4) Return on total assets ratio is profit for the year as a percentage of the average balance of total assets at the beginning and the end of the year and multiplied by 100%.

(5) Adjusted profit margin (non-IFRS measure) represents adjusted profit for the year (non-IFRS measure) divided by revenue for the year and multiplied by 100%. For details of the adjusted profit for the year (non-IFRS measure), see "— Non-IFRS Measures."

(6) Adjusted EBITDA margin (non-IFRS measure) represents adjusted EBITDA (non-IFRS measure) divided by revenue for the year and multiplied by 100%. For details of the adjusted EBITDA (non-IFRS measure), see "— Non-IFRS Measures."

(7) Current ratio is calculated using total current assets divided by total current liabilities.

(8) Quick ratio is calculated using total current assets less inventories divided by total current liabilities.

(9) Gearing ratio is calculated using total debt (being interest-bearing borrowings) divided by total equity.

See "— Review of Historical Results of Operations" for factors affecting our gross profit margin, net profit margin, return on equity and return on total assets. See "— Selected Items from the Consolidated Statements of Financial Position" for more information on current ratio, quick ratio and gearing ratio.

FINANCIAL RISK FACTORS

We are exposed to various types of financial and market risks, including liquidity risk, price risk, credit risk and interest rate risk. Our Directors review and agree on specific strategies for the managing each of these risks, which are in line with corporate objectives. See Note 3 to the Accountant's Report set out in Appendix I to this Prospectus for further details.

Liquidity Risk

As of December 31, 2021, 2022 and 2023, we had cash and cash equivalents of US$181.4 million, US$243.3 million and US$246.9 million, respectively, which is sufficient to cover our working capital requirements, providing ample liquidity for our continuing business operations. Liquidity risk relates to the risk that we may not have, or may not be able to raise, cash funds when needed and therefore may encounter difficulty in meeting obligations associated with financial liabilities.

Price Risk

Price risk relates to changes in the price of materials purchased for production. We manage this risk primarily by negotiating pricing agreements with significant suppliers, competitive bidding and identifying opportunities for cost reductions. Based on the current outlook for commodity prices, the total impact of commodities is expected to have a nominal impact on our gross margins for 2023 when compared to 2022.

Credit Risk

Credit risk arises mainly from the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities (primarily accounts receivables). We have adopted a policy of dealing only with highly rated financial institutions and we have no significant concentrations of credit risk. Receivables that are past due at the reporting date are impaired as appropriate.

To manage risk arising from cash and cash equivalents, we place deposits in reputable banks. There has been no recent history of default in relation to these financial institutions. Our identified credit losses are effectively close to zero.

For a majority of our revenue, including sales of aircraft, extended warranty and maintenance, as part of our credit control policy, considerations are generally fully paid before the goods are delivered or services are rendered. We are therefore not exposed to credit risk for these revenue transactions. For the accounts receivable arising from the remaining revenue transactions, there was no history of material default. We apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets on a collective basis based on shared credit risk characteristics. The provision matrix is determined based on historically observed default rates with similar credit risk characteristics and is adjusted for forward-looking factors. The historical observed default rates are updated based on the payment profiles of receivables over a period of 12 months, and changes in the forward-looking estimates are analyzed at year end. On this basis, the expected loss rates and allowance provided on a collective basis are insignificant.

For accounts receivables that are long aged or relating to customers that are less likely to be collectible, they are assessed individually for allowance for credit losses. As of December 31, 2021, 2022 and 2023, a total provision of US$0.2 million, US$0.9 million and US$2.4 million was included in the accounts receivables, respectively.

Most of our notes and other receivables (excluding insurance receivables) are collateralized. Financial assets at fair value through other comprehensive income mainly include highly-rated debt securities; therefore, there is limited exposure to credit risk. Accordingly, credit risk in relations to notes and other receivables and financial assets at fair value through other comprehensive income is effectively close to zero.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with floating interest rates. We frequently monitor interest rates and do not anticipate any material losses as a result of interest rate risk. The following table analyzes the breakdown of liabilities and assets by type of interest rate:

	As of December 31,		
	2021	**2022**	**2023**
	US$'000	*US$'000*	*US$'000*
Financial assets			
Fixed rate	118	264	471
Financial liabilities			
Fixed rate	4,938	4,444	4,000
Floating rate	66,735	71,250	63,750
	71,673	75,694	67,750

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma financial information of our Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2023 and based on the audited consolidated net tangible assets attributable to the owners of our Company as of December 31, 2023 as shown in the Accountant's Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to the owners of our Company as of December 31, 2023 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2023	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2023**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share**	
	US$'000	*US$'000*	*US$'000*	*US$*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
Based on an Offer Price of HK$27.34 per Offer Share	112,280	183,406	295,686	0.81	6.33
Based on an Offer Price of HK$28.00 per Offer Share	112,280	187,903	300,183	0.82	6.40

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2023 is extracted from the Accountant's Report set out in Appendix I to this Prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of December 31, 2023 of approximately US$473,376,000 after deducting our Group's intangible assets and goodwill as of December 31, 2023 of approximately US$245,173,000 and US$115,923,000, respectively.

(2) The estimated net proceeds from the Global Offering are based on 54,875,900 Offer Share and the indicative Offer Price of HK$27.34 per Share and HK$28.00 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately US$7,243,000 which have been recognized in the consolidated statements of comprehensive income up to the year ended December 31, 2023) and takes no account of any Shares which may be issued upon the exercise of (i) the Offer Size Adjustment Option; (ii) the Over-allotment Option or (iii) any Shares which may be issued or repurchased by our Company.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that a total of 365,839,218 Shares were in issue assuming that the Share Subdivision and the Global Offering have been completed on December 31, 2023 but takes no account of any Shares which may be issued upon the exercise of (i) the Offer Size Adjustment Option; (ii) the Over-allotment Option or (iii) any Shares which may be issued or repurchased by the Company.

(4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per share, the amounts stated in United States dollars are converted into Hong Kong dollars at an exchange rate of US$1 to HK$7.8107, as set out in the section headed "Information about this Prospectus and the Global Offering." No representation is made that United States dollars amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets per Share to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2023.

(6) The unaudited pro forma adjusted consolidated net tangible assets per Share has not taken into account the special cash bonus under the management incentive plan of US$12.8 million based on the low-end of the indicative Offer Price range and assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised or US$13.1 million based on the high-end of the indicative Offer Price range and assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised. See "Directors and Senior Management — Management Incentive Plan" for details. Had such special cash bonus (assuming a special cash bonus of US$12.8 million or US$13.1 million based on the low-end or high-end of the indicative Offer Price range of HK$27.34 per Share or HK$28.00 per Share respectively and assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised) been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would decrease by approximately US$0.04 per Share (equivalent to approximately HK$0.31 per Share), and the unaudited pro forma adjusted consolidated net tangible assets per Share would have been approximately US$0.77 per Share (equivalent to approximately HK$6.01 per Share) and US$0.78 per Share (equivalent to approximately HK$6.09 per Share), based on the Offer Price of HK$27.34 per Share and HK$28.00 per Share, respectively.

DIVIDEND POLICY

In June 2023, we declared and paid a dividend to CAIGA Hong Kong in the amount of US$6.5 million from our profits. No other dividend has been paid or declared by our Company during the Track Record Period.

Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. Our Board of Directors may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment of dividends will be subject to our constitutional documents and applicable laws. Our shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board of Directors. In addition, our Directors may from time to time pay such interim dividends as our Board of Directors considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declaration of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board of Directors.

DISTRIBUTABLE RESERVES

As of December 31, 2023, our Company had retained earnings of approximately US$499,000, representing the distributable reserves available for distribution to our Shareholders.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our total listing expenses (including underwriting commission) will be approximately US$16.0 million, accounting for approximately 8.2% of the gross proceeds from the Global Offering (assuming an Offer Price of HK$27.67 per share, being the mid-point of the indicative Offer Price range stated in this Prospectus and the Over-allotment Option and the Offer Size Adjustment Option are not exercised). During the Track Record Period, listing expenses of approximately US$7.2 million were charged to our consolidated statements of profit or loss for the year ended December 31, 2023, and approximately US$1.3 million were capitalized to our consolidated statements of financial position and recognized as prepaid listing expenses as of December 31, 2023, which are expected to be deducted from equity upon Listing as they are directly attributable to the issue of the Shares to the public. The estimated remaining listing expenses of approximately US$2.1 million are expected to be charged to our consolidated statements of profit or loss for the year ending December 31, 2024, and approximately US$5.4 million are expected to be deducted from equity upon Listing. The listing expenses consist of US$5.0 million underwriting-related expenses and US$11.0 million non-underwriting-related expenses (including fees and expenses of legal advisors and the reporting accountant of US$8.4 million and other fees and expenses of US$2.6 million).

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT

See "Summary — Recent Developments and No Material Adverse Change" in this Prospectus for further details of the impact of recent developments on our business, operations and financial positions.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this Prospectus, there had been no material adverse change in our financial or operating position or prospects since December 31, 2023, which is the end date of the periods reported on in the Accountant's Report set out in Appendix I to this Prospectus, and there had been no event since December 31, 2023 and up to the date of this Prospectus that would materially affect the information as set out in the Accountant's Report included in Appendix I to this Prospectus.