



ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CIRRUS AIRCRAFT LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Cirrus Aircraft Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-79, which comprises the consolidated statements of financial position as of December 31, 2021, 2022 and 2023, the Company's statements of financial position as of December 31, 2021, 2022 and 2023, the consolidated statements of profit or loss, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-79 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 28, 2024 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out respectively in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.



Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out respectively in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as of December 31, 2021, 2022 and 2023 and the consolidated financial position of the Group as of December 31, 2021, 2022 and 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out respectively in Notes 1.3 and 2.1 to the Historical Financial Information.



REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.



PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

June 28, 2024

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in United States Dollar ("US\$") and all values are rounded to the nearest thousand ("US\$'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| | | Year ended December 31, | | |
|--|----|-------------------------|-----------|-----------|
| | | 2021 | 2022 | 2023 |
| | | US\$'000 | US\$'000 | US\$'000 |
| Revenue | 5 | 738,130 | 894,082 | 1,067,708 |
| Cost of sales | 6 | (495,855) | (595,952) | (703,016) |
| Gross profit | | 242,275 | 298,130 | 364,692 |
| Selling and marketing expenses | 6 | (66,391) | (88,290) | (106,766) |
| General and administrative expenses | 6 | (93,661) | (102,486) | (135,184) |
| Operating profit before other income | | 82,223 | 107,354 | 122,742 |
| Other income, net | 7 | 7,486 | 4,779 | 1,372 |
| Operating profit | | 89,709 | 112,133 | 124,114 |
| Finance costs | 9 | (3,509) | (3,199) | (5,529) |
| Profit before income tax | | 86,200 | 108,934 | 118,585 |
| Income tax expenses | 10 | (13,797) | (20,858) | (27,442) |
| Profit for the year | | 72,403 | 88,076 | 91,143 |
| Earnings per share | | | | |
| Basic and diluted | | | | |
| (expressed in US\$ per share) | 11 | 0.47 | 0.57 | 0.59 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year ended December 31, | | |
|---|-------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Profit for the year | 72,403 | 88,076 | 91,143 |
| Other comprehensive gain/(loss): | | | |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | | |
| Fair value gain/(loss) on financial assets at fair value through other comprehensive income, net of tax | 24 | (2) | 1 |
| Other comprehensive gain/(loss) for the year, net of tax | 24 | (2) | 1 |
| Total comprehensive income for the year | 72,427 | 88,074 | 91,144 |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | As of December 31, | | |
|--|------|--------------------|----------------|------------------|
| | | 2021 | 2022 | 2023 |
| | | US\$'000 | US\$'000 | US\$'000 |
| | Note | | | |
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant, and equipment | 13 | 112,748 | 161,784 | 197,933 |
| Right-of-use assets | 24 | 12,783 | 16,750 | 12,949 |
| Intangible assets | 14 | 225,501 | 231,320 | 245,173 |
| Goodwill | 14 | 115,923 | 115,923 | 115,923 |
| Financial assets at fair value through other comprehensive income | 15 | 257 | 215 | 471 |
| Advances to suppliers | 17 | 2,823 | 4,559 | 8,832 |
| Notes receivables | 19 | 62 | 21 | — |
| Contract assets | 27 | 145 | 152 | 112 |
| Total non-current assets | | 470,242 | 530,724 | 581,393 |
| Current assets | | | | |
| Inventories | 18 | 100,708 | 113,017 | 134,566 |
| Reinsurance recoverable | | 19,528 | 42,211 | 21,417 |
| Advances to suppliers | 17 | 6,524 | 5,321 | 12,188 |
| Contract assets | 27 | 1,989 | 203 | 215 |
| Notes and other receivables and prepayments | 19 | 1,388 | 8,154 | 2,270 |
| Accounts receivables | 19 | 4,017 | 5,836 | 7,399 |
| Financial assets at fair value through profit or loss | 16 | 1,145 | 1,017 | 1,618 |
| Cash and cash equivalents | 20 | 181,381 | 243,254 | 246,869 |
| Total current assets | | 316,680 | 419,013 | 426,542 |
| Total assets | | 786,922 | 949,737 | 1,007,935 |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

| | | As of December 31, | | |
|--|-------------|--------------------|----------------|------------------|
| | | 2021 | 2022 | 2023 |
| | | US\$'000 | US\$'000 | US\$'000 |
| | <i>Note</i> | | | |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 21 | 155,482 | 155,482 | 155,482 |
| Capital reserve | 21 | (113,482) | (113,482) | (113,482) |
| Financial assets at fair value through other comprehensive income ("FVOCI") fair value reserve | 21 | 4 | 3 | 4 |
| Retained earnings | | 258,654 | 346,729 | 431,372 |
| Total equity | | <u>300,658</u> | <u>388,732</u> | <u>473,376</u> |
| Non-current liabilities | | | | |
| Borrowings | 23 | 56,313 | 67,650 | 55,949 |
| Lease liabilities | 24 | 11,764 | 11,920 | 12,070 |
| Deferred tax liabilities | 28 | 24,838 | 17,150 | 15,160 |
| Accrued warranty | 25 | 4,043 | 4,905 | 7,363 |
| Contract liabilities | 27 | 41,155 | 45,971 | 57,047 |
| Total non-current liabilities | | <u>138,113</u> | <u>147,596</u> | <u>147,589</u> |
| Current liabilities | | | | |
| Accounts payables | 22 | 41,651 | 45,078 | 42,428 |
| Employee wages and benefits payable | 22 | 41,976 | 48,379 | 60,530 |
| Accrued liabilities | 22 | 2,897 | 16,908 | 10,033 |
| Contract liabilities | 27 | 39,578 | 39,546 | 45,241 |
| Customer deposits | 22 | 145,204 | 165,105 | 149,466 |
| Deferred government grant income | | 59 | — | — |
| Interest payable | 22 | 68 | 210 | 121 |
| Income tax payable | | 8,279 | 11,644 | 8,541 |
| Accrued warranty | 25 | 17,004 | 14,566 | 20,534 |
| Accrued product liability | 26 | 33,434 | 57,457 | 35,325 |
| Borrowings | 23 | 15,360 | 8,044 | 11,801 |
| Lease liabilities | 24 | 2,641 | 6,472 | 2,950 |
| Total current liabilities | | <u>348,151</u> | <u>413,409</u> | <u>386,970</u> |
| Total liabilities | | <u>486,264</u> | <u>561,005</u> | <u>534,559</u> |
| Total equity and liabilities | | <u>786,922</u> | <u>949,737</u> | <u>1,007,935</u> |

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | | As of December 31, | | |
|---|-------------|--------------------|----------------|----------------|
| | | 2021 | 2022 | 2023 |
| | | US\$'000 | US\$'000 | US\$'000 |
| | <i>Note</i> | | | |
| Assets | | | | |
| Non-current asset | | | | |
| Investment in a subsidiary | 21 | 210,000 | 210,000 | 210,000 |
| Total non-current asset | | 210,000 | 210,000 | 210,000 |
| Current assets | | | | |
| Prepayment | | — | — | 1,267 |
| Cash and cash equivalents | | — | — | 504 |
| Total current assets | | — | — | 1,771 |
| Total assets | | 210,000 | 210,000 | 211,771 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 21 | 155,482 | 155,482 | 155,482 |
| Capital reserve | 21 | 54,518 | 54,518 | 54,518 |
| Retained earnings | | — | — | 499 |
| Total equity | | 210,000 | 210,000 | 210,499 |
| Liabilities | | | | |
| Current liability | | | | |
| Amount due to a subsidiary | | — | — | 1,272 |
| Total current liability | | — | — | 1,272 |
| Total liability | | — | — | 1,272 |
| Total equity and liabilities | | 210,000 | 210,000 | 211,771 |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Share capital (Note 21) | Capital reserve (Note 21) | Financial assets at fair value through other comprehensive income fair value reserve (Note 21) | Retained earnings | Total |
|--|-------------------------------|---------------------------------|--|----------------------|----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Balance as of January 1, 2021 | 155,482 | (113,482) | 9 | 186,222 | 228,231 |
| Profit for the year | — | — | — | 72,403 | 72,403 |
| Fair value loss on financial assets at fair value through other comprehensive income, net of tax | — | — | (5) | 29 | 24 |
| Total comprehensive income/(loss). | — | — | (5) | 72,432 | 72,427 |
| Balance as of December 31, 2021 | <u>155,482</u> | <u>(113,482)</u> | <u>4</u> | <u>258,654</u> | <u>300,658</u> |
| Balance as of January 1, 2022 | 155,482 | (113,482) | 4 | 258,654 | 300,658 |
| Profit for the year | — | — | — | 88,076 | 88,076 |
| Fair value loss on financial assets at fair value through other comprehensive income, net of tax | — | — | (1) | (1) | (2) |
| Total comprehensive income/(loss). | — | — | (1) | 88,075 | 88,074 |
| Balance as of December 31, 2022 | <u>155,482</u> | <u>(113,482)</u> | <u>3</u> | <u>346,729</u> | <u>388,732</u> |
| Balance as of January 1, 2023 | 155,482 | (113,482) | 3 | 346,729 | 388,732 |
| Profit for the year | — | — | — | 91,143 | 91,143 |
| Fair value gain on financial assets at fair value through other comprehensive income, net of tax | — | — | 1 | — | 1 |
| Total comprehensive income | — | — | 1 | 91,143 | 91,144 |
| Dividends paid | — | — | — | (6,500) | (6,500) |
| Balance as of December 31, 2023 | <u>155,482</u> | <u>(113,482)</u> | <u>4</u> | <u>431,372</u> | <u>473,376</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | <i>Note</i> | Year ended December 31, | | |
|--|-------------|-------------------------|-----------------|-----------------|
| | | 2021 | 2022 | 2023 |
| | | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Cash flows from operation activities | | | | |
| Profit for the year | | 72,403 | 88,076 | 91,143 |
| Adjustments for: | | | | |
| Income tax expenses | | 13,797 | 20,858 | 27,442 |
| Finance costs | | 3,509 | 3,199 | 5,529 |
| Depreciation on property, plant and equipment | | 18,248 | 13,596 | 16,857 |
| Depreciation on right-of-use assets | | 2,507 | 3,995 | 4,068 |
| Amortization of intangible assets | | 14,421 | 15,866 | 15,650 |
| (Gain)/loss on financial assets at FVPL | | (411) | 414 | (550) |
| Government grants | | (979) | (59) | — |
| | | <u>123,495</u> | <u>145,945</u> | <u>160,139</u> |
| Changes in working capital: | | | | |
| Increase in inventories | | (27,761) | (18,365) | (23,918) |
| (Increase)/decrease in accounts, notes and other receivables and reinsurance recoverable | | (8,228) | (31,227) | 26,847 |
| (Increase)/decrease in contract assets | | (1,037) | 1,779 | 28 |
| Decrease/(increase) in advances to suppliers | | 1,639 | (533) | (11,140) |
| Increase in contract liabilities | | 28,001 | 2,346 | 16,771 |
| Increase/(decrease) in customer deposits | | 61,345 | 19,901 | (15,639) |
| Increase in employee benefit payable | | 7,479 | 6,403 | 12,151 |
| Increase/(decrease) in accounts and other payables | | 19,320 | 34,849 | (13,796) |
| Cash generated from operations | | <u>204,253</u> | <u>161,098</u> | <u>151,443</u> |
| Interest paid | | (3,611) | (3,057) | (5,617) |
| Tax paid | | (2,365) | (25,182) | (32,535) |
| Net cash generated from operating activities | | <u>198,277</u> | <u>132,859</u> | <u>113,291</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

| | Note | Year ended December 31, | | |
|---|------|-------------------------|-----------------|-----------------|
| | | 2021 | 2022 | 2023 |
| | | US\$'000 | US\$'000 | US\$'000 |
| Cash flows from investing activities | | | | |
| Purchase of financial assets | | (527) | (397) | (424) |
| Proceeds from sale of financial assets | | 2,165 | 151 | 118 |
| Payment for property, plant and equipment | | (40,756) | (49,102) | (60,828) |
| Payment for intangible assets | | (8,401) | (21,685) | (29,503) |
| Net cash used in investing activities | | <u>(47,519)</u> | <u>(71,033)</u> | <u>(90,637)</u> |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | 30 | — | 75,000 | — |
| Repayment of borrowings | 30 | (123,619) | (70,979) | (8,044) |
| Principal elements of lease payments | 30 | (2,524) | (3,974) | (3,629) |
| Dividends paid | | — | — | (6,500) |
| Payment for listing expenses | | — | — | (866) |
| Net cash (used in)/generated from financing activities | | <u>(126,143)</u> | <u>47</u> | <u>(19,039)</u> |
| Net increase in cash and cash equivalents | | 24,615 | 61,873 | 3,615 |
| Cash and cash equivalents at beginning of the year | | <u>156,766</u> | <u>181,381</u> | <u>243,254</u> |
| Cash and cash equivalents at ending of the year | 20 | <u>181,381</u> | <u>243,254</u> | <u>246,869</u> |

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

Cirrus Aircraft Limited (the “**Company**”) was incorporated on December 13, 2019 as an exempted company in the Cayman Islands under the Companies Act, Cap 22 (Law 3 of 1961) of the Cayman Islands with limited liability. The address of its registered office is Maples Corporate Services Limited, PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together “**the Group**”) are principally engaged in manufacturing and sales of piston aircraft (“**SR2X Series**”) and single-engine turbine jet (“**Vision Jet**”), sales of services through Cirrus Services, including aviation parts, extended warranty contracts, maintenance operations, and training services (“**Listing Business**”).

The Company’s ultimate holding company is Aviation Industry Corporation of China Ltd. (“**AVIC**”), a company incorporated in the People Republic of China (the “**PRC**”).

These Historical Financial Information is presented in United State Dollar (“**US\$**”) unless otherwise stated.

1.2 Reorganization

Immediately prior to the Reorganization and during the Track Record Period, the Listing Business was operated by CAIGA Co. Ltd. (“**CAIGA Co.**”), a company incorporated in The United States of America, and its subsidiaries (together, the “**Operating Companies**”).

In preparation for the initial public offering (“**IPO**”) and listing (the “**Listing**”) of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, a group reorganization (the “**Reorganization**”) was undertaken pursuant to which the Listing Business were transferred to the Company. The Reorganization involved the followings steps:

- (i) On December 13, 2019, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of US\$50,000 divided into 50,000 shares with par value of US\$1 per share. Upon its incorporation, the Company allotted and issued one ordinary share with par value of US\$1 to an

independent third party which was then transferred to CAIGA (Hong Kong) Limited (“CAIGA Hong Kong”), a wholly owned subsidiary of China Aviation Industry General Aircraft Co., Ltd. (“CAIGA”) on the same date.

- (ii) On January 15, 2020, pursuant to the share purchase agreement entered into between CAIGA, CAIGA Hong Kong and the Company, CAIGA agreed to sell, transfer and assign its right, title and interest in and to the 100% issued and outstanding share capital of CAIGA Co. to the Company at a consideration of US\$155,481,658. The consideration is satisfied by the allotment and issuance of 155,481,658 ordinary shares by the Company to CAIGA Hong Kong. Upon the completion of such transfer, CAIGA Co. was wholly owned by the Company.
- (iii) In December 2022, Cirrus Industries, Inc. (“Legacy Cirrus Industries”) was merged with and into CAIGA (US) Co., Ltd. (“CAIGA US”), the immediately holding company of Legacy Cirrus Industries, and CAIGA US was further merged with and into CAIGA Co., the immediate holding company of CAIGA US, under Delaware law. As a result, CAIGA Co. acquired all the assets and properties of CAIGA US Co., and the Legacy Cirrus Industries, respectively, and assumed all of the liabilities and obligations therein. CAIGA Co. was renamed as “Cirrus Industries, Inc.”.

As of the date of this report the Company has the following subsidiaries:

| Company name | Place of incorporation | Particulars of registered capital/issued capital | Percentage of attributable equity interest | | | As of the date of this report | Principal activities | Note |
|--|--|--|--|---------------------|---------------------|-------------------------------|---|------|
| | | | As of December 31, | | | | | |
| | | | 2021 | 2022 | 2023 | | | |
| Cirrus Industries, Inc. (formerly known as CAIGA Co. before December 2022) | The United States of America (the “USA” or “US”) | 100 shares of US\$0.001 per share | 100% | 100% | 100% | 100% | Investment holding before merging in 2022. Investment holding and designing, manufacturing, retail sale of aircraft and related operations after 2022 | (i) |
| CAIGA US | The USA | 100 shares of US\$0.001 per share | 100% | N/A ⁽ⁱⁱ⁾ | N/A ⁽ⁱⁱ⁾ | N/A ⁽ⁱⁱ⁾ | Investment holding | (i) |
| Legacy Cirrus Industries | The USA | 5,000 shares of US\$0.001 per share | 100% | N/A ⁽ⁱⁱ⁾ | N/A ⁽ⁱⁱ⁾ | N/A ⁽ⁱⁱ⁾ | Investment holding and designing, manufacturing, retail sale of aircraft and related operations | (i) |

| Company name | Place of incorporation | Particulars of registered capital/issued capital | Percentage of attributable equity interest | | | As of the date of this report | Principal activities | Note |
|--|------------------------|--|--|------|------|-------------------------------|---|------|
| | | | As of December 31, | | | | | |
| | | | 2021 | 2022 | 2023 | | | |
| Cirrus Design Corporation | The USA | 100,000 shares of US\$0.01 per share | 100% | 100% | 100% | 100% | Designing, manufacturing, retail sale of aircraft and related operations | (i) |
| Dakota Aircraft Corporation | The USA | 10,000 shares of US\$0.01 per share | 100% | 100% | 100% | 100% | Manufacturing of composite components of aircraft | (i) |
| Superior Aerospace Insurance Company | The USA | 100 shares with no par value | 100% | 100% | 100% | 100% | Captive insurance | (i) |
| Cirrus Aircraft Europe Limited | United Kingdom | 1 share of GBP 1 per share | 100% | 100% | 100% | 100% | Entity is dormant, previously established for the overseeing of European accounts | (i) |

Notes:

- (i) No statutory financial statements have been issued for these companies as they have no statutory audit requirements in their respective countries of incorporation.
- (ii) In December 2022, the Legacy Cirrus Industries was merged with and into CAIGA US and CAIGA US was merged with and into CAIGA Co. As a result, CAIGA Co. acquired all the asset and properties of CAIGA US and the Legacy Cirrus Industries, respectively, and assumed all of the liabilities and obligations therein. CAIGA Co., was renamed as "Cirrus Industries, Inc."

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business was primarily conducted through the Operating Companies. Pursuant to the Reorganization, the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business with no change in management and the ultimate owners of the Listing Business remain the same.

Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under the Operating Companies. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Operating Companies, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

2 Material accounting policy information

The principal accounting policies applied in the preparation of the Historical Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The material accounting policies applied in the preparation of the Historical Financial Information which are in accordance with IFRS Accounting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) are set out below. The Historical Financial Information have 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 carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All relevant standards, amendments to the existing standards and interpretations that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

Amendments to standards that have been issued but are not effective and have not been early adopted by the Group:

The following amendments to standards have been issued but are not effective during the Track Record Period, and have not been early adopted by the Group:

| | | Effective for annual periods beginning on or after |
|--|---|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current | January 1, 2024 |
| Amendments to IAS 1 | Non-current liabilities with covenants | January 1, 2024 |
| Amendment to IFRS 16 | Leases on sale and leaseback | January 1, 2024 |
| Amendments to IAS 7 | Supplier finance arrangements | January 1, 2024 |
| Amendments to IAS 21 | Lack of exchangeability | January 1, 2025 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

The Group plans to adopt the above amendments to standards when they become effective. According to the preliminary assessment made by the directors of the Company, these amendments to standards are either not relevant to the Group or not significant to the financial performance and positions of the Group when they become effective.

2.2 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the reorganization, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former shareholders of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US\$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.5 *Property, plant and equipment*

Property, plant, and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant, and equipment 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, the Group depreciates 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 property, plant and equipment is calculated on the 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.

2.6 Goodwill and intangible assets with indefinite useful life

Goodwill is the excess of the purchase price (consideration transferred) over the estimated fair value of net assets of acquired businesses. In accordance with IFRS, goodwill is not amortized. The Group assesses whether there has been an impairment of goodwill and intangible assets with indefinite useful life annually or 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 (CGUs) or groups of CGUs. 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 CGU 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 the Group 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.

2.7 Intangible assets

(a) Trademark

Trademark acquired in a business combination is recognized at fair value at the acquisition date. The trademark has an indefinite useful life, as the economic benefits are expected to contribute to the Company's cash flows indefinitely, 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.

(b) Customer relationships

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.

(c) Aircraft type certificates

Aircraft type certificates represents the certificates and development efforts for the aircraft acquired in a business combination or developed internally and is recognized at fair value at the acquisition date. The aircraft type certificates have finite useful lives and are subsequently carried at cost less accumulated amortization. The Company selects 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.

(d) Internally developed intangible assets

The Group incurs significant costs and effort on research and development activities, which include 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 the following can be demonstrated:

- The technical feasibility to complete the development project 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 Group;
- 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 include costs of materials and services used or consumed and employee costs incurred in the creation of the asset. Development expenditures not satisfying the above 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.

2.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years, unless longer is justified.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

2.9 *Financial assets*

2.9.1 *Financial assets at fair value*

Equity securities and mutual funds are classified as financial assets at fair value through profit or loss (“**FVPL Assets**”). FVPL Assets are measured and recorded at fair value and any unrealized gains or losses are recognized in current year profit and loss. Management uses current market quotations, where available, to estimate the fair value of these securities. Realized gains and losses from the sale of FVPL Assets are determined on a specific-identification basis.

FVPL Assets are recorded at fair value when acquired, including any directly attributable transaction costs.

Debt securities are classified as financial assets at fair value through other comprehensive income (“**FVOCI Assets**”). FVOCI Assets are measured and recorded at fair value. Unrealized gains and losses generated from FVOCI Assets (net of tax) are reported as a separate component of the accumulated other comprehensive income until realized. Management uses current market quotations, where available, to estimate the fair value of these securities.

When an investment is sold, the gain or loss accumulated in other comprehensive income is recognized within realized gains or losses within current year profit and loss.

Premiums and discounts are amortized or accreted over the expected life of the related FVOCI Assets as an adjustment to yield, using the effective-interest method. Such amortization and accretion are included in the investment gain line item in the consolidated statements of profit or loss. Interest income is recognized when earned and included in the investment gain line item in the consolidated statements of profit or loss.

The Group assesses on a forward-looking basis the expected credit losses associated with its FVOCI Assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.9.2 *Financial assets — impairment*

The Group has following financial assets subject to the expected credit loss model with IFRS 9:

1. Accounts receivables;
2. Notes and other receivables (excluding insurance receivables);

3. Financial assets at FVOCI;
4. Cash and cash equivalents.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized since initial recognition.

Impairment on note and other receivables (excluding insurance receivables) is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a deposit or receivable has occurred since initial recognition, the impairment is measured as lifetime expected credit losses.

2.10 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 group. 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 a lease 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 payment 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 exercising 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 rate cannot be readily determined, the lessee's 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 incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and
- makes adjustments specific to the lease, e.g. term, country, currency and security

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

- the amount of the initial measurement of lease liability
- any lease payments made 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 the Group is 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 across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension, purchase and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. 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).

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: standard cost
- Preflown 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

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 Group's provision methods. Sudden downward changes in the Group's product markets may cause the Group to recognize additional inventory charges in future periods.

All Federal Aviation Administration (FAA) certification and preproduction costs are charged to profit or loss as incurred, except for costs associated with new aircraft models in the development stages, which are capitalized.

2.12 Accounts receivables

Accounts receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Accounts receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the accounts receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.1 for further information about the Group's impairment policies.

2.13 Cash and cash equivalents

The Group considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates market value. The Group has a policy of dealing only with highly rated financial institutions. Generally, these balances may be redeemed upon demand and, therefore, bear minimal risk. Certificates of deposit are considered cash and cash equivalents based on their nature and original maturity of three months or less based on our policy above.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle or defend the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted to present values using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.16 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.17 Accrued product liability

The Group is subject to product liability claims in the normal course of business. The Group purchases insurance policies to protect against losses related to product liability claims, hull losses for aircraft in the corporate owned fleet, excess general liability, and other physical damage. These policies carry various coverage limits and cover losses and fees for litigation and defense on product liability.

The Group retains self-insured exposure for product liability losses and defense costs up to maximum per occurrence and aggregate limits on the entire product liability policy.

The Group estimates product liability reserves by reviewing loss estimates of its lead underwriter as a basis to determine loss exposure for the Group related to its self-insured retentions. The lead underwriter determines estimated total loss exposure by examining field-related incidents; establishing an estimate of potential liability exposure based on the facts of the incident and possible theories of liability, jurisdiction, and other factors; and determining legal and other fees that may be incurred. This estimate of overall loss exposure for all cases is updated at least annually, 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, the Group recognizes its loss exposure if it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. The Group then calculates its total loss exposure consistent with its applicable retention for the policy year. The Group's loss reserve may be adjusted from time to time based on adjustments in the insurance company reserves.

2.18 Reinsurance recoverable

The Group carries product liability insurance as stated in Note 2.17 and the Group reinsured those amounts that are beyond the amounts stated above. As such the Group carries a reinsurance recoverable for product liability that exceeds the aggregate exposure amounts stated above, which are covered by third party insurers. The reinsurance recoverable is determined to be virtually certain and recognized as a current asset.

2.19 Accounts payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Current and deferred income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statements of profit or loss, except if it arises from transactions or events that are recognized in other comprehensive income/(loss) or directly in equity. In this case, the tax is recognized in other comprehensive income/(loss) or directly in equity, respectively.

(a) *Current income tax*

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transactions, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.21 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 the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

Transaction sale prices are allocated to performance obligations on the proportional basis of the standalone selling prices of the related performance obligations. The standalone selling price is the price at which an entity would sell a promised good or service separately to a customer. Management assesses these standalone selling prices at least on an annual basis and adjusts 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.

(a) Sale of Goods — Aircraft Revenue

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

(b) *Sale of Goods — Cirrus Services and Other*

Cirrus Services and Other, include but are not limited to after market parts, service sales, warranty sales, training sales and revenue from a related party.

Parts can be purchased through the website (Cirrus Direct), from 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. The revenue is recognized upon shipment and/or receipt at a participating location. Revenue from services 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 was primarily for a one-off development project and was recognized as services were rendered. This is determined based on the actual costs spent relative to the total expected costs. Estimates of revenues, total expected 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.

i. *Extended warranty*

The Group provides normal warranty provisions for 2-3 years on aircraft sold. A warranty liability is recognized at the time the product is sold.

The Group currently accepts 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 purchase by the Group. 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 Sales of Goods — Cirrus Services and Other above. 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.

ii. *Maintenance*

Revenue from the sale of maintenance coverage contracts is deferred and amortized into Sale of Goods — Cirrus Services and Other as each maintenance event occurs over the contract period.

2.22 Contract liabilities

When either party to a contract has performed, the Group presents the contract in the statement of financial position as contract assets or contract liabilities, depending on the relationship between the Group's performance and the customer's payment. Contract liabilities are the Group's obligation to transfer services to its customer for which the Group has received consideration from the customer.

2.23 Accrued warranty costs

The Group warrants 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 on the Vision Jet and a period of 36 months or 1,000 flight hours, whichever occurs first on SR2X Series aircraft. The warranty is not sold separately and therefore does not provide an additional service to the customer. The Group estimates the accrual for warranty costs based upon historical warranty experience and recognizes this cost at the time of sale. Suppliers of avionics and engines provide standard two-year warranties to the Group and customer.

The Group also recognizes the estimated expenses and related liabilities of service bulletins issued during the reporting periods. Factors that affect the Group's warranty liability include the number of units, historical and anticipated rates of warranty claims, and cost per claim. The Group periodically assesses the adequacy of its warranty liabilities and adjusts the amounts as necessary.

2.24 Employee benefit costs

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. A liability is recognized when an employee has provided services in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits. Employee benefits that are expected to be settled wholly within twelve months after the end of the reporting period are presented as current liabilities.

2.25 Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to expense items, it is recognized as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it reduces the asset's cost resulting in lower depreciation expenses over the expected useful life of the related assets.

2.26 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.27 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.28 Dividends distribution

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors until subsequent payment to the shareholders, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's financial liabilities mainly comprise borrowings, account and other payables and lease liabilities. The main purpose of the financial liabilities is to finance the Group's operations. The Group's financial assets include financial assets at fair value, account and other receivables, and cash and cash equivalents and short-term deposits derived directly from its operations.

In performing its operating, investing, and financing activities, the Group is exposed to the following financial risks:

- **Liquidity risk:** The risk that the Group 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.
- **Market risk:** The risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. The Group is exposed to interest rate risk for its financial instruments. Financial instruments affected by market risk include borrowings, notes and other receivables. The Group assesses the exposure to market risk before making investment decisions and monitors the overall level of market risk on a daily basis. Management frequently monitors interest rates and does not anticipate any material losses as a result of interest rate risk.
- **Price risk:** The risk that relates to changes in the price of materials purchased for production. The Group manages this risk primarily by negotiating pricing agreements with significant suppliers, competitive bidding and identifying opportunities for cost reductions. Based on our current outlook for commodity prices, the total impact of commodities is expected to have a nominal impact on our gross margins for 2024 when compared to 2023.

In order to effectively manage those risks, the Board of Directors has approved specific strategies for the management of financial risks, which are in line with corporate objectives. These guidelines set up the short- and long-term objectives and action to be taken in order to manage the financial risks that the Group faces.

APPENDIX I**ACCOUNTANT'S REPORT**

The following table summarizes the carrying amount of financial assets and financial liabilities by category:

| | As of December 31, | | |
|---|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Financial assets | | | |
| Financial assets at amortized cost | | | |
| Notes and other receivables (excluding insurance receivables) | 1,107 | 6,412 | 720 |
| Accounts receivables, net of allowances for credit losses. | 4,017 | 5,836 | 7,399 |
| Cash and cash equivalents. | 181,381 | 243,254 | 246,869 |
| Financial assets at FVOCI | | | |
| Financial assets at FVOCI. | 257 | 215 | 471 |
| Financial assets at FVPL | | | |
| Financial assets at FVPL. | 1,145 | 1,017 | 1,618 |
| | <u>187,907</u> | <u>256,734</u> | <u>257,077</u> |
| Financial liabilities | | | |
| Liabilities at amortized cost | | | |
| Borrowings | 71,673 | 75,694 | 67,750 |
| Accounts payables. | 41,651 | 45,078 | 42,428 |
| Customer deposits | 145,204 | 165,105 | 149,466 |
| Interest payable. | 68 | 210 | 121 |
| Lease liabilities. | 14,405 | 18,392 | 15,020 |
| | <u>273,001</u> | <u>304,479</u> | <u>274,785</u> |

Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivables). The Group has adopted a policy of dealing only with highly rated financial institutions. There are 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, the Group places deposits in reputable banks. There has been no recent history of default in relation to these financial institutions. The identified credit losses of the Group are effectively close to zero.

For a majority of the Group's revenue, including sales of aircraft, extended warranty and maintenance, as part of the Group's credit control policy, considerations are generally fully paid before the goods are delivered or services are rendered. The Group is 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. The Group applies 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. For accounts receivables that are not long aged or relating to customers that are likely to be collectible, 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 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 provision of US\$191,000, US\$909,000 and US\$2,353,000 was included in the accounts receivables over which approximately US\$187,000, US\$909,000 and US\$2,349,000 was provision on an individual basis.

Most of the Group's notes and other receivables (excluding insurance receivables) are collateralized. Financial assets at FVOCI 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 FVOCI is effectively close to zero.

Liquidity risk — financial liabilities maturity analysis:

The Group manages liquidity risk based on expected maturity dates. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, borrowings and long-term leases.

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The following tables analyze financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

| As of December 31, 2021 | Borrowings | Interest on borrowings | Payables and customer deposits | Lease liabilities |
|--|-----------------|------------------------|--------------------------------|-------------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Within one year. | 15,360 | 1,297 | 186,855 | 3,164 |
| Greater than one year and less than three years. | 52,861 | 933 | — | 4,266 |
| Greater than three years and less than five years. | 1,078 | 215 | — | 1,946 |
| More than five years. | 2,374 | 205 | — | 12,408 |
| Balance as of December 31, 2021 . . . | 71,673 | 2,650 | 186,855 | 21,784 |

| As of December 31, 2022 | Borrowings | Interest on borrowings | Payables and customer deposits | Lease liabilities |
|--|-----------------|------------------------|--------------------------------|-------------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Within one year. | 8,044 | 3,963 | 210,183 | 7,010 |
| Greater than one year and less than three years. | 27,343 | 4,756 | — | 4,363 |
| Greater than three years and less than five years. | 38,513 | 2,093 | — | 2,824 |
| More than five years. | 1,794 | 270 | — | 9,830 |
| Balance as of December 31, 2022 . . | 75,694 | 11,082 | 210,183 | 24,027 |

| As of December 31, 2023 | Borrowings | Interest on borrowings | Payables and customer deposits | Lease liabilities |
|--|-----------------|------------------------|--------------------------------|-------------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Within one year. | 11,801 | 2,885 | 191,894 | 3,389 |
| Greater than one year and less than three years. | 23,579 | 3,548 | — | 4,871 |
| Greater than three years and less than five years. | 31,150 | 767 | — | 2,015 |
| More than five years. | 1,220 | 64 | — | 13,655 |
| Balance as of December 31, 2023 . . . | 67,750 | 7,264 | 191,894 | 23,930 |

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. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The following table analyzes the breakdown of liabilities and assets by type of interest rate:

| | As of December 31, | | |
|------------------------------|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| 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 |
| | <u>71,673</u> | <u>75,694</u> | <u>67,750</u> |

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

| <u>Year ended December 31, 2021</u> | <u>Increase/(Decrease) in basis points</u> | <u>Effect on profit before tax</u> |
|-------------------------------------|--|--|
| | | <i>(US\$'000)</i> |
| US Dollar Libor | 25 | 167 |
| US Dollar Libor | (25) | (167) |
| | | |
| <u>Year ended December 31, 2022</u> | <u>Increase/(Decrease) in basis points</u> | <u>Effect on profit before tax</u> |
| | | <i>(US\$'000)</i> |
| US Dollar SOFR | 25 | 178 |
| US Dollar SOFR | (25) | (178) |
| | | |
| <u>Year ended December 31, 2023</u> | <u>Increase/(Decrease) in basis points</u> | <u>Effect on profit before tax</u> |
| | | <i>(US\$'000)</i> |
| US Dollar SOFR | 25 | 159 |
| US Dollar SOFR | (25) | (159) |

3.2 Capital risk management

The Group’s capital management objectives are to maintain a positive net worth and ensure its ability to continue as a going concern. The Group manages its capital structure on the basis of gearing ratio and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the shareholder may issue new shares or introduce additional paid-in capital.

The gearing ratio is calculated based on total debt (being interest-bearing borrowings) divided by total equity of the Group. The gearing ratios in the Track Record Period were as follow:

| | As of December 31, | | |
|------------------------|--------------------|------------|------------|
| | 2021 | 2022 | 2023 |
| Gearing ratio. | <u>0.2</u> | <u>0.2</u> | <u>0.1</u> |

3.3 Fair value measurement

The Group measures some of its assets and liabilities at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

| Description | As of December 31, 2021 | | | |
|--------------------|-------------------------------|--|---|--|
| | Fair value measurements using | | | |
| | Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Fixed income | 257 | — | 257 | — |
| Mutual funds | 1,145 | 1,145 | — | — |
| | 1,402 | 1,145 | 257 | — |

| As of December 31, 2022 | | | | |
|-------------------------------|-----------------|--|---|--|
| Fair value measurements using | | | | |
| Description | Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Fixed income | 215 | — | 215 | — |
| Mutual funds..... | 1,017 | 1,017 | — | — |
| | <u>1,232</u> | <u>1,017</u> | <u>215</u> | <u>—</u> |

| As of December 31, 2023 | | | | |
|-------------------------------|-----------------|--|---|--|
| Fair Value Measurements Using | | | | |
| Description | Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Fixed income | 471 | — | 471 | — |
| Mutual funds..... | 1,618 | 1,618 | — | — |
| | <u>2,089</u> | <u>1,618</u> | <u>471</u> | <u>—</u> |

There is no transfer between levels 1, 2 and 3 during the years ended December 31, 2021, 2022 and 2023.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group'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.

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

The Group's property, plant and equipment are depreciated based on their estimated useful lives and estimated residual values. The Group's right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis. Management has reviewed the estimated useful lives and considers 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.

The Group's aircraft type certificate and internally developed intangible assets 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.

Management 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.

(b) Estimated impairment of goodwill and indefinite useful life intangible assets

The Group tests annually whether goodwill and indefinite useful life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.8. 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 (Note 2.8). These calculations require the use of estimates. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. In accordance with IAS 36, the impairment assessment will be performed for year-end reporting.

(c) Current and deferred income taxes

The Group is subject to income taxes in the US. 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, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(d) 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. Management reassesses these estimates at the end of each reporting date.

(e) Accrued product liability and reinsurance recoverable

The Group estimates accrued product liability by reviewing the loss estimates of its lead products underwriter as a basis to determine loss exposure for the Group related to its 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, the Group recognizes its loss exposure if it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. The Group then calculates its total loss exposure consistent with its 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 (see Note 2.18). The Group reviews 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.

(f) Accrued warranty

The Group recognized 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 were based on current sales levels and current information available about repairs and returns based on the warranty period for all products sold. Management reassesses these estimates at the end of each reporting date.

5 Revenue and segment information

The CODM has been identified as the Chief Executive Officer and executive management of the Company that make strategic decisions. The CODM regard the Group's business as a single operating segment and review consolidated financial statements accordingly. As the Group has only one operating segment qualified as reporting segment under IFRS 8 and the information that regularly reviewed by the directors of the Group for the purposes of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented in the consolidated financial statements.

Revenue from external customers is measured in a manner consistent with that in the consolidated financial statements of profit or loss.

Since over 90% of the Group's revenue and operating profit are generated from transactions that are registered and closed within the United States, no geographical information is presented.

During the Track Record Period, no customer individually contributes 10% or above of the Group's total revenue. Accordingly, no analysis of major customers was presented for the Track Record Period.

The revenue breakdown of different revenue streams for the years ended December 31, 2021, 2022 and 2023 is as follows:

| | Year ended December 31, 2021 | | |
|---|------------------------------|--------------------------------------|-----------------|
| | Aircraft | Cirrus Services & Other (Note) | Total |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Revenue from external customers | 619,612 | 118,518 | 738,130 |
| Timing of revenue recognition | | | |
| — At a point in time | 619,612 | 75,477 | 695,089 |
| — Over time | — | 43,041 | 43,041 |
| Total | 619,612 | 118,518 | 738,130 |

APPENDIX I

ACCOUNTANT'S REPORT

| Year ended December 31, 2022 | | | |
|---------------------------------------|-----------------|--------------------------------------|-----------------|
| | Aircraft | Cirrus Services & Other (Note) | Total |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Revenue from external customers | 759,740 | 134,342 | 894,082 |
| Timing of revenue recognition | | | |
| — At a point in time | 759,740 | 96,970 | 856,710 |
| — Over time | — | 37,372 | 37,372 |
| Total | 759,740 | 134,342 | 894,082 |

| Year ended December 31, 2023 | | | |
|---------------------------------------|-----------------|--------------------------------------|------------------|
| | Aircraft | Cirrus Services & Other (Note) | Total |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Revenue from external customers | 915,654 | 152,054 | 1,067,708 |
| Timing of revenue recognition | | | |
| — At a point in time | 915,654 | 110,824 | 1,026,478 |
| — Over time | — | 41,230 | 41,230 |
| Total | 915,654 | 152,054 | 1,067,708 |

Note: Revenue from Cirrus Services & Other includes sales and services made to related parties of the Group (Note 31).

6 Expenses by nature

| | Year ended December 31, | | |
|--|-------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Employee benefit expenses | | | |
| <i>(Note 8)</i> | 167,343 | 206,667 | 254,299 |
| Raw materials | 294,487 | 336,401 | 394,044 |
| Preflown inventory | 9,597 | 21,313 | 26,255 |
| Insurance and product liability | 8,957 | 8,539 | 17,904 |
| Outside commissions and referrals | 11,743 | 15,730 | 17,594 |
| Lease expenses | 3,613 | 4,281 | 4,728 |
| Depreciation of property, plant, and equipment <i>(Note 13)</i> | 18,248 | 13,596 | 16,857 |
| Depreciation of right-of-use assets <i>(Note 24)</i> | 2,507 | 3,995 | 4,068 |
| Amortization of intangible assets <i>(Note 14)</i> | 14,421 | 15,866 | 15,650 |
| Advertising costs | 9,489 | 10,438 | 13,283 |
| Listing expenses | — | — | 7,243 |
| Legal and professional fees <i>(Note)</i> | 9,595 | 10,415 | 13,296 |
| Supplies | 9,058 | 10,831 | 13,259 |
| Repairs and maintenance | 11,314 | 15,738 | 19,107 |
| Service expenses | 58,824 | 70,381 | 87,132 |
| Utilities | 3,441 | 5,028 | 5,133 |
| Freight charges | 2,649 | 4,337 | 4,232 |
| Research | 5,556 | 10,265 | 9,455 |
| Vehicle expense | 3,211 | 4,522 | 4,904 |
| Travel and entertainment | 2,355 | 4,268 | 5,142 |
| Meetings | 1,619 | 2,988 | 3,426 |
| Real estate and miscellaneous tax | 1,058 | 1,355 | 1,388 |
| Other expenses | 6,822 | 9,774 | 6,567 |
| Total cost of sales, selling and marketing, general and administrative expenses | <u>655,907</u> | <u>786,728</u> | <u>944,966</u> |

Note: Auditor's remuneration

The following table represents remuneration for professional services rendered by the Company's auditor for the audit of Company's consolidated financial statements for the years ended December 31, 2021, 2022 and 2023, and fees billed for other non-audit services rendered by the auditor during those years. Expenses for auditor remuneration are included in legal and professional fees above.

APPENDIX I**ACCOUNTANT'S REPORT**

| | Year ended December 31, | | |
|--------------------------|-------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Audit fees | 459 | 442 | 925 |
| Non-audit fees | 75 | 85 | — |
| Total | 534 | 527 | 925 |

7 Other income, net

| | Year ended December 31, | | |
|----------------------------|-------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Government grant | 5,125 | 4,206 | — |
| Others | 2,361 | 573 | 1,372 |
| | 7,486 | 4,779 | 1,372 |

There are no unfulfilled conditions or other contingencies attaching to these government grants.

8 Employee benefit expenses

Employee benefit expenses incurred for the years and included in the profit or loss are presented as follows:

| | Year ended December 31, | | |
|--|-------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Wages and salaries | 141,540 | 173,667 | 212,413 |
| Pension costs — defined contribution plans | 3,909 | 5,326 | 7,091 |
| Insurance and other benefits | 12,767 | 16,253 | 22,305 |
| Payroll taxes | 9,127 | 11,421 | 12,490 |
| Total employee benefit expenses | 167,343 | 206,667 | 254,299 |

In addition, the Group has capitalized employee benefit expenses associated with property, plant and equipment, and intangible assets (development activities) of approximately US\$7,824,000, US\$15,949,000 and US\$23,503,000 for the years ended December 31, 2021, 2022 and 2023, respectively.

APPENDIX I**ACCOUNTANT'S REPORT**

The Group maintains a defined contribution deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the Plan, employees may elect to defer up to 100 percent of their salary, subject to U.S. Internal Revenue Service limit. In 2020, the Group increased their safe harbor contribution up to 5 percent of an employees' annual salary. The Group may make an additional discretionary matching contribution, subject to approval by the Board of Directors. In 2021, 2022 and 2023, the Group made contributions of approximately US\$3,909,000, US\$5,326,000 and US\$7,091,000, respectively.

During the years ended December 31, 2021, 2022 and 2023, no forfeited contributions were utilized by the Group to reduce its contributions for the years.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1 director for the years ended December 31, 2021, 2022 and 2023, whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining 4 individuals during the relevant years are as follows:

| | Year ended December 31, | | |
|--|-------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Wages and salaries | 1,857 | 1,731 | 1,816 |
| Pension costs — defined contribution plans | 36 | 39 | 56 |
| Insurance and other benefits | 3,678 | 2,947 | 3,728 |
| | <u>5,571</u> | <u>4,717</u> | <u>5,600</u> |

The emoluments fell within the following bands:

| | Number of individuals | | |
|---|-------------------------|------|------|
| | Year ended December 31, | | |
| | 2021 | 2022 | 2023 |
| Emolument bands (in HK\$) | | | |
| HK\$6,000,001 — HK\$6,500,000 | — | 1 | — |
| HK\$6,500,001 — HK\$7,000,000 | — | — | 1 |
| HK\$7,500,001 — HK\$8,000,000 | 1 | — | — |
| HK\$9,000,001 — HK\$9,500,000 | — | 1 | — |
| HK\$10,000,001 — HK\$10,500,000 | — | 1 | — |
| HK\$11,000,001 — HK\$11,500,000 | 1 | 1 | — |
| HK\$12,000,001 — HK\$12,500,000 | 2 | — | 3 |

9 Finance costs

| | Year ended December 31, | | |
|-------------------------------|-------------------------|--------------|--------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Interest expenses on | | | |
| — borrowings | 2,090 | 2,596 | 4,818 |
| — lease liabilities | 1,419 | 603 | 711 |
| | <u>3,509</u> | <u>3,199</u> | <u>5,529</u> |

10 Income tax**(a) Cayman Islands income tax**

The Company is incorporated in the Cayman Islands and is not subject to corporate income taxes.

(b) US Corporation tax

The Group's subsidiaries in the United States are subject to US federal and state income tax. US federal tax have been provided at the rate of 21% on the estimated assessable profit during the years ended December 31, 2021, 2022 and 2023, respectively, while the state income tax rate varies by state.

(c) The United Kingdom ("UK") corporate income tax

The Group's subsidiary in the United Kingdom is subject to UK corporation income tax and have been provided at the rate of 19% on the estimated assessable profit during the years ended December 31, 2021, 2022 and 2023.

(d) The amount of income tax charged to the consolidated statements of profit or loss represents:

| | Year ended December 31, | | |
|--|-------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Current income tax: | | | |
| — Current tax for the year | 8,919 | 26,781 | 31,429 |
| — Under/(over) provision in prior year | 213 | 1,765 | (1,997) |
| Deferred income tax (Note 28) | 4,665 | (7,688) | (1,990) |
| Total | <u>13,797</u> | <u>20,858</u> | <u>27,442</u> |

(e) The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate in US as follows:

| | Year ended December 31, | | |
|---|-------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Profit before income tax | 86,200 | 108,934 | 118,585 |
| Calculated at a taxation rate of 21% | 18,102 | 22,876 | 24,903 |
| Change in deferred rate | 847 | 97 | 210 |
| Deferred tax assets not previously expected to be utilized | (2,566) | (1,570) | (795) |
| Corporate state tax charged | 1,561 | 1,958 | 2,629 |
| Expenses (benefit) for excludable items | (3,014) | (2,049) | (111) |
| Tax credits | (659) | (1,638) | (3,224) |
| Withholding tax | — | — | 3,000 |
| Others | (474) | 1,184 | 830 |
| Income tax expenses for the year | <u>13,797</u> | <u>20,858</u> | <u>27,442</u> |

The effective tax rate was 16.0 percent, 19.1 percent and 23.1 percent for the years ended December 31, 2021, 2022 and 2023, respectively.

(f) *IAS 12 Income Taxes Amendment*

In May 2023, the IASB published an amendment to IAS 12 Income Taxes. This amendment introduced a temporary exception from accounting for deferred taxes arising from the implementation of the OECD Pillar Two model rules. In accordance with the amendment, the Company has applied the temporary exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

11 Earnings per share**(a) Basic earnings per share**

The basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the years ended December 31, 2021, 2022 and 2023.

| | Year ended December 31, | | |
|--|-------------------------|-------------|-------------|
| | 2021 | 2022 | 2023 |
| Profit attributable to the owners of the Company (US\$'000) | 72,403 | 88,076 | 91,143 |
| Weighted average number of ordinary shares in issue(<i>Note</i>) | 155,481,659 | 155,481,659 | 155,481,659 |
| Basic earnings per share (expressed in US\$/share) | <u>0.47</u> | <u>0.57</u> | <u>0.59</u> |

Note: The earnings per share presented above have not been taken into account the proposed share subdivision pursuant to the resolutions in writing of all shareholders passed on June 23, 2024 because the proposed share subdivision has not become effective as at the date of this report.

(b) Diluted earnings per share

As the Company has no dilutive instruments for the years ended December 31, 2021, 2022 and 2023, the Group's diluted earnings per share equals to its basic earnings per share.

12 Dividends

In June 2023, the Company declared and paid an interim dividend to CAIGA Hong Kong in the amount of US\$6,500,000 in respect of the Group's profits.

13 Property, plant and equipment

| | Buildings | Machinery and equipment | Aircraft and vehicles | Office equipment | Construction in progress | Total |
|-------------------------------------|-----------|----------------------------|--------------------------|---------------------|-----------------------------|-----------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At January 1, 2021 | | | | | | |
| Cost | 42,209 | 65,018 | 30,837 | 22,592 | 3,487 | 164,143 |
| Accumulated depreciation | (13,637) | (39,576) | (8,670) | (15,578) | — | (77,461) |
| Net book amount | 28,572 | 25,442 | 22,167 | 7,014 | 3,487 | 86,682 |
| Year ended December 31, 2021 | | | | | | |
| Opening net book amount | 28,572 | 25,442 | 22,167 | 7,014 | 3,487 | 86,682 |
| Additions | 15,668 | 2,236 | 6,662 | 1,138 | 20,108 | 45,812 |
| Disposals | — | — | (1,498) | — | — | (1,498) |
| Depreciation charge | (1,320) | (11,068) | (3,069) | (2,791) | — | (18,248) |
| Closing net book amount | 42,920 | 16,610 | 24,262 | 5,361 | 23,595 | 112,748 |
| At December 31, 2021 | | | | | | |
| Cost | 57,877 | 67,254 | 35,835 | 23,730 | 23,595 | 208,291 |
| Accumulated depreciation | (14,957) | (50,644) | (11,573) | (18,369) | — | (95,543) |
| Net book amount | 42,920 | 16,610 | 24,262 | 5,361 | 23,595 | 112,748 |
| Year ended December 31, 2022 | | | | | | |
| Opening net book amount | 42,920 | 16,610 | 24,262 | 5,361 | 23,595 | 112,748 |
| Additions | 16,480 | 9,240 | 6,919 | 4,698 | 25,316 | 62,653 |
| Disposals | — | (21) | — | — | — | (21) |
| Depreciation charge | (2,409) | (4,026) | (4,071) | (3,090) | — | (13,596) |
| Closing net book amount | 56,991 | 21,803 | 27,110 | 6,969 | 48,911 | 161,784 |
| At December 31, 2022 | | | | | | |
| Cost | 74,357 | 76,473 | 42,350 | 28,428 | 48,911 | 270,519 |
| Accumulated depreciation | (17,366) | (54,670) | (15,240) | (21,459) | — | (108,735) |
| Net book amount | 56,991 | 21,803 | 27,110 | 6,969 | 48,911 | 161,784 |
| Year ended December 31, 2023 | | | | | | |
| Opening net book amount | 56,991 | 21,803 | 27,110 | 6,969 | 48,911 | 161,784 |
| Additions | — | — | 2,368 | 3,994 | 46,950 | 53,312 |
| Transfer | 33,286 | 11,987 | 8,631 | 12,612 | (66,516) | — |
| Disposals | — | (30) | — | (276) | — | (306) |
| Depreciation charge | (2,261) | (5,147) | (4,255) | (5,194) | — | (16,857) |
| Closing net book amount | 88,016 | 28,613 | 33,854 | 18,105 | 29,345 | 197,933 |
| At December 31, 2023 | | | | | | |
| Cost | 107,643 | 88,430 | 53,349 | 44,758 | 29,345 | 323,525 |
| Accumulated depreciation | (19,627) | (59,817) | (19,495) | (26,653) | — | (125,592) |
| Net book amount | 88,016 | 28,613 | 33,854 | 18,105 | 29,345 | 197,933 |

Details of the property, plant and equipment pledged to the Group's borrowings are included in Note 23.

14 Goodwill and intangible assets

| | Trademark | Customer relationships | Aircraft type certificates | Internally developed intangible assets | Sub-total | Goodwill | Total |
|-------------------------------------|-----------|------------------------|----------------------------|--|-----------|----------|----------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At January 1, 2021 | | | | | | | |
| Cost | 19,600 | 400 | 244,912 | 17,473 | 282,385 | 115,923 | 398,308 |
| Accumulated amortization | — | (400) | (45,644) | (4,820) | (50,864) | — | (50,864) |
| Net book amount | 19,600 | — | 199,268 | 12,653 | 231,521 | 115,923 | 347,444 |
| Year ended December 31, 2021 | | | | | | | |
| Opening net book amount | 19,600 | — | 199,268 | 12,653 | 231,521 | 115,923 | 347,444 |
| Additions | — | — | — | 8,401 | 8,401 | — | 8,401 |
| Amortization charge | — | — | (10,384) | (4,037) | (14,421) | — | (14,421) |
| Closing net book amount | 19,600 | — | 188,884 | 17,017 | 225,501 | 115,923 | 341,424 |
| At December 31, 2021 | | | | | | | |
| Cost | 19,600 | 400 | 244,912 | 25,875 | 290,787 | 115,923 | 406,710 |
| Accumulated amortization | — | (400) | (56,028) | (8,858) | (65,286) | — | (65,286) |
| Net book amount | 19,600 | — | 188,884 | 17,017 | 225,501 | 115,923 | 341,424 |
| Year ended December 31, 2022 | | | | | | | |
| Opening net book amount | 19,600 | — | 188,884 | 17,017 | 225,501 | 115,923 | 341,424 |
| Additions | — | — | — | 21,685 | 21,685 | — | 21,685 |
| Amortization charge | — | — | (11,452) | (4,414) | (15,866) | — | (15,866) |
| Closing net book amount | 19,600 | — | 177,432 | 34,288 | 231,320 | 115,923 | 347,243 |
| At December 31, 2022 | | | | | | | |
| Cost | 19,600 | 400 | 244,912 | 47,559 | 312,471 | 115,923 | 428,394 |
| Accumulated amortization | — | (400) | (67,480) | (13,271) | (81,151) | — | (81,151) |
| Net book amount | 19,600 | — | 177,432 | 34,288 | 231,320 | 115,923 | 347,243 |
| Year ended December 31, 2023 | | | | | | | |
| Opening net book amount | 19,600 | — | 177,432 | 34,288 | 231,320 | 115,923 | 347,243 |
| Additions | — | — | — | 29,503 | 29,503 | — | 29,503 |
| Amortization charge | — | — | (12,468) | (3,182) | (15,650) | — | (15,650) |
| Closing net book amount | 19,600 | — | 164,964 | 60,609 | 245,173 | 115,923 | 361,096 |
| At December 31, 2023 | | | | | | | |
| Cost | 19,600 | 400 | 244,912 | 77,062 | 341,974 | 115,923 | 457,897 |
| Accumulated amortization | — | (400) | (79,948) | (16,453) | (96,801) | — | (96,801) |
| Net book amount | 19,600 | — | 164,964 | 60,609 | 245,173 | 115,923 | 361,096 |

Details of the Group’s intangible assets pledged to the Group’s borrowings are included in Note 23.

The Group’s goodwill is related to the acquisition of Cirrus Industries, Inc. in 2011.

Impairment tests for goodwill and trademark

The Group assesses whether there has been an impairment of goodwill and trademark annually or whenever an event occurs, or circumstances change that would indicate the carrying amount may be impaired. The recoverable amount of the cash generating unit was determined based on a value-in-use discounted cash flow calculation which requires the use of assumptions. The discounted cash flow calculation uses cash flow projections developed based on financial budgets approved by management of the cash generating unit covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth of three percent. A pre-tax discount rate of approximately 18 percent was adopted for the valuation, which reflects market assessments of time value and the specific risks relating to the industry that the cash generating unit operates. The financial projections were determined by management based on past performance and its expectation for market development. The recoverable amount of the cash generating unit was determined to be in excess of the carrying value and is not unduly sensitive to changes in management’s stated assumptions.

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:

| | As of 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, the directors of the Group concluded that no impairment on goodwill and trademark has 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\$999,501,000, US\$1,109,022,000 and US\$1,077,555,000, 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 |

15 Financial assets at fair value through other comprehensive income

The balance represents investment in debt securities by the Group. The fair values of such financial assets are within level 2 of the fair value hierarchy (Note 3.3).

16 Financial assets at fair value through profit or loss

Movements of the Group's financial assets at fair value through profit or loss are as follows:

| | Year ended December 31, | | |
|------------------------------------|-------------------------|----------|----------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Mutual funds | | | |
| At beginning of the year | 2,228 | 1,145 | 1,017 |
| Purchase | 527 | 397 | 424 |
| Disposal | (2,024) | (152) | (118) |
| Fair value adjustments. | 414 | (373) | 295 |
| At end of the year. | 1,145 | 1,017 | 1,618 |

All financial assets at fair value through profit or loss are denominated in US\$ as of December 31, 2021, 2022 and 2023.

The fair values of such financial assets are within level 1 of the fair value hierarchy (Note 3.3).

17 Advances to suppliers

| | As of December 31, | | |
|--|--------------------|----------|----------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Advances to suppliers | 9,347 | 9,880 | 21,020 |
| Less: Non-current advances to suppliers . . . | (2,823) | (4,559) | (8,832) |
| Current portion of advances to suppliers . . . | 6,524 | 5,321 | 12,188 |

The carrying amounts of the Group's advances to suppliers were denominated in US\$.

18 Inventories

Inventory balances as of December 31, 2021, 2022 and 2023 are as follows:

| | As of December 31, | | |
|--|--------------------|----------|----------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| 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) |
| | 100,708 | 113,017 | 134,566 |

The amount of inventories recognized as "raw materials" in cost of sales during the years ended December 31, 2021, 2022 and 2023 amounted to US\$294,487,000, US\$336,401,000 and US\$394,044,000 respectively.

Provision for impairment of US\$678,000, US\$1,578,000 and US\$4,877,000 were recognized for the years ended December 31, 2021, 2022 and 2023, respectively, in the consolidated statements of profit or loss as cost of sales.

19 Accounts, notes and other receivables and prepayments

| | As of December 31, | | |
|--|--------------------|---------------|--------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Current portion | | | |
| Accounts receivables | 4,208 | 6,745 | 9,752 |
| Less: Provision for impairment | | | |
| <i>(Note (i))</i> | (191) | (909) | (2,353) |
| Accounts receivables, net | 4,017 | 5,836 | 7,399 |
| Notes and other receivables <i>(Note (ii))</i> | 1,388 | 8,154 | 1,003 |
| Prepaid listing expenses | — | — | 1,267 |
| | <u>5,405</u> | <u>13,990</u> | <u>9,669</u> |
| Non-current portion | | | |
| Notes receivables | <u>62</u> | <u>21</u> | <u>—</u> |

Notes:

- (i) The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all accounts receivables. Information about the impairment of accounts receivables and the Group's exposure to credit risk has been disclosed in Note 3.1.
- (ii) Notes and other receivables comprise insurance receivables of US\$343,000, US\$1,763,000 and US\$283,000 as of December 31, 2021, 2022 and 2023, respectively. In addition, notes and other receivables comprise other receivables of US\$1,045,000, US\$6,391,000 and US\$720,000 as of December 31, 2021, 2022 and 2023, respectively.

Accounts receivables comprised credit to customers, including individuals and service center network, who purchase aviation parts for repairs. Standard invoice terms for sales of aircraft and sales of aviation parts are due upon delivery and 30 days, respectively.

The aging analysis of accounts receivables based on the invoice date is 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 |
| | <u>4,208</u> | <u>6,745</u> | <u>9,752</u> |

The Group establish an allowance based upon factor surrounding the credit risk of specific customers, customer payment history and other factors.

Movements in the provision for impairment of accounts receivables that are assessed for impairment collectively are as follows:

| | Year ended December 31, | | |
|---|-------------------------|------------|--------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| At beginning of the year | 304 | 191 | 909 |
| Provision for impairment recognized during the year | — | 727 | 1,444 |
| Receivables written off during the year as uncollectible | (113) | (9) | — |
| At end of the year | <u>191</u> | <u>909</u> | <u>2,353</u> |

The carrying value of the Group's accounts and other receivables approximate their fair value and mainly denominated in US\$.

20 Cash and cash equivalents — Group and Company*(a) Cash and cash equivalents — Group*

| | As of December 31, | | |
|---------------------------------|--------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Cash at banks and on hand | 179,841 | 241,701 | 245,314 |
| Short-term bank deposits | 1,540 | 1,553 | 1,555 |
| | <u>181,381</u> | <u>243,254</u> | <u>246,869</u> |

(b) Cash and cash equivalents — Company

The balance represents the cash at a bank as of December 31, 2023.

21 Share capital and reserve — Group and Company and investment in a subsidiary*(a) Share capital — Group and Company*

| | The Company | |
|--|--------------------|--------------------|
| | Number of shares | Nominal value US\$ |
| Authorized | | |
| 250,000,000 ordinary shares of US\$1 each | | |
| as of December 31, 2021, 2022 and 2023 | <u>250,000,000</u> | <u>250,000,000</u> |
| Issued: | | |
| As of January 1, 2021, December 31, 2021, 2022 and 2023 .. | <u>155,481,659</u> | <u>155,481,659</u> |

(b) Reserves — Group

| | Capital reserve <i>(Note)</i> | Fair value reserve of FVOCI assets |
|--|---|---|
| | <i>US\$'000</i> | <i>US\$'000</i> |
| Balance as of January 1, 2021 | (113,482) | 9 |
| Fair value loss on financial assets at FVOCI, net of tax | — | (5) |
| Balance as of December 31, 2021 | <u>(113,482)</u> | <u>4</u> |
| Balance as of January 1, 2022 | (113,482) | 4 |
| Fair value loss on financial assets at FVOCI, net of tax | — | (1) |
| Balance as of December 31, 2022 | <u>(113,482)</u> | <u>3</u> |
| Balance as of January 1, 2023 | (113,482) | 3 |
| Fair value gain on financial assets at FVOCI, net of tax | — | 1 |
| Balance as of December 31, 2023 | <u>(113,482)</u> | <u>4</u> |

Note:

Capital reserves represents the combined paid-in capital of the group companies after elimination of inter-company investments and the debit to capital reserves arising from the allotment and issuance of ordinary shares of the Company upon completion of the Reorganization.

(c) Reserve — Company

The balance represents capital reserve in the Company arising from the allotment and issuance of ordinary shares of the Company upon the completion of the Reorganization (Note 1.2).

(d) Investment in a subsidiary — Company

As of December 31, 2021, 2022 and 2023, the balance represents the Company's interest in Cirrus Industries, Inc.. Details of the subsidiaries of the Company are disclosed in Note 1.2.

22 Accounts and other payables

| | As of December 31, | | |
|---|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| 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 |
| Customer deposits | 145,204 | 165,105 | 149,466 |
| Interest payable | 68 | 210 | 121 |
| | <u>231,796</u> | <u>275,680</u> | <u>262,578</u> |

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

| | As of December 31, | | |
|---------------------------|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| 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 |
| | <u>41,651</u> | <u>45,078</u> | <u>42,428</u> |

The carrying values of the accounts and other payables approximate their fair values as of December 31, 2021, 2022 and 2023.

23 Borrowings

| | As of December 31, | | |
|---|----------------------|----------------------|----------------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Non-current | | | |
| Long-term bank borrowings | 66,735 | 71,250 | 63,750 |
| Long-term other borrowings | 4,938 | 4,444 | 4,000 |
| Less: current portion of long-term bank and other borrowings | (15,360) | (8,044) | (11,801) |
| | <u>56,313</u> | <u>67,650</u> | <u>55,949</u> |
| Current | | | |
| Current portion of long-term bank borrowings | 14,830 | 7,500 | 11,250 |
| Current portion of long-term other borrowings | 530 | 544 | 551 |
| | <u>15,360</u> | <u>8,044</u> | <u>11,801</u> |
| | <u><u>71,673</u></u> | <u><u>75,694</u></u> | <u><u>67,750</u></u> |

The carrying amounts of the Group's borrowings approximate their fair values since the interest payable on those borrowings is close to the current market rates. The Group's borrowings from a commercial bank bear interest at the 30 day SOFR average rate plus 1.85%. These borrowings are collateralized by a security interest in substantially all the tangible and intangible assets of the Group. The Group's borrowings from a local government entity bear interest at 3% and are collateralized by the related property.

The borrowings from a commercial bank carry certain covenants based on financial and non-financial measures. The Group was in compliance with all covenants as of December 31, 2021, 2022 and 2023.

Future contractual maturities of long-term debts are as follows:

| | As of December 31, | | |
|---|--------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Within one year. | 15,360 | 8,044 | 11,801 |
| Greater than one year and less than two years. | 52,349 | 11,712 | 15,531 |
| Greater than two years and less than five years. | 1,590 | 54,144 | 39,198 |
| More than five years. | 2,374 | 1,794 | 1,220 |
| | <u>71,673</u> | <u>75,694</u> | <u>67,750</u> |

(i) Revolving borrowings

In July 2022, the Group entered into a credit agreement which contained both a committed and uncommitted revolving line of credit. The committed line of credit is not to exceed US\$37,500,000 and is collateralized by the assets of the Group and equity interests in Cirrus Industries, Inc. The uncommitted line of credit is not to exceed US\$50,000,000 and if exercised is collateralized by the assets of and equity interests in the Group. As of December 31, 2022 and 2023, there was no amount outstanding on the revolving line of credit.

24 Right-of-use assets and lease liabilities

Details of the right-of-use assets and lease liabilities are as follows:

| | As of December 31, | | |
|----------------------------|--------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Right-of-use assets | | | |
| Building | 10,149 | 12,318 | 7,134 |
| Equipment. | 104 | 400 | 735 |
| Land | 1,556 | 3,154 | 3,965 |
| Aircraft. | 467 | 250 | 66 |
| Vehicles | 507 | 628 | 1,049 |
| | <u>12,783</u> | <u>16,750</u> | <u>12,949</u> |
| Lease liabilities | | | |
| Current | 2,641 | 6,472 | 2,950 |
| Non-current. | 11,764 | 11,920 | 12,070 |
| | <u>14,405</u> | <u>18,392</u> | <u>15,020</u> |

Additions to the right-of-use assets were US\$7,016,000, US\$12,458,000 and US\$4,045,000 for the years ended December 31, 2021, 2022 and 2023, respectively. Disposals and expirations of right-of-use assets were US\$15,820,000, US\$7,206,000 and US\$4,472,000 for the years ended December 31, 2021, 2022 and 2023, respectively.

Amount recognized in the consolidated statements of profit or loss are as follows:

| | Year ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Depreciation charge of right-of-use assets | | | |
| Building | 1,992 | 3,324 | 3,156 |
| Equipment | 54 | 155 | 286 |
| Land | 55 | 103 | 126 |
| Aircraft | 237 | 232 | 239 |
| Vehicles | 169 | 181 | 261 |
| | <u>2,507</u> | <u>3,995</u> | <u>4,068</u> |
| Interest expense | 1,419 | 603 | 711 |
| Expenses relating to short-term leases | <u>3,613</u> | <u>4,281</u> | <u>4,728</u> |

The total cash outflow for leases was US\$6,137,000, US\$8,255,000 and US\$8,312,000 for the years ended December 31, 2021, 2022 and 2023, respectively.

The Group leases various offices, warehouses, equipment, vehicles and aircraft. Rental contracts are typically made for fixed periods of 1 year to 50 years but may have extension options. Extension options are included in various building and land leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. Extension options held are exercisable only by the Group and not by the respective lessor.

25 Accrued warranty

| | Year ended December 31, | | |
|------------------------------------|-------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| 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 | <u>21,047</u> | <u>19,471</u> | <u>27,897</u> |
| Representing: | | | |
| Non-current portion | 4,043 | 4,905 | 7,363 |
| Current portion | 17,004 | 14,566 | 20,534 |
| Total | <u>21,047</u> | <u>19,471</u> | <u>27,897</u> |

26 Accrued product liability

| | Year ended December 31, | | |
|--|-------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| At beginning of the year | 27,035 | 33,434 | 57,457 |
| Additional unlimited loss expense incurred | 11,150 | 37,873 | 28,000 |
| Reduction in unlimited loss expense | (1,100) | (2,100) | (2,093) |
| Settlements paid | (3,651) | (11,750) | (48,039) |
| At end of the year | <u>33,434</u> | <u>57,457</u> | <u>35,325</u> |

For many insurance policies that an entity may purchase from an unrelated third-party insurer, the purchasing entity remains the primary obligor for a claim made by another individual or entity. Therefore, an entity would need to recognize, measure, and present the claim liability as an obligation without considering the potential insurance recovery. Separately, the entity would then recognize and present a receivable for the insurance recovery that it is entitled to receive.

The Group is subject to product liability claims in the normal course of business. The Group purchases insurance policies to protect against losses related to product liability claims, hull losses for aircraft in the corporate owned fleet, excess general liability, and other physical damage. These policies carry various coverage limits and cover losses and fees for litigation and defense on product liability.

APPENDIX I**ACCOUNTANT'S REPORT**

The Group retains self-insured exposure for product liability losses and defense costs up to maximum per occurrence and aggregate limits on the entire product liability policy. The following table represents the Group's aggregate exposure for these self-insured retention measures, in addition to the annual policy premium, indicating that the Group would pay up to this maximum level for any losses, settlement, and fees incurred for covered claims related to incidents occurring in the policy year.

| Policy year ended June 30 | Aggregate exposure |
|----------------------------------|---------------------------|
| | <i>US\$'000</i> |
| 2015–2016 | 5,640 |
| 2016–2017 | 3,935 |
| 2017–2018 | 3,791 |
| 2018–2019 | 3,760 |
| 2019–2020 | 3,680 |
| 2020–2021 | 3,880 |
| 2021–2022 | 4,000 |
| 2022–2023 | 4,000 |
| 2023–2024 | 4,745 |

The Group also maintains a 100 percent wholly owned captive insurance subsidiary. The 100 percent wholly owned captive insurer issued an indemnity policy to the Group for 100 percent of the value of any losses incurred under its self-insured retention policy years, as well as a legal liability reinsurance policy for a portion of its product liability coverage, which is fully reinsured by third-party insurers. During the 2023-2024 policy year ended June 30, the Group directly incurs the first US\$4,745,000 of any losses, settlement, and fees incurred for covered claims related to incidents occurring in the policy year. Once the Group has incurred the aggregate US\$4,745,000 of expenses, the captive insurer's indemnity policy will cover 46.25 percent of the expense through reinsurance policies exceeding US\$4,745,000. The remaining 53.75 percent is covered by other insurers. The insured limit of liability is US\$150,000,000.

27 Contract liabilities and contract assets

Details of the contract liabilities as of December 31, 2021, 2022 and 2023 are as follows:

| | As of December 31, | | |
|--|--------------------|---------------|----------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Contract assets | (2,134) | (355) | (327) |
| Contract liabilities | 80,733 | 85,517 | 102,288 |
| Contract liabilities, net | 78,599 | 85,162 | 101,961 |
| 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 |
| 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 |

The overall contract liabilities increased as a result of the growth of the Group's business.

Revenue recognized for extended warranties was US\$4,088,000, US\$4,854,000 and US\$5,356,000 for the years ended December 31, 2021, 2022 and 2023, respectively, representing contract liabilities recognized in the prior year. The Group also recognized revenue for maintenance contracts of US\$16,728,000, US\$23,486,000 and US\$29,607,000 for the years ended December 31, 2021, 2022 and 2023, respectively, representing contract liabilities recognized in the prior year.

The following table shows unsatisfied performance obligations relating to the sales of aircraft and the provision of Cirrus Services & Others during the Track Record Period:

| | As of December 31, | | |
|--|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Aggregate amount of the transaction price allocated to unsatisfied performance obligations | 1,392,010 | 1,813,819 | 1,729,047 |

Management expects that 44% of the transaction price allocated to unsatisfied performance obligations as of December 31, 2023 will be recognized as revenue during the next reporting period. The remaining will be recognized in the 2025 and 2026 financial years. The amount disclosed above does not include variable consideration which is constrained.

28 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | As of December 31, | | |
|---|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Deferred income tax assets — to be recovered after more than 12 months | (34,147) | (45,588) | (61,856) |
| Deferred income tax liabilities — to be recovered after more than 12 months | 58,985 | 62,738 | 77,016 |

The movement of the net deferred tax liabilities account is as follows:

| | Year ended December 31, | | |
|--|-------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| At beginning of the year | 20,173 | 24,838 | 17,150 |
| Debited/(credited) to consolidated statement of profit or loss (<i>Note 10</i>) | 4,665 | (7,688) | (1,990) |
| At end of the year | <u>24,838</u> | <u>17,150</u> | <u>15,160</u> |

The movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

| | Accrued liabilities | Accrued product liability | Net operating losses | Tax credits | Capitalized research expenses | Lease liabilities | Other |
|--|------------------------|---------------------------------|----------------------------|----------------|-------------------------------------|----------------------|----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Year ended December 31, 2021 | | | | | | | |
| Opening book amount | (16,831) | (2,200) | (4,633) | (13,400) | — | (5,205) | (1,034) |
| (Credited)/charged to profit or loss | (6,606) | (658) | 136 | 11,584 | — | 2,979 | 1,721 |
| Closing book amount | <u>(23,437)</u> | <u>(2,858)</u> | <u>(4,497)</u> | <u>(1,816)</u> | <u>—</u> | <u>(2,226)</u> | <u>687</u> |
| Year ended December 31, 2022 | | | | | | | |
| Opening book amount | (23,437) | (2,858) | (4,497) | (1,816) | — | (2,226) | 687 |
| Charged/(credited) to profit or loss | 1,266 | (603) | 1,003 | 80 | (7,423) | (872) | (4,892) |
| Closing book amount | <u>(22,171)</u> | <u>(3,461)</u> | <u>(3,494)</u> | <u>(1,736)</u> | <u>(7,423)</u> | <u>(3,098)</u> | <u>(4,205)</u> |
| Year ended December 31, 2023 | | | | | | | |
| Opening book amount | (22,171) | (3,461) | (3,494) | (1,736) | (7,423) | (3,098) | (4,205) |
| Charged/(credited) to profit or loss | (8,388) | 38 | 2,537 | 29 | (11,839) | (86) | 1,441 |
| Closing book amount | <u>(30,559)</u> | <u>(3,423)</u> | <u>(957)</u> | <u>(1,707)</u> | <u>(19,262)</u> | <u>(3,184)</u> | <u>(2,764)</u> |

Deferred income tax liabilities

| | Right-of-use assets | Property, plant and equipment | Intangible assets |
|--|--------------------------------|--|--------------------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Year ended December 31, 2021 | | | |
| Opening book amount | 5,232 | 10,349 | 47,895 |
| (Credited)/charged to profit or loss | (3,971) | (1,674) | 1,154 |
| Closing book amount | <u>1,261</u> | <u>8,675</u> | <u>49,049</u> |
| Year ended December 31, 2022 | | | |
| Opening book amount | 1,261 | 8,675 | 49,049 |
| Charged/(credited) to profit or loss | 2,820 | 2,483 | (1,550) |
| Closing book amount | <u>4,081</u> | <u>11,158</u> | <u>47,499</u> |
| Year ended December 31, 2023 | | | |
| Opening book amount | 4,081 | 11,158 | 47,499 |
| (Credited)/charged to profit or loss | (895) | 5,247 | 9,926 |
| Closing book amount | <u>3,186</u> | <u>16,405</u> | <u>57,425</u> |

As of December 31, 2021, the Group carried a net deferred tax liability of US\$24,838,000. Deferred tax assets for unused federal tax losses of US\$23,848,000, state tax losses of US\$5,581,000 and tax credits of US\$2,771,000 as of December 31, 2021 have not been recognized and are either subject to Section 382 limitations or are expected to expire unused.

As of December 31, 2022, the Group carried a net deferred tax liability of US\$17,150,000. Deferred tax assets for unused federal tax losses of US\$23,848,000, state tax losses of US\$4,156,000 and tax credits of US\$2,626,000 as of December 31, 2022 have not been recognized and are either subject to Section 382 limitations or are expected to expire unused.

As of December 31, 2023, the Group carried a net deferred tax liability of US\$15,160,000. Deferred tax assets for unused federal tax losses of US\$23,848,000, state tax losses of US\$2,580,000 and tax credits of US\$2,574,000 as of December 31, 2023 have not been recognized and are either subject to Section 382 limitations or are expected to expire unused.

Regardless of management's expectations, there can be no assurance that the Group will generate any specific level of continuing earnings.

The Group has uncertain tax positions for certain tax credit carryforwards in the amounts of US\$2,760,000, US\$3,281,000 and US\$3,957,000 as of December 31, 2021, 2022 and 2023, respectively.

Deferred income tax liabilities of approximately US\$77,596,000, US\$104,019,000 and US\$128,633,000 for the years ended December 31, 2021, 2022 and 2023, respectively, have not been recognized for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled of approximately US\$258,654,000, US\$346,729,000 and US\$431,372,000 at December 31, 2021, 2022 and 2023, respectively.

Starting in 2022, the Group is required to capitalize their research & development expenses and amortized over a period of 5 years if it is incurred within the United States or 15 years if it is incurred out of the United States for tax purposes. As of December 31, 2022 and 2023, the Group has capitalized research expenses of approximately US\$7,423,000 and US\$19,262,000, respectively.

29 Commitments

(i) Capital commitments

As of December 31, 2021, 2022 and 2023, the Group's capital commitment on property, plant and equipment amounted to approximately US\$3 million, US\$5 million and US\$8 million, respectively.

30 Notes to consolidated statements of cash flows

(a) Net cash/(debt) reconciliation

The balances and movements of liabilities from financing activities for each of the years ended December 31, 2021, 2022 and 2023:

| | As of December 31, | | |
|-------------------------------------|--------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Cash and cash equivalents | 181,381 | 243,254 | 246,869 |
| Borrowings | (71,673) | (75,694) | (67,750) |
| Lease liabilities | (14,405) | (18,392) | (15,020) |
| | <u>95,303</u> | <u>149,168</u> | <u>164,099</u> |

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| | Cash and cash equivalents | Borrowings | Lease liabilities | Total |
|---|--------------------------------------|-------------------|------------------------------|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Net debt as of January 1, 2021 | 156,766 | (195,292) | (22,146) | (60,672) |
| Cash flows | 24,615 | 123,619 | 2,524 | 150,758 |
| Non-cash movement — interest expenses | — | — | (1,419) | (1,419) |
| Non-cash movement — inception of lease contracts | — | — | (7,016) | (7,016) |
| Non-cash movement — disposal and expirations | — | — | 13,652 | 13,652 |
| Net cash as of December 31, 2021 | 181,381 | (71,673) | (14,405) | 95,303 |
| Cash flows | 61,873 | (4,021) | 3,974 | 61,826 |
| Non-cash movement — interest expenses | — | — | (603) | (603) |
| Non-cash movement — inception of lease contracts | — | — | (12,458) | (12,458) |
| Non-cash movement — disposal and expirations | — | — | 5,100 | 5,100 |
| Net cash as of December 31, 2022 | 243,254 | (75,694) | (18,392) | 149,168 |
| Cash flows | 3,615 | 8,044 | 3,629 | 15,288 |
| Non-cash movement — interest expenses | — | — | (711) | (711) |
| Non-cash movement — inception of lease contracts | — | — | (4,045) | (4,045) |
| Non-cash movement — other | — | (100) | 294 | 194 |
| Non-cash movement — disposal and expirations | — | — | 4,205 | 4,205 |
| Net cash as of December 31, 2023 | 246,869 | (67,750) | (15,020) | 164,099 |

31 Related parties transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

| <u>Name of the related parties</u> | <u>Nature of relationship</u> |
|--|-------------------------------|
| AVIC..... | Controlling shareholder |
| CAIGA | Controlling shareholder |
| CAIGA Hong Kong..... | Controlling shareholder |
| AVIC General Huanan Aircraft Industry Co., Ltd. ("AG Huanan") | Subsidiary of CAIGA |
| AVIC GENERAL Service Co., Ltd. ("AG Services") | Subsidiary of CAIGA |
| China Aviation Industry General Aircraft Zhejiang Institute Co., Ltd. ("AG Zhejiang") | Subsidiary of CAIGA |
| Continental Aerospace Technologies, Inc. ("Continental") . . . | Associate of AVIC |

(b) Significant transactions with related parties

| | Year ended December 31, | | |
|--|-------------------------|----------|----------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Aircraft development fee | | | |
| — AG Zhejiang | 19,871 | 5,506 | 4,705 |
| Provision of procurement support and technical support service | | | |
| — AG Zhejiang | 381 | 953 | 772 |
| Provision of aircraft products | | | |
| — AG Services | 3,710 | 1,799 | 2,161 |
| Aircraft kits sale | | | |
| — AG Huanan | 14,813 | 11,263 | 3,046 |
| Program services | | | |
| — AG Huanan | 2,355 | 2,289 | 786 |
| Purchase of engines and parts | | | |
| — Continental | 29,834 | 32,601 | 43,913 |

(c) Year end balances with related parties

| | As of December 31, | | |
|--|--------------------|----------|----------|
| | 2021 | 2022 | 2023 |
| | US\$'000 | US\$'000 | US\$'000 |
| Amounts due from related parties | 3,679 | 4,800 | 9,641 |
| Amounts due to related parties | (3,173) | (1,941) | (1,891) |

The amounts due from/(to) related parties are trade in nature, unsecured, interest-free and repayable on demand. The carrying value of these balance approximate their fair value are and denominated in US\$.

32 Key management compensation

The remuneration for key management personnel of the Group, including amounts paid to the Group's director as disclosed in Note 33 and certain highest paid individuals as disclosed in Note 8(a).

33 Benefits and interests of directors

(a) Directors' emoluments

The remuneration shown below represents remuneration received by the directors in their capacity as directors of the companies comprising the Group during the Track Record Period.

The remuneration of each director for the year ended December 31, 2021 are set out as follows:

| Name | Director's | Salary | Discretionary | Allowances | Employer's | Other | Total |
|--------------------------------|------------|----------|---------------|------------|------------|-------------------|-------|
| | fees | | | | | | |
| | US\$'000 | US\$'000 | US\$'000 | in kind | to a | or receivable in | |
| | | | | | retirement | respect of | |
| | | | | | benefit | director's other | |
| | | | | | scheme | services in | |
| | | | | | | connection with | |
| | | | | | | the management | |
| | | | | | | of the affairs of | |
| | | | | | | its subsidiary | |
| | | | | | | undertaking | |
| Non-executive directors | | | | | | | |
| Mr. Qingchun SONG | — | — | — | — | — | — | — |
| Mr. Liang LIU (i) | — | — | — | — | — | — | — |
| Executive director and | | | | | | | |
| Chief executive | | | | | | | |
| Mr. Zean Hoffmeister | | | | | | | |
| Vang NIELSEN (ii) | — | 837 | 3,374 | — | 10 | — | 4,221 |
| Total | — | 837 | 3,374 | — | 10 | — | 4,221 |

(i) Mr. Liang LIU was appointed as the non-executive director of the Group in April 2021.

(ii) Mr. Zean Hoffmeister Vang NIELSEN was appointed as the executive director of the Group in April 2021.

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The remuneration of each director for the year ended December 31, 2022 are set out as follows:

| Name | Director's | Salary | Discretionary | Allowances | Employer's | Other | Total |
|--------------------------------|------------|----------|---------------|------------|------------|-------------------|----------|
| | fees | | | | | | |
| | US\$'000 | US\$'000 | US\$'000 | in kind | to a | or receivable in | US\$'000 |
| | | | | | retirement | respect of | |
| | | | | | benefit | director's other | |
| | | | | | scheme | services in | |
| | | | | | | connection with | |
| | | | | | | the management | |
| | | | | | | of the affairs of | |
| | | | | | | the company or | |
| | | | | | | its subsidiary | |
| | | | | | | undertaking | |
| Non-executive directors | | | | | | | |
| Mr. Qingchun SONG | — | — | — | — | — | — | — |
| Mr. Liang LIU | — | — | — | — | — | — | — |
| Executive director and | | | | | | | |
| Chief executive | | | | | | | |
| Mr. Zean Hoffmeister | | | | | | | |
| Vang NIELSEN | — | 845 | 2,470 | — | 11 | — | 3,326 |
| Total | — | 845 | 2,470 | — | 11 | — | 3,326 |

APPENDIX I
ACCOUNTANT'S REPORT

The remuneration of each director for the year ended December 31, 2023 are set out as follows:

| Name | Director's | Salary | Discretionary | Allowances | Employer's | Other | Total |
|---------------------------------|------------|----------|---------------|------------|------------|-------------------|----------|
| | fees | | | | | | |
| | US\$'000 | US\$'000 | US\$'000 | in kind | to a | or receivable in | US\$'000 |
| | | | | | retirement | respect of | |
| | | | | | benefit | director's other | |
| | | | | | scheme | services in | |
| | | | | | | connection with | |
| | | | | | | the management | |
| | | | | | | of the affairs of | |
| | | | | | | its subsidiary | |
| | | | | | | undertaking | |
| Non-executive directors | | | | | | | |
| Mr. Qingchun SONG | — | — | — | — | — | — | — |
| Mr. Liang LIU | — | — | — | — | — | — | — |
| Mr. Lei YANG (iii) | — | — | — | — | — | — | — |
| Mr. Yihui LI (iii) | — | — | — | — | — | — | — |
| Executive director and | | | | | | | |
| Chief executive | | | | | | | |
| Mr. Zean Hoffmeister | | | | | | | |
| Vang NIELSEN | — | 1,019 | 2,913 | — | 12 | — | 3,944 |
| Executive director | | | | | | | |
| Mr. Hui WANG (iii) | — | — | — | — | — | — | — |
| Independent | | | | | | | |
| non-executive directors | | | | | | | |
| Mr. Ian H CHANG (iii) | — | — | — | — | — | — | — |
| Mr. Chung Man Louis | | | | | | | |
| LAU (iii) | — | — | — | — | — | — | — |
| Ms. Ferheen | | | | | | | |
| MAHOMED (iii) | — | — | — | — | — | — | — |
| Total | — | 1,019 | 2,913 | — | 12 | — | 3,944 |

(iii) These director, non-executive directors and independent non-executive directors were appointed in June 2023.

(b) Consideration provided to third parties for making available directors' services

During the years ended December 31, 2021, 2022 and 2023, the Company did not pay consideration to any third parties for making available directors' services.

(c) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

As of December 31, 2021, 2022 and 2023, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the years ended December 31, 2021, 2022 and 2023.

34 Litigation and contingent liabilities

As of the date of this report, the Group had several claims which are mostly product liability cases. In these matters, the Group continues to vigorously defend its position and believes there is a reasonable possibility for a favorable outcome to the benefits of the Group, or if not, the Group has provided adequate provisions to cover potential losses, including a comprehensive liability insurance program.

Based on the development of the litigation and independent legal advice obtained, management considered that the ultimate disposition of these matters will not have a material adverse effect on the Group's consolidated financial position, results of operations, or liquidity.

The Group continually assesses the comprehensive liability insurance policies to determine if each case and claim are qualified as reinsurance recoverable as set out in Note 2.18. In connection with certain claims that reached final resolution in early 2023, the Group has not yet received the corresponding reimbursements from certain reinsurers pursuant to the reinsurance policy despite the Group has provided all claim support to the reinsurers. Taking into consideration advices from insurance broker, and the fact that other reinsurers in the aforesaid claims have already reimbursed the Group, the Directors maintain these claims are valid, covered by insurance and expect payments. The Group has engaged external counsel to serve demand payment notices to certain of these reinsurers but has not received any concrete response from the reinsurers to bring a

resolution of these outstanding reimbursements as of the date of this report. The timing and level of recovery from the reinsurers is uncertain at the current stage. Thus, the Group determined that balances are no longer virtually certain of collection and such balances amounting to US\$7.9 million are derecognised in 2023. The related cost is charged to general and administration expenses in the consolidated statements of profit and loss.

The Group has not renewed its liability insurance policies with these reinsurers for the policy year from July 2023 to June 2024. In 2023, the Group replaced these reinsurers with different reinsurers and still maintained same insurance coverage.

35 Events after the reporting period

Pursuant to a management incentive plan adopted by Cirrus Industries Inc., with details agreed between CAIGA and the management team and the corresponding scale of the Company's market capitalization immediately upon Listing, a special cash bonus in an aggregate amount of 1% of the market capitalisation of the Company immediately upon listing will be submitted to the board of Cirrus Industries Inc. for approval and will be paid to the Group's the Board, the senior management team and key employees after the listing of the Company. The estimated amount of the special cash bonus is of US\$12.8 million (based on the low-end of the Company's indicative offer price range, 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 Company's indicative offer price range, assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised).

Pursuant to the written resolutions of the shareholder passed on June 23, 2024, each share with par value US\$1.00 in the then issued and unissued share capital of the Company will be subdivided into two shares with par value of US\$0.50 each upon the Global Offering becoming unconditional. Following the share subdivision, the authorized share capital consists of US\$250,000,000 divided into 500,000,000 shares with a par value of US\$0.50 each.

Save as those disclosed in this note, there were no other material subsequent events took place after December 31, 2023.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2023 and up to the date of this report. Save as disclosed in this report, no other dividends or distribution has been declared or made by the Company or its subsidiaries in respect of any period subsequent to December 31, 2023.