Application Proof of

Cirrus Aircraft Limited
西銳飛機有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, overall coordinator, advisors or members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its sponsor, overall coordinator, advisors or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, advisors or members of its underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be made available to the public during the offer period.

IMPORTANT

If you are in any doubt about any of the contents of this Document, you should obtain independent professional advice.

Cirrus Aircraft Limited
西銳飛機有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED]**
Nominal value	**:**	**US$1.00 per Share**
[REDACTED]	**:**	**[REDACTED]**

***Sole Sponsor,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

CICC 中金公司

The **[REDACTED]** is expected to be fixed by agreement between **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company on the **[REDACTED]** or such later date as may be agreed by **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company but in any event no later than **[REDACTED]**. The **[REDACTED]** will be not more than **[REDACTED]** per **[REDACTED]** and is currently expected to be not less than **[REDACTED]** per **[REDACTED]**. Applicants for **[REDACTED]** are required to pay, on application, the Maximum **[REDACTED]** of **[REDACTED]** per **[REDACTED]** together with **[REDACTED]**, subject to refund if the **[REDACTED]** should be less than **[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed between **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company on or before **[REDACTED]**, the **[REDACTED]** (including the **[REDACTED]**) will not proceed and will lapse.

[REDACTED] (for itself and on behalf of the **[REDACTED]**) may, with our consent, reduce the number of **[REDACTED]** being **[REDACTED]** under the **[REDACTED]** and/or the indicative **[REDACTED]** range below as stated in this Document at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, an announcement will be published on the websites of our Company at **https://cirrusaircraft.com/** and the Stock Exchange at **www.hkexnews.hk** not later than the morning of the day which is the last day for lodging applications under the **[REDACTED]**. Details of the arrangement will then be announced by us as soon as practicable. For further information, please refer to the sections headed "**[REDACTED]**" and "How to Apply for **[REDACTED]**" in this Document.

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) if certain grounds arise prior to [8:00 a.m.] on the **[REDACTED]**. Further details of such circumstances are set out in "**[REDACTED]**."

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be **[REDACTED]**, **[REDACTED]**, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The **[REDACTED]** are being **[REDACTED]** and **[REDACTED]** to (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and (ii) non-U.S. persons outside the United States in offshore transactions in accordance with Regulation S.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

CONTENTS

This Document is issued by our Company solely in connection with the **[REDACTED]** *and the* **[REDACTED]** *and does not constitute an* **[REDACTED]** *to* **[REDACTED]** *or a solicitation of an* **[REDACTED]** *to buy any security other than the* **[REDACTED]** *by this Document pursuant to the* **[REDACTED]**. *This Document may not be used for the purpose of marketing, and does not constitute, an* **[REDACTED]** *or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a* **[REDACTED]** *of the* **[REDACTED]** *in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Document in any jurisdiction other than Hong Kong. The distribution of this Document and the* **[REDACTED]** *and sale of the* **[REDACTED]** *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

You should rely only on the information contained in this Document to make your **[REDACTED]** *decision. We have not authorized anyone to provide you with information that is different from what is contained in this Document. Any information or representation not made in this Document must not be relied on by you as having been authorized by us, the Sole Sponsor, the* **[REDACTED]**, *the* **[REDACTED]**, *[the* **[REDACTED]***], [the* **[REDACTED]***], the* **[REDACTED]**, *any of their respective directors or any other person or party involved in the* **[REDACTED]**.

CONTENTS

This summary aims to give you an overview of the information contained in this Document and should be read in conjunction with the full text of this Document. As this is only a summary, it does not contain all the information that may be important to you. You should read this Document in its entirety before you decide to **[REDACTED]** *in the* **[REDACTED]**. *There are risks associated with any* **[REDACTED]**. *Some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *are set out in "Risk Factors." You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**. *Various expressions used in this section are defined or explained in "Definitions" and "Glossary of Technical Terms" in this Document.*

OVERVIEW

We are a pioneer and a global market leader in the personal aviation industry, according to Frost & Sullivan. We design, develop, manufacture, and sell premium aircraft recognized across the industry, driving innovations in safety, technology, connectivity, performance, and comfort. Our two aircraft product lines, the SR2X Series and the Vision Jet, have successfully set the industry standard for owner-piloted aircraft and are currently certified and validated in more than 60 countries. The SR2X Series aircraft has been the best-selling single-engine piston model for the last 21 consecutive years, according to GAMA, which is recognized as the only reliable and authorized trade association in the general aviation industry, according to Frost & Sullivan. The SR2X Series aircraft represented 46.3% of the market share in the fixed tricycle gear certified piston aircraft segment based on delivered units in 2022, according to Frost & Sullivan. First delivered in 2016, the Vision Jet has been the best-selling jet under US$7.0 million for five consecutive years, according to GAMA. The Vision Jet accounted for 25.8% of the market share in the US$7 million and below single pilot pressurized turbine aircraft segment based on delivered units in 2022, according to Frost & Sullivan. In order to make owning and operating an aircraft accessible, convenient, productive, and enjoyable for everyone, we aim to cultivate a distinctive "The Cirrus Life" experience for our customers through our compelling products and the comprehensive service associated with them, which includes maintenance, upgrades, training, and Cirrus-branded social events.

Since our inception in 1984 in Wisconsin, United States, we have relentlessly developed and upgraded our products to deliver a comfortable, convenient, and premium aviation experience that is the pinnacle of innovation, quality, and safety. Since inception, as of the Latest Practicable Date, we have delivered over 9,000 SR2X Series aircraft and over 400 Vision Jet aircraft.

As part of our comprehensive product offering strategy, our SR2X Series consists of an entry level aircraft, the SR20, as well as the SR22 and SR22T, both of which offer increasing levels of performance and capabilities addressing different customer needs and preferences for a single-engine piston aircraft. SR2X Series aircraft can typically carry up to four adults and one child. The Vision Jet targets a different and more premium segment of the personal aviation market and offers significantly enhanced performance, capabilities and specifications at a higher price point. The Vision Jet can typically carry up to five adults and two children.

The hallmarks of our innovation process are rooted in our design philosophy. This design philosophy is customer-centric and focuses on enhancing the aviation experience by surrounding the operators and occupants with safety, advanced technology and architecture, and connectivity, as well as ease of use, comfort and personalization, and performance. The resulting design features are tightly integrated to deliver a seamless and convenient product experience.

We are well-known for equipping each aircraft with a patented Cirrus Airframe Parachute System ("CAPS"), which has saved over 250 people since its introduction in 1999. Our recent and future Vision Jet aircraft are and will be equipped with Safe Return, an emergency auto-landing system which allows a passenger in the cabin to land the aircraft safely with the single touch of a button in the event of a pilot's incapacitation. Our safety innovation extends well-beyond to numerous active and passive mitigations for different situations, including loss of control, mid-air collision, pilot incapacitation, loss of engine power, flight into terrain, adverse weather conditions, and runway incursion. Our commitment to safety in addition to our award-winning training and learning systems, Cirrus Approach and Cirrus Embark, and our engaged community of owners and operators, has allowed us to achieve general aviation's safest accident records in the United States, according to Frost & Sullivan. Our total accident rate per 100,000 flight hours is three times lower than the general aviation industry average, according to Frost & Sullivan.

Since inception, we have focused on a "close-to-customer" model as an enterprise priority. Under this model, we are able to quickly respond to customer needs and ensure a close connection between our prospective and existing owners and operators in each aspect of the aircraft sales process, including dedicated sales person, product demonstration, contracting, finance, insurance, and delivery, making Cirrus aircraft ownership convenient and efficient. We have also established a sales presence in more than 36 countries around the world through our sales agents and CSAs, enabling us to reach customers on a global scale. Our sales network consists of our in-house sales team based in the United States, Canada and France. We require all of our sales team to be experienced pilots qualified to provide flight demonstrations directly to customers.

We have developed a comprehensive global post-sale ownership and support ecosystem that makes owning and operating our aircraft as accessible and convenient as owning and operating a car. Through our dedicated business unit "Cirrus Services" and adjacent products and solutions, we provide service and support, maintenance, parts fulfillment, flight training, pilot services and aircraft management services that collectively enable frictionless aircraft ownership and enjoyment. As of the Latest Practicable Date, our global customer base owned in excess of 9,500 of our aircraft. Our Vision Center in Knoxville, Tennessee provides the flagship customer experience, including aircraft delivery, personalization consultations, flight training, maintenance and parts fulfillment, and complete aircraft management services.

Our manufacturing philosophy centers on product quality, continuous improvement, flexibility, and high operating efficiency. We operate two primary Cirrus-owned manufacturing sites, including a high volume composite parts manufacturing facility in Grand Forks, North Dakota and a final aircraft assembly and production flight test campus located in Duluth, Minnesota. The Grand Forks, North Dakota operation produces composite parts using a variety of advanced materials including carbon composites. Our composite structures manufacturing capabilities are a core strength and competitive advantage given the required investments and lengthy process for know-how development in the design, manufacturing, and non-destructive inspection processes. Further, we also maintain our competitive advantage through our tooling processes and capability. We have designed our manufacturing and assembly capabilities to be seamlessly connected and provide efficient development cycles. For example, we purchased a supplier facility that specializes in metal fabrication to add to our Duluth, Minnesota campus to further vertically integrate key components for our aircraft. In addition, we further increased vertical integration of our manufacturing processes with another facility in our Duluth, Minnesota campus that makes sub-components/sub-assemblies that we sequence into the line for final assembly, such as flight controls. Integration of our production process gives us the flexibility to quickly implement incremental design modifications to enhance aircraft performance and simplify the manufacturing process. The continuous investments we have made in our FAA-certified manufacturing processes would be difficult for potential competitors to replicate, providing us with a significant moat and competitive advantage.

By leveraging our market leadership and continuous product innovation, we have achieved a remarkable financial track record. For the years ended December 31, 2020, 2021 and 2022, we recorded revenue of US$586.5 million, US$738.1 million and US$894.1 million, respectively, representing a CAGR of 23.5%, and profit for the year of US$36.1 million, US$72.4 million and US$88.1 million, respectively, representing a CAGR of 56.2%. For the year ended December 31, 2022, we achieved a return on equity and EBITDA margin percentage (non-IFRS measure) of 25.6% and 16.3%, respectively. As of December 31, 2022, our gearing ratio was 0.2. As of the Latest Practicable Date, we had a backlog of 1,461 aircraft, which will support our production for several years. Due to our backlog, we take reservations from our customers to purchase a Vision Jet, which gives the customer a place in the queue. As of the Latest Practicable Date, our backlog included 253 reservations. See "Business — Sales and Marketing — Aircraft Orders and Delivery" for more information.

OUR BUSINESS MODEL

We design, develop, manufacture, and sell single-engine piston and jet aircraft, delivering a comfortable, convenient, and premium aviation experience that is the pinnacle of innovation, quality and safety. Our global post-sale ownership and support ecosystem enable frictionless aircraft ownership and enjoyment.

We currently offer two aircraft product lines: (1) the SR2X Series, our single-engine piston aircraft primarily for retail customers which is comprised of three models: the SR20, the SR22 and the SR22T with specialized configurations for fleet and special mission applications; and (2) the Vision Jet, our single-engine jet aircraft primarily for retail customers and to a lesser extent charter operational use. Our aircraft are available for sale and delivery around the world and have a price ranging from approximately US$500,000 to approximately US$3.3 million.

Each of our aircraft is designed to prioritize safety, advanced technology and architecture, and connectivity, as well as ease-of-use, comfort and performance. We integrate advanced technologies, such as CAPS (our award-winning, whole airframe plane parachute), Cirrus IQ™ (our connected digital platform and mobile application which collects a wide range of flight data and aircraft data during flight to provide pilots useful data on their aircraft) and Safe Return (our emergency auto-landing system) on the Vision Jet, bringing a safe, premium and enhanced experience to our customers. We also personalize and customize our aircraft for specific mission purposes, such as for institutional flight training or charter fleets, as well as various special mission customers. Our continued focus on product improvement leads to model upgrades and ongoing generational changes to equip our aircraft with new technologies and designs to remain at the forefront of the industry.

We consider the production and sale of our aircraft to be the beginning of a life-long relationship with our customers. In 2018, we launched Cirrus Services, our customer-centric business unit that provides lifestyle-based solutions for flight training, aircraft maintenance and management and financing for individual aircraft owners and operators with a wide range of flight needs. Through Cirrus Services, we address the challenges of a fragmented aircraft market by creating lifestyle-based solutions for our customers, regardless of the ownership cycle of our aircraft. By leveraging the smooth integration of our advanced technologies to create aircraft that directly connect to the customer and their lifestyle, combined with the various benefits offered as part of our Cirrus Services business unit, we have created a comprehensive ecosystem that enhances customer satisfaction and brand loyalty. Our direct-to-customer model is enabled by our global ecosystem. See "Business — Our Ecosystem" for more information. As of December 31, 2022, we had established a sales presence in more than 36 countries, through our sales agents and cirrus sales agents ("CSAs"), enabling us to reach our customers globally.

OUR PRODUCT PORTFOLIO

We design, produce and sell single-engine piston and jet aircraft with a focus on continuously improving performance, safety and comfort by leveraging our innovative technologies and advanced systems. We offer an innovative and complementary product portfolio that covers a range of personal aviation solutions. Our aircraft are primarily operated for personal and business travel and are typically piloted by the aircraft owners who have earned certification to fly the aircraft. Each of our aircraft is produced with composite materials and equipped with advanced features. See "Business — Our Product Portfolio — Technically Advanced Aircraft Features" for more information.

				
Model	SR20	SR22	SR22T	Vision Jet
Engine	Piston	Piston	Piston	Jet
Max Cruise Speed (KTAS)	155	183	213	311
Max Operating Altitude (ft)	17,500	17,500	25,000	31,000
Max Range (55% Power) (nm)	709	1,169	1,021	1,275
Useful Load (lbs)	1,028	1,328	1,246	2,450
Max Takeoff Weight (lbs)	3,050	3,600	3,600	6,000
Takeoff (ft)	1,685	1,082	1,517	2,036
Max Passengers	5	5	5	7
Base Price as of the Latest Practicable Date	US$579,900	US$772,900	US$887,900	US$2,980,000
First Delivery	July 1999	February 2001	June 2010	December 2016
Total Deliveries as of the Latest Practicable Date	1,722	4,379	2,990*	451

Note: Performance figures and prices reflect aircraft delivered in 2023.

* SR22T's predecessor was the SR22TN. The SR22T in its current configuration was first delivered in 2010. Total deliveries of the SR22T include deliveries of the SR22TN.

OUR STRENGTHS

We believe that the following competitive strengths are important to our current success and future growth:

- Established market leader widely recognized in the personal aviation industry;

- Complementary product portfolio with compelling market positioning that appeals to a diversified customer base;
- Direct-to-customer model enabled by connected ecosystem;
- Customer centric designs and features supported by advanced proprietary technology;
- Superior development and commercialization capabilities fortify industry position; and
- Visionary senior management team with proven track record.

OUR STRATEGIES

To deliver a comprehensive and connected premium aviation experience and expand our market leadership in the personal aviation industry in the United States and globally, we intend to focus on the following key strategies:

- Monetize installed base;
- Enhance flight training solutions;
- Advance and expand our aircraft and services portfolio;
- Advance production capabilities;
- Expand our markets globally; and
- Establish on-demand personal aviation solutions.

TOP CUSTOMERS AND SUPPLIERS

Top Customers

Our customers primarily consist of (i) retail customers and (ii) institutional operators, including for fleet and special mission purposes, such as college and university programs, professional pilot academies, and airline training centers for professional training (as opposed to recreational or private pilot training) and commercial operations.

During the Track Record Period, our products were sold to customers in 36 countries around the world. For the years ended December 31, 2020, 2021 and 2022, our sales to the five largest customers in aggregate accounted for 12.2%, 10.7% and 8.3% of our total revenue, respectively. During the same period, the sales to our largest customer accounted for approximately 6.9%, 5.6% and 2.4% of our total revenue, respectively.

During the Track Record Period, three of our five largest customers in 2022, two of our five largest customers in 2021 and one of our five largest customers in 2020, each of whom acted as our CSAs, were also our suppliers. For more details on our CSA Model, see "Business — Sales and Marketing — Our CSA Model." CAIGA Group (excluding our Group) is one of our five largest customers in each year during the Track Record Period, with three entities within the CAIGA Group (namely, AG Huanan, AG Zhejiang and AG Services) having transactions with the Group during the same period. AG Huanan, AG Zhejiang and AG Services are our connected persons. See "Connected Transactions" for additional information regarding our connected relationship and transactions with AG Huanan, AG Zhejiang and AG Services. For the years ended December 31, 2020, 2021 and 2022, our revenue from these connected persons amounted to US$40.3 million, US$41.1 million and US$21.8 million, accounting for 6.9%, 5.6% and 2.4% of our total revenue, respectively. Save for the aforementioned connected persons, to the best of our knowledge, all of our five largest customers during the Track Record Period were independent third parties, and none of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

Top Suppliers

Our suppliers primarily consist of manufacturers and developers of avionics systems, composite materials, propulsion, cabin and interior systems. For the years ended December 31, 2020, 2021 and 2022, purchases from our five largest suppliers in aggregate accounted for 49.8%, 51.0% and 51.5% of our total purchases, respectively.

Among our five largest suppliers during the Track Record Period, Continental is our connected person. With the exception of Continental, to the best of our knowledge, all of our five largest suppliers during the Track Record Period were independent third parties, and none of our Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five suppliers during the Track Record Period. See "Connected Transactions" for additional information regarding our connected relationship and transactions with Continental.

OUR INDUSTRY AND COMPETITIVE LANDSCAPE

Factors that affect competition in our industry include price, reliability, safety, regulations, reputation, aircraft availability, equipment and quality, consistency and ease of service and investment requirements. We believe that our reputation for quality, innovation, safety, the performance and design of our aircraft, our brand image and our Cirrus Services offerings that promote long-lasting relationships with our customers, including through our ecosystem, make us competitive. According to Frost & Sullivan, in 2022, we were the top manufacturer in the Comparable and Obtainable Global Personal Aviation Market, which includes aircraft models manufactured by us and aircraft models of similar product features and functionalities as our aircraft manufactured by our comparable competitors (i.e., fixed tricycle gear certified piston aircraft and US$7 million and below single pilot pressurized turbine aircraft), in terms of deliveries.

We believe that we have competitive advantages over our peers in the personal aviation industry, including the quality of our broad product portfolio, our focus on innovation and integrating advanced technologies, our comprehensive global post-sale ownership and support ecosystem and our direct and CSA sales models, superior production capabilities and substantial investments in product development.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary of consolidated financial information as of and for the three years ended December 31, 2022. We have derived this summary from our audited financial information set forth in the Accountant's Report set out in Appendix I to this Document. The summary financial data set forth below should be read together with our consolidated financial information and the related notes, as well as the section headed "Financial Information."

Consolidated Statements of Profit or Loss

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

	For the year ended December 31,					
	2020		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
REVENUE	**586,463**	**100.0**	**738,130**	**100.0**	**894,082**	**100.0**
Cost of sales	(401,131)	(68.4)	(495,855)	(67.2)	(595,952)	(66.7)
GROSS PROFIT	**185,332**	**31.6**	**242,275**	**32.8**	**298,130**	**33.3**
Selling and marketing expenses	(55,738)	(9.5)	(66,391)	(9.0)	(88,290)	(9.9)
General and administrative expenses	(77,965)	(13.3)	(93,661)	(12.7)	(102,486)	(11.5)
OPERATING PROFIT BEFORE OTHER INCOME	**51,629**	**8.8**	**82,223**	**11.1**	**107,354**	**12.0**
Other income	1,147	0.2	7,486	1.0	4,779	0.5
OPERATING PROFIT	52,776	9.0	89,709	12.2	112,133	12.5
Finance costs	(6,172)	(1.1)	(3,509)	(0.5)	(3,199)	(0.4)
PROFIT BEFORE INCOME TAX	**46,604**	**7.9**	**86,200**	**11.7**	**108,934**	**12.2**
Income tax expenses	(10,488)	(1.8)	(13,797)	(1.9)	(20,858)	(2.3)
PROFIT FOR THE YEAR	**36,116**	**6.2**	**72,403**	**9.8**	**88,076**	**9.9**

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance.

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

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

	For the year ended December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Reconciliation of profit to EBITDA for the year (non-IFRS measure):			
Profit for the year	36,116	72,403	88,076
Add back:			
Finance costs	6,172	3,509	3,199
Income tax expenses	10,488	13,797	20,858
Depreciation of property, plant and equipment	11,575	18,248	13,596
Depreciation of right-of-use assets	2,388	2,507	3,995
Amortization of intangible assets	12,019	14,421	15,866
EBITDA for the year (unaudited)	78,758	124,885	145,590

Consolidated Statements of Financial Position

	As of December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Non-current assets	463,745	470,242	530,724
Current assets	255,679	316,680	419,013
Total assets	719,424	786,922	949,737
Non-current liabilities	142,896	138,113	147,596
Current liabilities	348,297	348,151	413,409
Total liabilities	491,193	486,264	561,005
Equity	228,231	300,658	388,732
Total equity and liabilities	719,424	786,922	949,737

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

As of December 31, 2021, we had net current liabilities of US$31.5 million, as compared to US$92.6 million as of December 31, 2020, primarily due to an increase in customer deposits, contract liabilities, accrued warranty, accrued products liability and accounts payables partially offset by an increase in reinsurance recoverable, inventories and cash and cash equivalents and a reduction in long-term debt.

Consolidated Statements of Cash Flows

	For the year ended December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Net cash generated from operating activities	113,964	198,277	132,859
Net cash used in investing activities	(7,799)	(47,519)	(71,033)
Net cash (used in)/generated from financing activities	(3,144)	(126,143)	47
Net increase in cash and cash equivalents	103,021	24,615	61,873
Cash and cash equivalents at beginning of the year	53,745	156,766	181,381
Cash and cash equivalents at ending of the year	156,766	181,381	243,254

For a detailed discussion of the historical changes in certain key items in our consolidated statements of cash flows, see "Financial Information — Liquidity and Capital Resources — Cash Flows."

Key Financial Ratios

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

	As of/For the year ended December 31		
	2020	2021	2022
Gross profit margin[1]	31.6%	32.8%	33.3%
Net profit margin[2]	6.2%	9.8%	9.9%
Return on equity[3]	17.2%	27.4%	25.6%
Return on total assets[4]	5.3%	9.6%	10.1%
EBITDA margin (non-IFRS measure)[5]	13.4%	16.9%	16.3%
Current ratio[6]	0.7	0.9	1.0
Quick ratio[7]	0.5	0.6	0.7
Gearing ratio[8]	0.9	0.2	0.2

Notes:

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

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

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

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

(5) EBITDA margin (non-IFRS measure) represents EBITDA (non-IFRS measure) divided by revenue and multiplied by 100%. For details of the EBITDA (non-IFRS measure), see "Financial Information — Non-IFRS Measure."

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

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

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

[REDACTED]

OUR CONTROLLING SHAREHOLDERS

In June 2011, CAIGA acquired the Group by way of a merger with Legacy Cirrus Industries. For details, see "History, Reorganization and Corporate Structure — Our Corporate Development — Our Principal Subsidiaries — Cirrus Industries and Legacy Cirrus Industries."

Immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), CAIGA Hong Kong will directly hold approximately **[REDACTED]** of the total issued share capital of our Company. The entire issued share capital of CAIGA Hong Kong is held by CAIGA, which is owned as to 70% by AVIC. Therefore, AVIC, CAIGA and CAIGA Hong Kong are considered as a group of Controlling Shareholders of our Company under the Listing Rules. Our Controlling Shareholders further confirmed that, as of the Latest Practicable Date, they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our current businesses, and requires disclosure under Rule

8.10 of the Listing Rules. Furthermore, our Controlling Shareholders executed a non-competition undertaking in favor of our Company on [•], 2023, pursuant to which they undertook that they would not, and would procure their subsidiaries (other than members of our Group) not to, directly or indirectly, engage in any principal business activity that competes or is likely to compete with our principal business. See "Relationship with our Controlling Shareholders."

We expect that there will be certain continuing connected transactions between our Group and the associates of our Controlling Shareholders after **[REDACTED]**. See "Connected Transactions."

DIVIDEND

During the Track Record Period, no dividend has been paid or declared by our Company or other companies comprising our Group.

In June 2023, we declared and paid a dividend to CAIGA Hong Kong in the amount of US$6.5 million from our profits.

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

RISK FACTORS

Our business and the **[REDACTED]** involved certain risks, which are set out in the section headed "Risk Factors" in this Document. You should read that section in its entirety before you decide to **[REDACTED]** in the **[REDACTED]**. Some of the major risks we face include:

- Changes in consumer demand and preferences may affect our financial results;

- Our business and growth strategies are subject to uncertainties and risks, which may materially and adversely affect our business, financial condition, results of operations and prospects;

- If we suffer substantial interruptions to our production activities to the extent that we are not able to compensate such interruptions by increasing the production capacity of our remaining production facilities, our business, financial condition, results of operations and prospects could be materially and adversely affected;

- We face risks associated with our supply chain. If we experience any delay or interrupted supply, or if the quality of the supplies does not meet the required standards, our business, financial condition, results of operations and prospects could be materially and adversely affected;

- Reliance on a limited number of suppliers, including for our aircraft engines and other key components poses risks to production of our aircraft;

- We are dependent upon our senior management team and qualified personnel with specialized skills, and our business, financial condition, results of operations and prospects may suffer if we lose their services;

- Our business is subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which we operate;

- Developing new products, services and technologies entails significant risks and uncertainties;

- We are subject to the risks of serving customers in foreign countries that could adversely impact our business; and

- We could suffer losses and adverse publicity stemming from any accident involving our aircraft.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]**. We estimate that our total **[REDACTED]** expenses (including **[REDACTED]**) will be approximately US$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per share, being the mid-point of the indicative **[REDACTED]** range stated in this Document and the **[REDACTED]** Option is not exercised), of which approximately US$**[REDACTED]** million is directly attributable to the issue of the Shares to the public and to be deducted from equity, and approximately US$**[REDACTED]** million has been or is expected to be expensed in our consolidated statements of profit or loss.

USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]** million (equivalent to US$**[REDACTED]** million) after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per Share in this Document.

We intend to use the net **[REDACTED]** from the **[REDACTED]** for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- **[REDACTED]**% of the net **[REDACTED]**, or approximately HK$**[REDACTED]** million (equivalent to US$**[REDACTED]** million), will be used to fund innovation, product enhancements, continuing product improvements, and additional research and development activities. By leveraging our extensive IP portfolio, market-leading innovations and R&D professionals, we seek to develop features that would improve the performance, safety and comfort of our aircraft while integrating and adapting new technologies. We will also develop new features focused on these areas and incorporating emerging trends and technologies for both the SR2X Series and Vision Jet Series aircraft;

- **[REDACTED]**% of the net **[REDACTED]**, or approximately HK$**[REDACTED]** million (equivalent to US$**[REDACTED]** million), will be used to enhance our production efficiency and capacity;

- **[REDACTED]**% of the net **[REDACTED]**, or approximately HK$**[REDACTED]** million (equivalent to US$**[REDACTED]** million), will be used to fund improvement and expansion of service, sales and support for our products and services provided in our ecosystem, both in geographically and in total capacity; and

- **[REDACTED]**% of the net **[REDACTED]**, or approximately HK$**[REDACTED]** million (equivalent to US$**[REDACTED]** million), will be used for our general working capital and other general corporate purposes to support our business operation and growth.

For further details, see "Future Plans and Use of **[REDACTED]**" in this Document.

IMPACT OF THE COVID-19 PANDEMIC

The global COVID-19 pandemic led to strict government controls on business operations and travel. While we experienced growth as a result of increased demand for personal aircraft alternatives, we were also impacted due to restrictions related to the pandemic. Due to the outbreak of the pandemic, we suspended most operations for approximately one month in 2020. We also had a reduction in workforce. The suspension of manufacturing operations contributed to decreases in our deliveries in 2020, an increase to our backlog, and changes in our inventories, raw materials costs and employee costs during the Track Record Period. The COVID-19 pandemic did not have a material adverse effect on our financial condition or results of operations. With our recovery from the short-term adverse impact of the COVID-19 pandemic, we have continued to grow during the Track Record Period, in part as a result from the growth in demand for personal aviation industry as a result of the pandemic. For more information on other drivers of our growth, see "Industry Overview — Key Drivers for Personal Aviation Aircraft and Service Market Growth."

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Recent Airworthiness Directive

On February 23, 2023, the Federal Aviation Administration ("FAA") issued an airworthiness directive (the "AD"), requiring all aircraft fitted with certain Continental engines to have their crankshaft assembly inspected, and corrective action to be taken before any further flight. As a result, our production and new delivery of SR22 and SR22T models were affected because we were required to divert our production resources to complete the inspections and our supply of Continental engines was affected while Continental performed inspections. We estimate that delivery of a total of 40 SR22 and SR22T models was delayed on average by three to four weeks. We have formulated a plan to temporarily increase our manufacturing capacity in order to fulfill the deliveries that were delayed. However, there is no assurance that we would be successful in making all the deliveries that were expected in 2023. FAA airworthiness directives are common in the personal aviation industry, according to Frost & Sullivan. For more details on how we respond to airworthiness directives, see "Business — Airworthiness Directives, Quality Control and Assurance."

New Overseas Listing Regulations

On February 17, 2023, the China Securities Regulatory Commission ("CSRC") issued the "Interim Measures for the Administration of Overseas Securities Issuance and Listing by Domestic Enterprises" ("Interim Measures for Administration") and supporting guidelines (collectively, the "New Overseas Listing Regulations"), which has been implemented since March 31, 2023. Pursuant to the New Overseas Listing Regulations, domestic PRC enterprises seeking to directly or indirectly issue or list securities in overseas markets are required to file with the CSRC and declare relevant information to the CSRC. Our PRC Legal Advisor advised that, as the Company does not constitute a direct or indirect overseas offering or listing of a domestic enterprise under the New Overseas Listing Regulations, it does not fall within the scope of filing required under the New Overseas Listing Regulations, and therefore the Company is not required to file with the CSRC.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, except as disclosed in this Document, up to the date of this Document, there had been no material adverse change in our financial or operating position or prospects since December 31, 2022, which is the end date of the periods reported on in the Accountant's Report set out in Appendix I to this Document, and there had been no event since December 31, 2022 and up to the date of this Document that would materially affect the information as set out in the Accountant's Report included in Appendix I to this Document.

In this Document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this Document.

"Accountant's Report"	the Accountant's Report for the three years ended December 31, 2020, 2021 and 2022, the text of which is set out in Appendix I to this **[REDACTED]** document
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"AG Huanan"	AVIC General Huanan Aircraft Industry Co., Ltd* (中航通飛華南飛機工業有限公司), a limited liability company established in the PRC on July 17, 2012, a wholly-owned subsidiary of CAIGA, our Controlling Shareholder, and therefore a connected person of our Company
"AG Services"	AVIC GENERAL Service Co., Ltd.* (珠海中航通用飛機客戶服務有限公司), a limited liability company established in the PRC on December 29, 2015, a wholly-owned subsidiary of CAIGA, our Controlling Shareholder, and therefore a connected person of our Company
"AG Zhejiang"	China Aviation Industry General Aircraft Zhejiang Institute Co., Ltd.* (浙江中航通飛研究院有限公司), a limited liability company established in the PRC on July 4, 2017, a wholly-owned subsidiary of CAIGA, our Controlling Shareholder, and therefore a connected person of our Company
"Aircraft"	refers to our revenue stream including SR2X Series and Vision Jet aircraft

"Articles," "Articles of Association," "Memorandum and Articles" or "constitutional documents"	the amended and restated articles of association of our Company, conditionally adopted on [•] with effect from the **[REDACTED]** Date, and as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix III to this Document
"ASC"	authorized service center
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"ATC"	authorized training center
"Audit Committee"	the audit committee of the Board
"AVIC"	Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), a limited liability company incorporated in the PRC on November 6, 2008, one of our Controlling Shareholders
"AVIC Group"	AVIC together with its subsidiaries
"backlog"	the total amount of SR2X Series and Vision Jet orders and reservations for aircraft not yet delivered to customers
"BIS"	Bureau of Industry and Security of the U.S. Department of Commerce
"BIS List"	the U.S. Department of Commerce, the Bureau of Industry and Security's Entity List, the Denied Parties List, the Unverified List, the Military End-User List, or Military-intelligence End User List
"Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"CAAC"	Civil Aviation Administration of China

"CAGR"	compound annual growth rate
"CAIGA"	China Aviation Industry General Aircraft Co., Ltd.* (中航通用飛機有限責任公司), a limited liability company incorporated in the PRC on February 6, 2009, one of our Controlling Shareholders
"CAIGA Group"	CAIGA together with its subsidiaries
"CAIGA Hong Kong"	CAIGA (Hong Kong) Limited (中航通飛香港有限公司), a company incorporated in Hong Kong with limited liability on December 12, 2019, one of our Controlling Shareholders

[REDACTED]

"CFT"	Cirrus Flight Training, a 35-day flight training program provided to customers by the Company which covers the basic aeronautical skills and experience required to be a FAA-certified pilot
"China" or "PRC"	the People's Republic of China and for the purposes of this Document only, except where the context requires otherwise, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

"Cirrus Aircraft Europe"	Cirrus Aircraft Europe Limited, a private company limited by shares incorporated under the laws of the United Kingdom on August 12, 2015, and an indirect wholly-owned subsidiary of the Company
"Cirrus Design"	Cirrus Design Corporation, a corporation incorporated under the laws of Wisconsin on February 25, 1987, and an indirect wholly-owned subsidiary of the Company
"Cirrus Industries"	Cirrus Industries, Inc., the surviving corporation pursuant to the merger among Legacy Cirrus Industries, CAIGA (US) Co., Ltd. and CAIGA Co., Ltd. in December 2022 as further elaborated in "History, Reorganization and Corporate Structure — Reorganization — 3. Merger of holding entities under the 2022 Merger," and a direct wholly-owned subsidiary of the Company
"Cirrus Services and Other"	refers to our revenue stream including a comprehensive service and experience offering and a wide variety of other ancillary products and services including but not limited to sales of after market parts, service sales, warranty sales and training sales and revenue from a related party
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," or "our Company"	Cirrus Aircraft Limited 西銳飛機有限公司, an exempted company incorporated in the Cayman Islands with limited liability on December 13, 2019

"Comparable and Obtainable Global Personal Aviation Market"	the global personal aviation market consisting of aircraft models manufactured by us and aircraft models of similar product features and functionalities as our aircraft manufactured by our comparable competitors (i.e., fixed tricycle gear certified piston aircraft and US$7 million and below single pilot pressurized turbine aircraft)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Continental"	Continental Aerospace Technologies, Inc. (formerly known as Continental Motors, Inc.), a corporation incorporated under the laws of Delaware on December 6, 2001. Continental is a wholly-owned subsidiary of Continental Aerospace Technologies Holding Limited (大陸航空科技控股有限公司), a company incorporated in Bermuda with limited liability and listed on the Stock Exchange (stock code: 232). As of the Latest Practicable Date, Continental Aerospace Technologies Holding Limited was indirectly held as to approximately 46.40% by AVIC, our Controlling Shareholder, and therefore Continental is a connected person of our Company
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to AVIC, CAIGA and CAIGA Hong Kong. For further details, see "Relationship with Our Controlling Shareholders"
"COVID-19"	disease caused by SARS-COV-2, the coronavirus disease 2019
"CSAs"	Cirrus sales agents, a network of independent third-party agents that support our international sales efforts and may also provide after-sales services to customers including aircraft maintenance and parts sourcing
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)

"Dakota Aircraft"	Dakota Aircraft Corporation, a corporation incorporated under the laws of North Dakota on July 28, 2014, and an indirect wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of our Company
"EAGLE"	Eliminate Aviation Gasoline Lead Emissions
"EAR"	Export Administration Regulations in Title 15 of the Code of Federal Aviation Regulations Parts 730-744
"EPA"	United States Environmental Protection Agency
"ERP"	enterprise resource planning, the capability to centralize and standardize broad operational end-to-end processes
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FAA"	Federal Aviation Administration of the U.S. Department of Transportation
"Faegre"	Faegre Drinker Biddle & Reath LLP, our legal advisor as to U.S. laws in relation to our business operations in the United States
"FARs"	the U.S. Federal Aviation Regulations
"Frost & Sullivan"	Frost & Sullivan Limited, an independent global market research and consulting company
"Frost & Sullivan Report"	the independent industry report prepared by Frost & Sullivan as commissioned by us
"FSC"	factory services center
"FTC"	factory training center
"GAMA"	General Aviation Manufacturers Association, which is recognized as the only reliable and authorized trade association in the general aviation industry, according to Frost & Sullivan

"GBP"	British pound, the lawful currency of the United Kingdom
"GHG"	greenhouse gas

[REDACTED]

"Group," "our Group," "we," "our," or "us"	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

[REDACTED]

"HNWIs"	high net worth individuals
"Hogan Lovells International LLP"	Hogan Lovells International LLP, our legal advisor as to U.S. regulatory laws and International Sanctions laws
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

[REDACTED]

"IFRS" or "IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"independent third party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

[REDACTED]

[REDACTED]

"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. government, the European Union and its member states, the United Nations, the United Kingdom, or Government of Australia

[REDACTED]

"IT"	information technology
"Latest Practicable Date"	May 31, 2023, being the latest practicable date for ascertaining certain information in this Document before its publication
"Legacy Cirrus Industries"	Cirrus Industries, Inc., a corporation incorporated under the laws of Delaware on February 13, 1996 which was merged with and into CAIGA (US) Co., Ltd. and CAIGA Co., Ltd. in December 2022

[REDACTED]

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

[REDACTED]

"Non-Competition Undertaking"	the non-competition undertaking executed by our Controlling Shareholders in favor of our Company dated [•], 2023, details of which are set out in the section headed "Relationship with Our Controlling Shareholders — Non-Competition Undertaking" in this Document
"North America"	United States and Canada
"NS-CMIC List"	Non-SDN Chinese Military-Industrial Complex Companies List
"ODA"	FAA's Organization Designation Authorization
"OFAC"	the U.S. Department of the Treasury's Office of Foreign Assets Control

[REDACTED]

[REDACTED]

"orders"	gross aircraft orders minus cancellations

[REDACTED]

"PRC legal advisor"	Jia Yuan Law Offices, our legal advisor as to PRC laws

[REDACTED]

"R&D"	research and development

[REDACTED]

"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangement undertaken by our Group, which is described in details in the section headed "History, Reorganization and Corporate Structure" in this Document
"Reporting Accountant"	PricewaterhouseCoopers

[REDACTED]

"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	Superior Aerospace Insurance Company, a corporation incorporated under the laws of Vermont on June 22, 2005, and an indirect wholly-owned subsidiary of the Company
"SAM"	serviceable addressable market
"Sanctioned Person"	certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or list of other restricted parties maintained by the U.S., the European Union, the United Nations, the United Kingdom or Australia
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SDN"	individuals and entities that are listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC
"Securities and Exchange Commission"	the Securities and Exchange Commission of the United States
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time

"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$1.00 each
"Shareholder(s)"	holder(s) of our Share(s)

[REDACTED]

"Sole Sponsor" or "Sponsor"	China International Capital Corporation Hong Kong Securities Limited
"SOM"	serviceable obtainable market

[REDACTED]

"State Council"	State Council of the PRC (中華人民共和國國務院)

[REDACTED]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholders"	has the meaning ascribed to it in the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"TAM"	total addressable market
"Track Record Period"	the three years ended December 31, 2022
"UK" or "U.K."	the United Kingdom

[REDACTED]

"United States" or the "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. AML Law"	the Bank Secrecy Act, a legislative framework including The Currency and Foreign Transactions Reporting Act of 1970 and provisions in Title III of the USA Patriot Act of 2001, and the Anti-Money Laundering Act of 2020, as amended, and their implementing regulations (31 Code of Federal Regulations Chapter X)
"U.S. dollars" or "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

[REDACTED]

"%"	percent

Unless otherwise specified or the context otherwise requires:

1. *statements contained in this Document assume no exercise of the* **[REDACTED]***;*

2. *all times refer to Hong Kong time;*

3. *references to years, months and days in this Document are to calendar years, calendar months and calendar days, respectively; and*

4. *all data in this Document is as of the date of this Document.*

In this Document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this Document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

In this Document, "" denotes translation of certain natural persons, legal persons, enterprises, governmental authorities, institutions, entities, organizations, departments, facilities, laws and regulations into Chinese or English (as the case maybe), etc., or another language included in this Document for identification purposes only. In the event of any inconsistency, the Chinese names or the names in their original languages prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this Document in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"AD"	airworthiness directive, legally enforceable rules issued by the FAA to correct an unsafe condition in the following products: aircraft, aircraft engine, propellers and appliances
"AOG"	aircraft on the ground, a term used in aviation maintenance indicating that a problem is serious enough to prevent an aircraft from flying
"CAPS"	Cirrus Airframe Parachute System™, a whole-plane parachute system that is included as standard equipment on all Cirrus aircraft
"COS"	Cirrus Operating System, a proprietary operating system developed by Cirrus to establish and standardize operational methods, integrate manufacturing systems and promote the ability to produce parts of the various aircraft models simultaneously on the same production line
"ESP"	Electronic Stability and Protection system, an avionics system produced by Cirrus in collaboration with Garmin®, which utilizes Garmin's attitude and heading reference system that consists of sensors on three axes to apply a control force to stabilize flights in the event of pitch or roll deviations that exceed recommended limits
"FBO"	fixed base operator, a term given to a commercial enterprise that has been granted the right by an airport authority to operate on that airport and provide aviation services, such as ground handling, fueling, parking, and other services for personal aircraft
"FMS"	flight management system, a computer system that automates various in-flight tasks
"ft"	feet

"hot and high"	a condition of low air-density due to high ambient temperature and high airport elevation
"KTAS"	knots true airspeed, being the airspeed of the aircraft relative to the air mass it is flying through
"lbs"	pounds
"MRO"	maintenance, repair and overhaul, activities undertaken by an aircraft maintenance facility which include routine inspections, repairs, and upgrades to aircraft systems and components
"nm"	nautical miles, one nautical mile being equivalent to 6,076 feet or 1,852 meters
"PPL"	private pilot license, also known as a private pilot certificate, allows the holder to take command of an aircraft privately but not for remuneration
"Reservation"	a booking to purchase a Vision Jet before a specified delivery date is available
"Safe Return"	Safe Return Emergency Autoland System, an emergency auto-landing system that was created by Cirrus in collaboration with Garmin which enables passengers to land an aircraft fitted with the system in the event of a pilot's incapacitation
"SVO"	simplified vehicle operations, the flight systems and user interfaces that apply technology to provide assistance to pilots
"Type Certificate"	certificate issued by an aviation authority setting out the airworthiness standard for the aircraft type, model, aircraft engine or aircraft propeller
"Type Rating"	certificate issued by an aviation authority to pilots who have completed training and testing on a specific type of aircraft

FORWARD-LOOKING STATEMENTS

Certain statements in this Document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will," "expect," "anticipate," "estimate," "believe," "going forward," "ought to," "may," "seek," "should," "intend," "plan," "projection," "forecast," "could," "vision," "goals," "objective," "target," "schedule," "predict," "project," "aim," "intend," "consider," "would," "continue" and "outlook") are not historical facts, but are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this Document), uncertainties and other factors some of which are beyond our control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- general political, market and economic conditions;
- any changes in the laws, rules and regulations of the federal and state governments in the United States and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- our planned projects and goals;
- our ability to control or reduce costs;
- our ability to control our risks;
- our ability to maintain good relationships with business partners;
- our business prospects and expansion plans;
- our ability to successfully implement our business plans and strategies;
- our financial condition and performance, debt levels and capital needs;
- our dividend policy;

- our capital expenditure plans;
- various business opportunities that we may pursue;
- the actions and developments of our competitors;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the United States and the industry and markets in which we operate; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this Document.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution **[REDACTED]** against placing undue reliance on any such forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this Document. Any such intentions may change in light of future developments.

All forward-looking statements in this Document are expressly qualified by reference to this cautionary statement.

An* [REDACTED] *in the Shares involves a high degree of risk. Prospective* [REDACTED] *should carefully consider the following risk factors, together with all other information contained in this Document, before deciding whether to* [REDACTED] *in the Shares. If any of the following events occur or if these risks or any additional risks not currently known to us or which we now deem immaterial materialize, our business, financial condition, results of operations and our ability to meet our financial obligations could be materially and adversely affected. The* [REDACTED] *of the Shares could fall significantly due to any of these events or risks or such additional risks, and you may lose the total value of your* [REDACTED]. *The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Changes in consumer demand and preferences may affect our financial results.

The demand for our aircraft may be adversely impacted by unexpected events in the future. Therefore, future demand for our aircraft could be significantly and unexpectedly less than anticipated and/or less than previous period deliveries. Our orders, sales volumes and revenues may be affected by general economic conditions within the various countries in which our prospective or current owners reside and changing customer preferences and market trends. The premium market is generally affected by general macroeconomic conditions, and many factors affect the level of consumer spending on premium and lifestyle products, including the state of the economy as a whole, stock market performance, interest and exchange rates, inflation, political uncertainty, the availability of consumer credit, tax rates, unemployment levels and other matters that influence consumer confidence. Deteriorating general economic conditions may reduce disposable income and consumer wealth, adversely impacting customer demand, particularly for premium and lifestyle goods, which may negatively impact our profitability and put downward pressure on our prices and volumes. Furthermore, during recessionary periods, higher taxes may be more likely to be imposed on certain premium goods including our aircraft, which may affect our sales. Adverse economic conditions may also affect the financial health and performance of our sales agents in a manner that will affect sales of our aircraft.

In addition, there have been sustained inflationary pressures in many of the markets in which we operate. Inflation has led and may further lead to increases in the costs that we incur for raw materials, utilities or services, which could adversely affect our business, financial condition and results of operations if we are not able to pass on the increased costs to our customers or successfully implement other mitigating actions. Such increases could make our aircraft less affordable to customers, which could cause customers to delay the purchase of our aircraft or to purchase less expensive aircraft.

We have dedicated significant resources to product development and innovation to maintain pace with technological advances in the market and changes in customer preferences. However, we cannot assure you that we will succeed in anticipating or reacting to changes in customer preferences, maintaining pace with advances in design and manufacturing technologies or expanding our product lines and continuing to innovate in the future. In addition, our efforts and investments in product development and innovation may not generate the expected outcomes. If we misjudge the market for our products or are late in recognizing changing trends and customer preferences, we could experience poor returns on investment or damage to our reputation.

Similarly, there is uncertainty as to when or whether our existing backlog for aircraft will convert to revenues as the conversion depends on, among others, production capacity, customer needs and credit availability and affordability. Changes in economic conditions have in the past caused, and in the future may cause, customers to request that firm orders be rescheduled, deferred or cancelled. Any failure by us to anticipate or react to such changes may also reduce demand for our aircraft. Reduced demand for our aircraft or delays or cancellations of orders in the future could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our business and growth strategies are subject to uncertainties and risks, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Our business and growth strategies include, but are not limited to, monetization of our established customer base, enhancement of our flight training solutions, advancement and expansion of our aircraft and services portfolio, advancement of production capabilities, expansion of our markets globally and establishment of Cirrus Air On-demand. There can be no assurance that any consumer demand in response to such strategies and related initiatives will exist or be sustained at the levels that we anticipate, or that any of these strategies will generate sufficient revenue to offset any new expenses or liabilities associated with any new investments. Moreover, we devote significant financial and other resources to the expansion of our products and service offerings, including increasing our ability to produce aircraft, and these efforts may not be commercially successful or achieve the desired results. Our financial results and our ability to maintain or improve our competitive position will depend on our ability to effectively gauge the direction of our key markets and successfully identify, develop, market and sell new or improved products and services in these changing markets. Further, any such efforts could distract management from current operations, and would divert capital and other resources from our more established offerings and technologies. Even if we were successful in developing our strategies, regulatory authorities may subject us to new rules or restrictions in response to our strategies that may increase our expenses or prevent us from successfully commercializing new product and service offerings or technologies. If we are not able to identify, capture or execute on these strategies successfully, our business, financial condition, results of operations and prospects could be materially and adversely affected, and any assumptions underlying estimates of expected cost savings or expected revenues may be inaccurate.

Our historical rate of growth may not be sustainable or indicative of our future rate of growth. We believe that our continued growth in revenue, as well as our ability to improve or maintain margins and profitability, will depend upon, among other factors, our ability to address the challenges, risks and difficulties described elsewhere in this section and the extent to which our various offerings grow and contribute to our results of operations. We cannot provide assurance that we will be able to manage any such challenges or risks to our future growth successfully.

If we suffer substantial interruptions to our production activities to the extent that we are not able to compensate such interruptions by increasing the production capacity of our remaining production facilities, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We operated two manufacturing facilities, including a final aircraft assembly and production flight test campus as of the Latest Practicable Date. Work slowdowns and other forms of industrial action, or any deterioration in relations with our employees, as well as shortages of skilled workers, could cause interruptions to our production cycle. As a result of production constraints, we had a backlog of 1,461 aircraft as of the Latest Practicable Date. Any prolonged interruptions could cause us to fail to meet our contractual obligations to customers in relation to delivery of aircraft and may cause customers to terminate their orders. We have been impacted by delays to order fulfillment from our suppliers in the past. See "— We face risks associated with our supply chain. If we experience any delay or interrupted supply, or if the quality of the supplies does not meet the required standards, our business, financial condition, results of operations and prospects could be materially and adversely affected." The impact of any such interruptions to our production cycle could cause a material adverse effect on our business, financial condition, results of operations and prospects.

We face risks associated with our supply chain. If we experience any delay or interrupted supply, or if the quality of the supplies does not meet the required standards, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We rely on our suppliers to provide us with a wide range of raw materials, components and sub-assemblies and service parts. We typically purchase from third-party suppliers certain specialized and critical parts, components and systems of our aircraft. For the years ended December 31, 2020, 2021 and 2022, we used raw materials with an aggregate amount of US$244.4 million, US$294.5 million and US$336.4 million, respectively, accounting for 41.7%, 39.9% and 37.6% of our revenue for the same periods, respectively.

We face various risks associated with our suppliers. If our suppliers fail to perform their obligations or our contractual arrangements with them are terminated due to their breach and we are not able to replace them on a timely, effective and commercially acceptable basis, we may incur delays potentially affecting the agreed timetables or product specifications. In addition, we require our suppliers to be punctual in their deliveries and to give particular care to the quality of their supplies. As a result, any default by suppliers of their contractual obligations, or any failure by suppliers to meet specified deadlines, specifications and quality standards could negatively affect our ability to fulfill customer orders on a timely basis. During the Track Record Period, we have been impacted by delays related to our suppliers due to factors outside of our control including, for example, airworthiness directives, a fire at a supplier's facility, impacts from COVID-19 and a shortage of raw materials which has impacted our production of composite materials. These events did not have a material adverse effect on our business, financial conditions and results of operations during the Track Record Period. However, as such factors are beyond our control, if similar events were to occur in the future, we could experience significant delays in the production or delivery of our aircraft.

Reliance on a limited number of suppliers, including for our aircraft engines and other key components, poses risks to production of our aircraft.

We rely on a limited number of suppliers and, in some cases, on single-source suppliers for several key components of our products, including our aircraft engines to power our aircraft, in part, due to the customized nature of many of our parts and the requirement for certification. If any of our suppliers fail to adequately fulfill their obligations or experience disruptions in production or provision of services due to, for example, bankruptcy, natural disasters, labor strikes or disruption of its supply chain, or decide to unilaterally terminate their contractual arrangements with us, we may experience a significant delay in the delivery of or fail to receive previously ordered aircraft engines and parts, which would adversely affect our revenue and profitability and could jeopardize our ability to meet the demands of our customers.

If we are unable to obtain required components from our existing suppliers, we may need to obtain these components through secondary sources or markets, which could result in higher costs, delays, and/or components that do not meet our quality requirements or technical specifications. While we actively monitor and manage our supply chain, we cannot anticipate the potential impact that a variety of factors may have on the manufacturing and shipment of our products. This reliance on a limited number of suppliers and the lack of any guaranteed sources of supply exposes us to several risks, including:

- The inability to obtain an adequate supply of key components, including aircraft engines;
- Delay to aircraft deliveries due to designing and certifying new supplier components;
- Price volatility and manufacturing costs for the components of our aircraft;
- Failure of a supplier of key components to meet our quality or production requirements;
- Failure of a supplier of key components to remain in business or adjust to market conditions; and
- Consolidation among suppliers, resulting in some suppliers exiting the industry, discontinuing the manufacture of components or increasing the cost of components.

As a result of these risks, we cannot guarantee that we will be able to obtain a sufficient supply of key components in the future or that the cost of these components will not increase. If our supply of components is disrupted or delayed, or if we need to replace our existing suppliers, there can be no assurance that additional components will be available when required or that components will be available on terms that are favorable to us, which could extend our lead times, increase the costs of our components and harm our business, financial condition, results of operations and prospects. We may not be able to continue to procure components at reasonable prices, which may impact our business negatively or require us to enter into longer-term contracts to obtain components. Any of the foregoing disruptions could exacerbate other risk factors and increase our costs and decrease our gross margins, harming our business, financial condition, results of operations and prospects.

We are dependent upon our senior management team and qualified personnel with specialized skills, and our business, financial condition, results of operations and prospects may suffer if we lose their services.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team, who have extensive experience and specialized expertise in our business. Certain members of our senior management team have long-standing experience in aviation including avionics, engineering and automotive industries and within large public companies in the U.S., and we believe that their depth of experience is instrumental to our continued success. If we lose the services of any member of our senior management team, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all, and our business, execution of strategic priorities, financial condition, results of operations and prospects could be materially and adversely affected. While members of our senior management team are subject to non-compete and confidentiality obligations, these may not be effective if any member of our senior management team joins a competitor or forms a competing business and there is a risk we may lose know-how, trade secrets, customers and key employees.

Our success is highly dependent upon our ability to hire and retain a workforce with the skills necessary for our businesses to develop, manufacture and maintain the products desired by our customers. The products and services desired by our customers require highly skilled personnel in multiple direct and indirect areas. These areas include, among others, engineering, manufacturing, maintenance, sales, information technology, cybersecurity, flight operations, business development and strategy and management. In addition, from time to time we face challenges that may impact employee retention. To the extent that we lose experienced personnel through retirement or otherwise, it is critical for us to develop other employees, hire new qualified employees and successfully manage the transfer of critical knowledge. Competition for skilled employees is intense, and we may incur higher labor, recruiting and/or training costs in order to attract and retain employees with the requisite skills. We may not be successful in hiring or retaining such employees, which could adversely impact our business, financial condition, results of operations and prospects.

The aviation industry, including related vendor partners, is experiencing and may continue to experience a shortage of qualified personnel, and we face added challenges with attracting and retaining qualified personnel due to, in particular, the low unemployment rate in Duluth, Minnesota and Grand Forks, North Dakota. We and others in the aviation and airline industries face shortages of qualified aircraft mechanics and other personnel. In addition, we have lost and may continue to lose employees due to the impact of the COVID-19 pandemic on aviation or as a result of restrictions which were imposed under the Coronavirus Aid, Relief, and Economic

Security Act, or other governmental requirements placed on employees, which may further impede our ability to attract, retain and train skilled labor. If we are unable to hire, train and retain qualified employees, our business, financial condition, results of operations and prospects may be harmed.

Our business is subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which we operate.

Our aircraft were sold to customers in 36 countries and we have 244 ASCs globally as of December 31, 2022. Therefore, we are subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which we operate and our prospective or current owners reside, which are beyond our control. In particular, we face a number of challenges as a result of our international business and expansion strategy, including our ability to effectively recruit, manage and coordinate our employees across different geographic regions; and customs regulations on the import and export of products. If we fail to effectively manage these risks, such failure could impair our ability to operate or expand our business and could materially and adversely affect our business, financial condition, results of operations and prospects.

Recently there have been heightened tensions in international relations, particularly between the United States and China. These tensions have affected both diplomatic and economic ties among countries, and could reduce levels of trade and other economic activities between major economies. The impact of recent geopolitical conflicts on our procurement and current prospects has been minimal. However, there is no assurance that any escalation of geopolitical tension in the future will not create instability in macroeconomic and social conditions, which could have a material adverse effect on our business, financial condition, results of operations and prospects. In the event of a significant geopolitical conflict or a macroeconomic downturn, the demand of our potential end customers may fall. Such events may damage our ability to obtain customer orders and lead to a decrease in future orders received, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The existing tensions and any further deterioration in the relationship between the United States and China may have a negative impact on the general, economic, political, and social conditions in both countries. For example, during his administration, President Donald J. Trump issued several executive orders restricting the operations of certain Chinese companies in the United States. Our operations are primarily based in the United States. Our Company is indirectly wholly-owned by CAIGA, a subsidiary of AVIC, a Chinese state-owned enterprise, which will continue to beneficially own a significant percentage of our Company after the **[REDACTED]**. AVIC, and certain of its subsidiaries, were designated by the U.S. Department of the Treasury ("U.S. Treasury") on the Non-SDN Chinese Military-Industrial Complex Companies List ("NS-CMIC List") under Executive Order 13959 ("EO 13959"), on June 3, 2021, with an effective date of August 2, 2021. EO 13959 prohibits United States persons beginning on August 2, 2021, from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities, or are designed to provide investment exposure to such securities, of AVIC unless licensed or authorized by the relevant U.S. government authority. Pursuant to OFAC FAQ 857, the prohibitions in EO 13959, as amended, apply to a subsidiary of an entity listed on the NS-CMIC List only if such subsidiary itself is publicly listed on the NS-CMIC List by the U.S. Treasury pursuant to EO 13959, as amended, or identified in the Annex of EO 13959, as amended. Hogan Lovells International LLP is of the view that (i) as we are not listed on the NS-CMIC List, the sanctions applicable to AVIC being designated on the NS-CMIC List would not apply to us; (ii) the restrictions applicable to United States persons from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities of companies on the NS-CMIC List do not apply to our Company; and (iii) the securities of our Company would not be considered publicly traded securities that are derivative of publicly traded securities of AVIC or designed to provide investment exposure to publicly traded securities of AVIC. See "Relationship with our Controlling Shareholders" for more details.

Further, we obtained certain approvals from relevant U.S. government authorities when we were acquired by CAIGA, which contain restrictions that our competitors may not be subject to. In particular, we entered into a national security agreement with the U.S. Department of Commerce that requires us to provide advance notice to the U.S. government regarding any foreign nationals we sponsor for an employment visa or any foreign visitors to our facilities, with an exemption for visitors to our facilities who are our customers. We also have some ongoing connected transactions with entities controlled by CAIGA which are listed on the Military End-User List by the BIS, and we have obtained relevant export licenses and put in place internal control measures for transactions with these entities as detailed in the section headed "Connected Transactions."

Our business may also be adversely impacted by federal, state or local restrictions on land or property ownership by Chinese citizens and companies. Recent legislation in some U.S. states in which we operate imposes such restrictions on a going-forward basis. Additionally, other new federal, state or local legislation, regulations or executive orders addressed at protecting U.S. investments in Chinese or Chinese state-owned enterprises, may also become applicable to us. There can be no assurance that our Company and our business operations would not be subject to risks of economic and trade sanctions and/or export control restrictions or other forms of restrictions to our operations in the future due to heightened tensions between the United States and China or otherwise, which may adversely affect our business, financial condition, results of operations and prospects, as well as our ability to raise funds, especially from U.S. investors, and the liquidity of our publicly traded securities.

Developing new products, services and technologies entails significant risks and uncertainties.

To continue to grow our business and remain competitive, we continuously seek to identify and develop new products, services and technologies or improve our existing products, services and technologies for our current and future markets, such as those relating to business processes, manufacturing, information technology, automation, connectivity, and initiatives to ensure high quality customer service. Our future performance depends, in part, on our ability to identify emerging technological trends and customer requirements and to develop and maintain competitive products and services. Delays or cost overruns in the development and acceptance of new products or certification of new aircraft and other products occur from time to time and could adversely affect our business, financial condition, results of operations and prospects. These delays or cost overruns could be caused by unanticipated technological hurdles, production changes to meet customer demands, unanticipated difficulties in obtaining required regulatory certifications of new aircraft or other products, or failure on the part of our suppliers to deliver components as agreed. We also could be adversely affected if our product development efforts are less successful than expected or if these efforts require significantly more funding to achieve our goals than anticipated. In addition, new products, services and technologies could generate unanticipated safety or other concerns resulting in expanded product liability risks, potential product recalls and other regulatory issues that could have an adverse impact on us. Furthermore, because of the lengthy product development cycle involved in bringing certain of our products to market, we cannot predict the economic conditions that will exist when any new product is complete, and the market for our product offerings does not always develop or continue to expand as we anticipate.

A reduction in capital spending in the personal aviation industry could have a significant effect on the demand for new products and technologies under development, which could have an adverse effect on our financial condition, results of operations and cash flows. No assurance can be given that our competitors will not develop competing technologies which gain superior market acceptance compared to our products. A significant failure in our new product development efforts, a substantial change to schedule, a material change in an anticipated market or the failure of our products or services to achieve customer acceptance relative to our competitors' products or services, could have an adverse effect on our business, financial condition, results of operations and prospects.

We are subject to the risks of serving customers in foreign countries that could adversely impact our business.

We have a global customer base and service offering, which exposes us to risks in addition to our business operations in the U.S. These risks include import, export, economic sanctions and other trade restrictions; the changing U.S. and foreign procurement policies and practices; changes in international trade policies, including higher tariffs on imported goods and materials and renegotiation of free trade agreements; potential retaliatory tariffs imposed by foreign countries against U.S. goods; impacts on our non-U.S. suppliers and customers due to acts of war occurring internationally; restrictions on technology transfer; difficulties in protecting intellectual property; increasing complexity of employment and environmental, health and safety regulations; challenges associated with monitoring foreign suppliers and vendors to ensure compliance with applicable U.S. Federal Aviation Regulations; foreign investment laws; exchange controls; repatriation of earnings or cash settlement challenges; compliance with increasingly rigorous data privacy and protection laws; competition from foreign and multinational firms with home country advantages; economic and government instability; acts of industrial espionage, acts of war and terrorism and related safety concerns. The impact of any one or more of these or other factors could adversely affect our business, financial condition, results of operations and prospects.

We are also exposed to risks associated with using foreign representatives and consultants, including our CSAs, for our international sales efforts. In many jurisdictions, particularly in developing economies, it is common to engage in business practices that are prohibited by laws and regulations applicable to us, such as the U.S. federal Foreign Corrupt Practices Act ("FCPA"). A violation of such laws by any of our international representatives, CSAs, consultants, joint ventures, business partners, subcontractors or suppliers, even if prohibited by our policies, could have an adverse effect on our business and reputation. As we continue to grow our customer base globally, our exposure to these risks may also increase.

We could suffer losses and adverse publicity stemming from any accident involving our aircraft.

Certain of our aircraft have experienced accidents while being operated by owners. Our product liability insurance policies are subject to a cap on deductible, making us liable to pay for any claims exceeding such cap. We incur the first US$4.0 million of any losses, settlement, and fees incurred for covered claims related to incidents occurring in a policy year. These processes and claims are handled by our captive insurance company, SAIC. Once we have incurred the aggregate US$4.0 million of expenses, our insurance covers any remaining expenses up to an aggregate cap of US$150 million per policy year. Furthermore, we may be liable to pay for any punitive damages in their entirety, if incurred, in any jurisdictions that do not permit insuring against punitive damage awards. There can be no assurance that the amount of our insurance coverage available would be adequate to cover losses, or that we would not be forced to bear substantial losses from such events, regardless of our insurance coverage. For more details, see "Business — Insurance."

If our owners experience accidents with our aircraft obligating us to take such aircraft out of service until the cause of the accident is determined and rectified, our reputation may be affected and we may lose customers. Any aircraft or accident, even if fully insured, could create a public perception that our aircraft are less safe or reliable than other means of transportation, which could cause our customers to lose confidence in us and switch to other aircraft or other means of transportation. In addition, any aircraft accident or incident could also affect the public's view of industry safety, which may reduce the amount of trust our customers have in personal aircraft. This may have negative financial impacts on us. It is also possible that the FAA or other foreign regulatory bodies could ground the aircraft and restrict the aircraft from flying by issuing airworthiness or similar directives until the cause of the accident is determined and rectified. Airworthiness or similar directives of this nature are common in the general aviation industry, according to the Frost & Sullivan. There is no assurance that our customers would not perceive such directives adversely. If this were to occur, our reputation could be adversely affected and we may lose revenue and customers. In addition, safety issues experienced by a particular model of aircraft could result in customers refusing to use that particular aircraft model or a regulatory body grounding that particular aircraft model.

In the future, we may, voluntarily or involuntarily, undertake remedial actions in connection with service bulletins, if any of our aircraft, including any systems or components sourced from our suppliers, prove to be defective or noncompliant with applicable laws and regulations. Such remedial actions, whether voluntary or involuntary and whether caused by systems or components engineered or manufactured by us or our suppliers, could incur significant expenses and adversely affect our brand image in our target markets. The value of the aircraft model might also be permanently reduced in the secondary market if the model were to be considered less desirable. Such accidents or safety issues related to aircraft models that we operate could have a material adverse effect on our business, financial condition, results of operations and prospects.

The operation of aircraft is subject to various risks, and failure to maintain an acceptable safety record may have an adverse impact on our ability to obtain and retain customers.

The operation of aircraft is subject to various risks, including but not limited to catastrophic disasters, crashes, mechanical failures and collisions, which may result in loss of life, personal injury and/or damage to property and equipment. Our customers have experienced and may experience accidents in the future while operating our aircraft. These risks could endanger the safety of our customers, third parties, equipment, cargo and other property, as well as the environment. If any of these events were to occur, we could experience loss of revenue, termination of customer orders, higher insurance rates, litigation, regulatory investigations and enforcement actions (including potential grounding of our aircraft) and damage to our reputation and customer relationships. In addition, to the extent an accident occurs involving our aircraft, we could be held liable for resulting damages or consequential loss, which may involve claims from injured passengers and survivors of deceased passengers.

We incur costs to maintain the quality of our aircraft and our training programs. We cannot guarantee that these costs will not increase. Likewise, we cannot guarantee that our efforts will provide an adequate level of safety or an acceptable safety record. If we are unable to maintain an acceptable safety record, we may not be able to retain existing customers or attract new customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Failure to comply with regulatory requirements related to our aircraft and associated operations may result in enforcement actions, including revocation or suspension of our operating authorities in the U.S. and potentially other countries.

We are subject to significant laws, regulations and directives in the U.S. and foreign countries in which we operate. Increasing compliance risks and changes in government regulations imposing additional requirements and restrictions on our operations could increase our operating costs, result in service delays and disruptions, and adversely affect our business, financial conditions, results of operation and prospects.

As a global aviation business, we are subject to significant laws, regulations and directives in the U.S. and foreign countries in which we operate. A global customer base and service offering requires importing and exporting goods, software and technology, which may be subject to more stringent import-export controls across international borders. For example, under certain circumstances, we must initially obtain licenses and authorizations from various U.S. government agencies before our aircraft can be exported outside the U.S. While we have not been impacted by delays in obtaining licenses and authorizations beyond the normal course of business, we may not always be successful in obtaining these licenses or authorizations in a timely manner. U.S. and foreign laws and regulations applicable to us have been increasing in scope and complexity. For example, both U.S. and foreign governments and government agencies regulate the personal aviation industry, and they have previously and may in the future impose new regulations for additional aircraft safety or other requirements or restrictions. New or changing laws and regulations or related interpretation and policies could increase our costs of doing business, affect how we conduct our operations, adversely impact demand for our aircraft and/or limit our ability to sell our aircraft and services.

The personal aviation industry is subject to extensive U.S. and international regulatory requirements, including airworthiness directives. In the last several years, Congress and state and local governments have passed laws and regulatory initiatives, and the FAA and several of its respective international counterparts have issued regulations and a number of other directives, that affect the production and use of our aircraft. These requirements impose substantial costs on us and restrict the ways we may conduct our business. For example, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that may require significant expenditures or operational restrictions. These requirements can be issued with little or no notice, or can otherwise impact our ability to efficiently or fully utilize our aircraft, and in some instances have resulted in the temporary and prolonged grounding of aircraft altogether. FAA airworthiness directives or similar directives of this nature are common in the general aviation industry, according to Frost & Sullivan. We have been impacted in the past, and could be impacted in the future, by airworthiness directives issued by the FAA, including from the recent airworthiness directive issued by the FAA in February 2023. See "Summary — Recent Developments and No Material Adverse Change — Recent Airworthiness Directive."

We have implemented and maintain policies and procedures that are designed to monitor and ensure compliance by us and our Directors, officers and employees with International Sanctions and other applicable laws, regulations and directives. Compliance with laws and regulations of increasing scope and complexity is even more challenging in our business environment in which reducing our operating costs is often necessary to remain competitive. In addition, regulators and enforcement agencies continue to devote greater resources to the enforcement of the FCPA, anti-money laundering laws and anti-corruption laws, and foreign jurisdictions have significantly expanded the reach of their anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance with anti-bribery, anti-money laundering, anti-corruption and other laws, such policies and procedures may not be effective in all instances to prevent violations.

Any determination that any of our employees have violated these laws, regulations or directives in the U.S. or other jurisdictions in which we do business, could subject us to, among other things, civil and criminal penalties, material monetary fines, profit disgorgement, injunction on future conduct, securities litigation, reputational damage, or other adverse actions, which could adversely affect our business, financial condition, results of operations or prospects.

We may not succeed in preserving and enhancing the value of our brand which we depend on to drive demand and revenues, and in remaining competitive against other premium lifestyle alternatives.

Since our inception, we have focused on building a premier global brand by offering a comprehensive personal aviation experience and a global ownership ecosystem to make owning and operating an aircraft accessible, convenient, and enjoyable. Our financial performance is influenced by the perception and recognition of our brand, which in turn depends on many factors such as the design, performance, quality and image of our aircraft; the success of our promotional activities, including public relations and marketing; and our general profile, including our brand's image of safety and quality. Maintaining the value of our brand will depend significantly on our ability to continue to produce high performance aircraft of the highest quality and delivering a premium experience supported by our ecosystem. To promote our brand, we may be required to adjust our selling and marketing practices, which could substantially increase our expenses. Furthermore, we cannot assure you that these activities will be successful or that we will be able to achieve the desired promotional effect. If we fail to develop and maintain a strong brand, our business, financial condition, results of operations and prospects could be materially and adversely impacted.

The market for premium and lifestyle goods generally is intensely competitive, and we may not be successful in maintaining and strengthening the appeal of our aircraft over other premium lifestyle alternatives. Customer preferences, particularly among premium goods, can vary and change over time, sometimes rapidly. We are therefore exposed to changing perceptions of our brand image and the image of personal aircraft more generally, as we seek to attract new generations of customers. Any failure to preserve and enhance the value of our brand may materially and adversely affect our ability to sell our aircraft, to maintain our pricing and to extend the value of our brand into other activities profitably.

As a player in the personal aviation industry, we are subject to significant competition.

Many of the markets in which we operate are competitive as a result of the expansion of existing private aircraft operators and expanding private aircraft ownership and alternatives, such as premium commercial airline services. We compete against a number of professional aviation operators with different business models, local and regional private charter operators and aircraft companies. In addition, factors that affect competition in our industry include price, reliability, safety, regulations, reputation, aircraft availability, equipment and quality, consistency and ease of service and investment requirements. There can be no assurance that our competitors will not be successful in capturing a share of our present or potential customer base. The materialization of any of these risks could adversely affect our business, financial condition, results of operations and prospects.

The modification, renewal and revocation of permits, approvals, authorizations and licenses may impose limitations that increase the costs or limit the availability of our products.

Our business requires a variety federal, state, local and other government permits, approvals, authorizations and licenses and the maintenance of such permits, approvals, authorizations and licenses. Our business is subject to regulations and requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. For example, FAA regulatory requirements associated with design approval and production approval for the production of an aircraft mean that our aircraft production business could be restricted by modification or revocation of these approvals upon which we depend which could have a material adverse impact on our business, financial condition, results of operations and prospects. See "Business — Licenses, Certificates and Permits."

Environmental regulation and liabilities, including new or developing laws and regulations, or our initiatives in response to pressure from our stakeholders may increase our costs of operations and adversely affect us.

In recent years, governments, customers, suppliers, employees and other of our stakeholders have increasingly focused on climate change, carbon emissions, and energy use. We are subject to certain environmental regulations and requirements and we also need to maintain applicable environmental permits and controls related to our operations, including permits and controls issued by federal, state and local agencies. We cannot guarantee that we will be able to maintain such permits and controls, nor can we guarantee that our cost of compliance with certain environmental regulations and requirements will not increase in the future. Laws and regulations that curb the use of conventional energy or require the use of renewable fuels or renewable sources of energy, such as wind or solar power, could result in a reduction in demand for aircraft that require hydrocarbon-based fuels such as oil and natural gas. In addition, governments could pass laws, regulations or taxes that increase the cost of such fuels, thereby decreasing demand for our aircraft and also increasing operating costs for customers. All of the engines fitted in our aircraft currently only use leaded fuel.

The piston aviation industry has been, and is currently, researching a safe replacement fuel to replace leaded fuel. In 2022, the FAA created a new team named Eliminate Aviation Gasoline Lead Emissions ("EAGLE") of which we are a signatory. This is a government-industry partnership that also encompasses fuel producers and distributors, airport operators, communities that support general aviation airports, and environmental experts, seeking to develop an unleaded fuel replacement that can be used within the current general aviation infrastructure and engines. The most significant announcement impacting us is the stated aim of EAGLE to eliminate lead emissions from general aviation by the end of 2030. There are also projects underway for the European Union, which are considering the phase out of leaded fuel for the aviation industry earlier than the FAA timetable, and certain airports in the European Union have taken voluntary initiative to only provide unleaded fuel. While we expect that at some point in the future a replacement fuel will be identified, trialed and supplied to the industry, there is no currently available alternative that is proven to be usable in large scale and in a reasonably economical manner within the current general aviation infrastructure. We have partnered with GAMA in support of the EAGLE coalition and are actively involved in testing possible replacement fuels. If no suitable product is identified and the use of leaded fuel is prohibited in the aviation industry, we would be required to re-engineer our aircraft with engines that use unleaded fuel, which would impose significant costs on us and our customers and potentially disrupt the ability to operate our aircraft. As a result, our future operating income and cash flows from operating activities could be adversely impacted.

Other laws or pressure from our stakeholders may adversely affect our business, financial condition, results of operation and prospects by requiring, or otherwise causing, us to reduce the emissions of our aircraft. Such activity may also impact us indirectly by increasing our operating costs. We expect that compliance with such laws and regulations or accommodation of such stakeholder pressure will require additional internal resources and may necessitate larger investment in product development, research personnel and manufacturing equipment and/or facilities, as well as sourcing from new suppliers and/or higher costs from existing suppliers, all of which would increase our direct and indirect costs and negatively impact our business, financial condition, results of operations and prospects.

Orders and reservations for our aircraft may be cancelled by customers who have already provided deposit payments.

Our backlog represents orders and reservations that we have not fulfilled and, accordingly, for which we have not yet recognized revenue. We may not receive revenue from these orders or reservations, even in cases where the deposit is nonrefundable, and any backlog we report may not be indicative of our future revenue.

Many events can cause a delivery to be delayed or not completed at all, some of which may be out of our control, including supply chain disruptions resulting from the COVID-19 pandemic and our suppliers not being able to provide us with products or components or from production capacity constraints. If we delay fulfilling customer orders or reservations or if customers reconsider their orders or reservations, those customers may seek to cancel or modify their orders or reservations with us. Customers may otherwise seek to cancel or delay their orders or reservations even if we are prepared to fulfill them. If our backlog does not result in sales, our results of operation may suffer. Our customer deposits are recognized as current liabilities. We had customer deposits of US$83.9 million, US$145.2 million, US$165.1 million and US$187.4 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively.

We are subject to potential warranty and product liability claims, which could cause material harm to our brand image and reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

We provide warranties that the aircraft airframe will be free of material and workmanship defects under normal use and services for a period of 24 months or 1,000 flight hours, whichever comes first for the Vision Jet, and for a period of 36 months or 2,000 flight hours, whichever comes first, for the SR2X Series. We also provide extended warranty options. Accordingly, flaws or defects in our design and production process could give rise to material exposures under our product and performance warranties. Provision for product warranties was US$10.4 million, US$19.8 million and US$12.4 million, respectively, in 2020, 2021, 2022 representing 1.8%, 2.7%, and 1.4% of our revenue for the same periods, respectively.

Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the historical warranty period for all products sold. Any such estimates of future warranty liabilities are inherently uncertain, and any changes to our estimates, especially with respect to new aircraft or features, may require us to make material changes to our warranty reserve policies in the future. If our warranty reserves and related insurance coverages prove to be inadequate to cover our future warranty claims, or if our suppliers and subcontractors fail to honor the underlying warranties that we pass through to our own customers, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, flaws and defects in our design and production processes, or in those of our suppliers and subcontractors, as well as unsatisfactory performance of our products, could give rise to product liability and product recall exposures. In the event of litigation involving claims of this nature, we could become obligated to pay material damage awards and/or legal expenses in amounts far greater than our insurance coverage. Such events would also generate negative publicity, which could in turn cause material harm to our brand image and reputation. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to maintain sufficient liquidity going forward is subject to the general liquidity of and ongoing changes in the credit markets in addition to other factors.

Our liquidity is a function of our cash on-hand, our ability to successfully generate cash flows from a combination of efficient operations and continuing operating improvements, access to capital markets and funding from third parties. We believe our liquidity should be sufficient to meet our operating requirements as they occur; however, our ability to maintain sufficient liquidity going forward is subject to the general liquidity of and ongoing changes in the credit markets as well as general economic, financial, competitive, legislative, regulatory, and other market factors that are beyond our control. The recent and potential future disruptions in access to bank deposits or lending commitments due to bank failures in the U.S. could affect our liquidity. The recent closures of U.S. banks and their placement into receivership with the Federal Deposit Insurance Corporation created bank-specific and broader financial institution liquidity risk and concerns in the U.S. market. If we are not able to maintain adequate liquidity, we may not be able to meet our operating cash flow requirement, debt service cost, future required contributions to our employee benefit plan, and other financial obligations.

A failure in our technology or breaches of the security of our information technology infrastructure may adversely affect our business, financial condition, results of operations and prospects.

The performance and reliability of the technology that we use is critical to our ability to compete effectively. A significant internal technological error or failure or large-scale external interruption in the technological infrastructures on which we depend, such as power, telecommunications or the Internet, may disrupt our internal network. Any substantial, sustained or repeated failure of the technology that we use could impact our ability to conduct our business, lower the utilization of our aircraft, and result in increased costs. Our technological systems and related data may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues.

We are subject to complex and frequently changing privacy and data protection laws, rules and regulations in the United States as well as in other regions where we operate, regarding the collection, use, storage, transfer and other processing of personal information.

Cybersecurity risks and the failure to maintain the confidentiality, integrity and availability of our computer hardware, software and internet applications and related tools and functions could result in damage to our reputation, data integrity and/or subject to costs, fines or lawsuits under data privacy laws or other contractual requirements. The integrity and protection of the data we hold is relevant to our business. The regulatory environment governing information, security and privacy laws is increasingly demanding and continues to evolve. We could be subject to risks caused by misappropriation, misuse, leakage, falsification, system malfunction or intentional or accidental release or loss of information maintained in our information systems and networks and those of our third-party service providers.

If we are unable to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches, we may suffer regulatory consequences in addition to business consequences. We are subject to complex and frequently changing privacy and data protection laws, rules and regulations in the United States as well as in other regions where we operate, regarding the collection, use, storage, transfer and other processing of personal information. These privacy, security and data protection laws and regulations could impose significant limitations, require changes to our policies, practices and processes and in some cases impose restrictions on our use or storage of personal information. For example, on January 1, 2023, California enacted the California Privacy Rights Act, which significantly modifies the California Consumer Privacy Act, including by expanding consumers' rights with respect to certain non-public personal information and creating a new state agency to oversee implementation and enforcement efforts. We are also subject to the European General Data Protection Regulation, which is considered one of the strictest and most comprehensive privacy laws in the world, is being continuously enforced, and levies increasingly heavy fines on businesses for non-compliance. As regulations continue to evolve, we may be potentially subject in the future to additional data protection obligations to those that we are already subject to and for which we are fully compliant, which may result in additional costs, including for the purpose of monitoring rapidly evolving privacy laws, rules and regulations.

Government enforcement actions can be costly and may interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in significant fines, reputational damage and civil lawsuits, any of which may adversely affect our business, financial condition, results of operations and prospects.

Our insurance may become too difficult or expensive to obtain. If we are unable to maintain sufficient insurance coverage, it may materially and adversely impact our business, financial condition and results of operations.

Hazards are inherent in the personal aviation industry and may result in loss of life and property, potentially exposing us to substantial liability claims arising from, or in connection with, the operation of aircraft. We carry insurance for aviation products liability, completed operations and grounding liability exposures, premises and general liability, hangar keepers liability (ground and in-flight), aircraft liability, contingent aircraft liability, automotive liability, non-owned aircraft liability exposures and hull losses and other insurance customary in the industry in which we operate. Insurance underwriters are required by various federal and state regulations to maintain minimum levels of reserves for known and expected claims. However, there can be no assurance that underwriters have established adequate reserves to fund existing and future claims. The number of accidents, as well as the number of insured losses within the aviation and aerospace industries, and the impact of general economic conditions on underwriters may result in increases in premiums above the rate of inflation. To the extent that our existing insurance carriers are unable or unwilling to provide us with sufficient insurance coverage, and if insurance coverage is not available from another source, our insurance costs and/or exposure may increase and may result in our being in breach of regulatory requirements or contractual arrangements requiring that specific insurance be maintained, which may have a material adverse effect on our business, financial condition and results of operations.

If we are unable to adequately protect our intellectual property interests or are found to be infringing on intellectual property interests of others, we may incur significant expense and our business may be adversely affected.

Our intellectual property includes our trademarks, goodwill, domain names, website, mobile and web applications, software (including our proprietary algorithms and data analytics engines), copyrights, trade secrets and inventions (whether or not patentable). We believe that our intellectual property plays an important role in protecting our brand and the competitiveness of our business. If we do not adequately protect our intellectual property, our brand and reputation may be adversely affected and our ability to compete effectively may be impaired.

We protect our intellectual property through a combination of patent, trademark, copyright, and trade secret laws, contracts and policies. We have registered our patents, trademarks and domain names that we use in the United States and certain other jurisdictions in which we do significant business, but we may not have such registrations for all territories in which we have fewer operations. In the United States, we have brought a claim against a small charter company infringing on use of the Cirrus name. Although the initial claim was ruled against our favor, we do not expect a material adverse financial impact on us if we are not successful in our appeal. However, we may be unable to prevent competitors from acquiring trademarks or domain names that are similar to or diminish the value of our intellectual property or in any way are misleading or deceptive to our existing or potential customers, and will have to seek legal action to oppose or invalidate such registrations. In addition, it may be possible for other parties to copy or reverse engineer our applications or other technology offerings. Moreover, our proprietary algorithms, data analytics engines, or other software or trade secrets may be compromised by third parties or our employees or agents, which could negatively impact any competitive advantage that we may have from them.

Our business is subject to the risk of third parties infringing our intellectual property. We may not always be successful in securing protection for, or identifying or stopping infringements of, our intellectual property, and we may need to resort to litigation, arbitration or other dispute resolution mechanisms in the future to enforce our intellectual property rights. Any such litigation could result in significant costs and a diversion of our management's time and resources. Further, such enforcement efforts may result in a ruling that our intellectual property rights are unenforceable. Companies in the aviation and technology industries are frequently subject to litigation based on allegations of intellectual property infringement, misappropriation or other violations. We may acquire or introduce new technology offerings, which may increase our exposure to patent and other intellectual property claims. Any intellectual property claims asserted against us, whether or not having any merit, could be time-consuming and expensive to settle or litigate. If we are unsuccessful in defending such a claim, we may be required to pay substantial damages, we could be subject to an injunction or we could agree to a settlement that may prevent us from using our intellectual property or making our offerings available to customers. Some intellectual property claims may require us to seek a license to continue our operations, and those licenses may not be available on commercially reasonable terms or may significantly increase our operating expenses. If we are unable to procure a license, we may be required to develop or acquire non-infringing technological alternatives, which could require significant time and expense. Any of these events could adversely affect our business, financial condition, results of operations and prospects.

Our financial results may vary significantly from period to period due to the seasonality of our business and fluctuations in our operating costs.

Due to fewer deliveries at the start of the year as we roll out and replenish updated demo and training aircraft, which reduces the number of aircraft available for delivery to customers, our results are typically strongest towards the end of the year. In addition, due to the location of our primary production facilities, we experience seasonal weather conditions which impacts our ability to certify the airworthiness of aircraft on a predictable basis. Seasonal impacts are typically reflected during the start of our fiscal year leading to lower revenues during such period. See "Business — Seasonality" for more details.

We may be unable to identify or execute acquisition opportunities as planned.

We may face challenges successfully completing acquisitions, including any acquisitions related to the consolidation of our supply chain or execution of our strategic objectives. We plan to organically, and inorganically through acquisitions, increase our production capacity and efficiency in order to support the growth of our business. However, there is no assurance that we will be able to identify suitable assets to expand our business. Even if we are able to identify suitable targets, such expansion can be difficult, time consuming and costly to execute. We may also have to engage in intense competition for attractive targets, which may make it difficult to consummate any acquisitions on commercially acceptable terms or at all. Even if we are able to consummate any acquisitions, our ability to grow our business through any recently completed or future acquisitions remains subject to further risks and uncertainties which could, in whole or in part, materially and adversely affect our growth plan in relation to acquisitions. For example, we may fail to successfully integrate the acquired businesses with our existing business and operations, or realize the expected synergies, growth opportunities and other benefits from such acquisitions.

In addition, for so long as CAIGA retains a material ownership interest in us, we will be deemed a "foreign person" under the regulations relating to the Committee on Foreign Investment in the United States ("CFIUS"). As such, acquisitions of or investments in U.S. businesses or foreign businesses with U.S. subsidiaries that we may wish to pursue may be subject to CFIUS review, the scope of which was recently expanded by the Foreign Investment Risk Review Modernization Act of 2018 ("FIRRMA") to include for example, certain non-passive, non-controlling investments (including certain investments in entities that hold or process personal information about U.S. nationals), certain acquisitions of real estate even with no underlying U.S. business, and any transaction resulting in a "change in the rights" of a foreign person in a U.S. business if that change could result in either control of the business or a covered non-controlling investment. If a particular proposed acquisition or investment falls within CFIUS' jurisdiction, we may determine that we are required to make a mandatory filing or that we will submit to CFIUS review on a voluntary basis, or to proceed with the transaction without submitting to CFIUS and risk CFIUS intervention, before or after closing the transaction. In addition, among other things, FIRRMA authorizes CFIUS to prescribe regulations defining "foreign person" differently in different contexts, which could result in less favorable treatment for investments and acquisitions by companies from countries of "special concern." If such future regulations impose additional burdens on acquisition and investment activities involving China and Chinese investor-controlled entities, our ability to consummate transactions falling within CFIUS's jurisdiction that might otherwise be beneficial to us and our shareholders would be hindered.

Our ability to obtain financing or access capital markets may be limited due to a number of factors, including covenants in our credit agreements.

There are a number of factors that may limit our ability to raise financing or access capital markets in the future, including current and future debt and future contractual obligations, our liquidity and credit status, our operating cash flows, the market conditions in the personal aviation industry, U.S. and global economic conditions, the general state of the capital markets and the financial position of the major providers of aircraft and other aviation industry financing. We cannot assure you that we will be able to source external financing for our capital needs; and, if we are unable to source financing on acceptable terms, or unable to source financing at all, our business could be materially adversely affected.

Our credit agreements contain covenants that may limit our ability to operate our business. Under the terms of our credit agreements, we are required to comply with certain financial covenants based on financial and non-financial measures, including specified ratios: (i) between our indebtedness to EBITDA and (ii) between (a) the sum of EBITDA less unfinanced capital expenditures and cash dividends and distributions to (b) the sum of interest expense paid or payable in cash and scheduled principal payments with respect to indebtedness.

Such credit agreements also contain, and our future debt financing agreements may contain, restrictions that may limit our ability to, among other things, incur additional debt over agreed thresholds, create liens, make certain investments, effect a fundamental change, make certain asset dispositions, and declare or make restricted payments in certain circumstances. These covenants could also restrict our ability to respond to changes in business and economic conditions, to engage in potentially beneficial transactions and to obtain required financing. As of the Last Practicable Date, we are in compliance with all covenants. To the extent we finance our activities with debt, we may become subject to further financial and other covenants that may restrict our ability to pursue our business strategy or otherwise constrain our growth and operations. Furthermore, a failure by us to comply with these covenants could result in a default under our debt agreements, which could permit our creditors to accelerate our obligations to repay debt. Any of these outcomes could have a material adverse impact on our business, financial condition, results of operations and prospects.

Interest rate and exchange rate fluctuations may adversely affect our business.

Interest rate fluctuations may adversely affect our financial performance. Any changes in interest rates will impact our borrowing costs. We currently have exposure to floating rate debt. While the exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest rate caps, the magnitude of the final exposure depends on the effectiveness of the hedge. We do not currently have any hedging practices in place. Moreover, the potential for low or negative interest rates in the United States and on U.S. Dollar-denominated financial instruments could adversely impact our revenues, including interest on our cash and bank balances. Since we operate as a multinational corporation that sells and sources products in many different countries, changes in exchange rates could in the future, adversely affect our cash flows and results of operations. While we primarily conduct business in U.S. Dollars, due to the variability of currency exposures and the potential volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations on our operating results if this changes. Any or all of these factors could materially and adversely affect our business, financial condition and results of operations and our ability to meet our financial obligations.

We face risks associated with malicious competition or other detrimental impact from third parties which could damage our reputation and cause our customers to lose faith in our brand.

We may become subject to malicious third-party activities including anti-competition conduct, harassing, or other harmful behaviors, especially customers unsatisfied with our products and services or third-party competitors. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. Our brand reputation may be harmed by aggressive marketing and communications strategies of our competitors. Third parties may also maliciously copy or adopt our key business strategies to gain an unfair competitive advantage in the market. We cannot guarantee that we will not be exposed to such unfair business competition or dominant market position abuse imposed by third parties in the future. In particular, we may face the risk of unfair competition or other maliciously competitive actions by third parties whose corporate names carry "Cirrus" in their name, in particular in addition to any references to aviation, or carry other words that are similar to our corporate and brand names. This includes companies that may already exist or ones that may exist in the future. Disputes, litigation, regulatory actions or other negative publicity in relation to those third parties bearing similar names could also be mistakenly perceived as relating to us. In addition, we may become the target of government or regulatory investigation as a result of or in connection with such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Moreover, you may see negative information posted on the Internet or pages embedded in various social media mobile apps related to us or our Directors, employees, affiliates or third-party collaboration partners, even without merit. Consumers may value readily available information concerning retailers, manufacturers, and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. Social media platforms may immediately publish the content posted by their subscribers and members, often without filters or due diligence checks on the accuracy of such content posted. Therefore, information on social media platforms generates impact almost immediately as it is disseminated. Information posted may be inaccurate and adverse to us, and it may harm our business, financial condition, results of operations and prospects. The harm may be immediate without affording us an opportunity for redress or correction, which, a result of the public dissemination of anonymous allegations or malicious statements about us, may in turn cause us to lose market share, customers and revenue-generating capabilities and adversely affect our business, financial condition, results of operations and prospects.

Our significant intangible assets and goodwill may expose us to write-downs and other risks associated with periodic impairment tests carried out pursuant to IAS 36.

Our intangible assets and goodwill exposes us to losses arising in connection with impairment. As of December 31, 2022, our intangible assets and goodwill were US$231.3 million and US$115.9 million, respectively, accounting for 24.4% and 12.2% of our total assets as of the same date, respectively.

Pursuant to IAS 36, (i) goodwill and indefinite-lived intangible assets, such as trademarks, are not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise and (ii) finite-lived intangible assets, such as aircraft type certificates, are recognized at fair value at the acquisition date and are subsequently carried at cost less accumulated amortization. In evaluating the recoverability of the value of these assets and the potential for the impairment thereof, we make assumptions regarding future operating performance, business trends and market and economic conditions. Such analyses in turn require us to make certain assumptions about operating cash flows, growth rates and discount rates. Uncertainties are inherent to any such assessments of the recoverability of the value of these assets.

We cannot assure you that we will not record write-downs in the future if our financial performance should diverge significantly from the assumptions underlying such impairment tests or if we otherwise experience unexpected business disruptions or declines in market capitalization. The occurrence of such write-downs could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to anti-corruption, anti-bribery, and similar laws, and noncompliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to anti-corruption laws and regulations, including the FCPA, the U.K. Bribery Act and other anti-corruption, anti-bribery, anti-money laundering, and similar laws in the United States and other jurisdictions we operate in. Anti-corruption and anti-bribery laws, which have been enforced aggressively and are interpreted broadly, prohibit companies and their employees and agents from promising, authorizing, making, or offering improper payments or other benefits to government officials and others in the public sector. Anti-money laundering laws prohibit disguising financial assets so they can be used without detection of the illegal activity that produced them. We leverage our business partners, including channel partners, to sell our aircraft and service solutions and host facilities for our network. We may also rely on our business partners to conduct our business abroad. We and our business partners may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of our business partners and intermediaries, our employees, representatives, contractors, channel partners and agents, even if we do not explicitly authorize such activities. We are also subject to certain economic and trade sanctions programs administered by OFAC, which prohibit or restrict transactions to, or from, or dealings with, specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are SDNs, Sanctioned Persons, narcotics traffickers, and/or terrorists or terrorist organizations. Our subsidiaries may be subject to additional foreign or local sanctions requirements in other relevant jurisdictions.

We will not use the **[REDACTED]** from the **[REDACTED]** (a) to finance or facilitate, directly or indirectly, any projects or businesses in countries/regions which are subject to sanctions (as of the Latest Practicable Date, Iran, Syria, Sudan, Cuba, North Korea and the territories of Crimea, Zaporizhzhia and Kherson, the self-proclaimed Luhansk People's Republic ("LPR") region and the self-proclaimed Donetsk People's Republic ("DPR") region) ("Sanctioned Countries") or with persons located in other countries who are subject to sanctions or (b) to pay any damages for terminating or transferring contracts relating to Sanctioned Countries or persons subject to sanctions (if any), to the extent that we are party to such contracts in the future (whether by reason of a change in sanctions law or otherwise), (ii) we will not enter into any transaction that, at the time of entry into such transaction, is prohibited by applicable sanctions law, and (iii) if we believe that the transactions we have entered into will put us and our investors at the risk of violating applicable sanctions, we will disclose on our website and in our annual and interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in Sanctioned Countries and our business intention relating to such Sanctioned Countries.

We cannot assure you that all of our employees and agents have complied with, or in the future will comply with, our policies and applicable laws. The investigation of possible violations of these laws, including internal investigations and compliance reviews that we may conduct from time to time, could have a material adverse effect on our business. Noncompliance with these laws could subject us to investigations, severe criminal or civil sanctions, settlements, prosecution, loss of export privileges, suspension or debarment from government contracts and other contracts, other enforcement actions, the appointment of a monitor, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, whistleblower complaints, adverse media coverage and other consequences. Other internal and government investigations, regulatory proceedings, or litigation, including private litigation filed by our shareholders, may also follow as a consequence. Any investigations, actions, or sanctions could materially harm our reputation, business, financial condition, results of operations and prospects. Further, the promulgation of new laws, rules or regulations or new interpretations of current laws, rules or regulations could impact the way we do business in other countries, including requiring us to change certain aspects of our business to ensure compliance, which could reduce revenues, increase costs, or subject us to additional liabilities.

We are potentially subject to legal proceedings and other claims.

We are potentially subject to legal proceedings and other claims arising from or in connection with the conduct of our business, including proceedings and claims relating to commercial and financial transactions; alleged lack of compliance with applicable laws and regulations; disputes with suppliers, production partners or other third parties; product liability; patent and trademark infringement; employment disputes; and environmental, safety and health matters. In the case of litigation matters for which reserves have not been established because the loss is not deemed probable, it is reasonably possible that such claims could be decided against us and could require us to pay damages or make other expenditures in amounts that are not presently estimable.

Due to the nature of our business, we are subject to liability claims arising from or in connection with accidents involving our products, including claims for serious personal injuries or death caused by weather or by pilot error or a combination of both. In addition, we cannot be certain that our reserves are adequate and that our insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, we may not be able to obtain insurance coverage at acceptable levels and costs in the future. We cannot predict the levels of the premiums that we may be required to pay for subsequent insurance coverage, the level of any retention applicable thereto, the level of aggregate coverage available or the availability of coverage for specific risks. Litigation is inherently unpredictable, and we could incur judgments, receive adverse arbitration awards or enter into settlements for current or future claims that could adversely affect our results of operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by employees, such as unauthorized business transactions and breaches of our internal policies and procedures, or third parties, such as breach of law, may be difficult to detect and prevent and could subject us to financial loss, sanctions imposed by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems, and internal control procedures are designed to monitor our operations and overall compliance. See "Business — Internal Control and Risk Management." However, we may not be able to identify non-compliance matters in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective. Consequently, risk of fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This could materially adversely affect our business, financial condition, results of operations and prospects and our ability to meet our financial obligations.

Unanticipated changes in our tax rates or trade policies that we are subject to, or exposure to additional income tax liabilities or regulations could affect our profitability.

We are subject to income taxes, capital gains taxes, value-added taxes and/or other taxes in the U.S and various foreign jurisdictions, and our domestic and international tax liabilities are subject to the location of income among these different jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings indefinitely reinvested offshore, changes to unrecognized tax benefits or changes in tax laws, which could affect our profitability. In particular, the carrying value of deferred tax assets is dependent on our ability to generate future taxable income, as well as changes to applicable statutory tax rates. In addition, the amount of income taxes that we pay is subject to audits in various jurisdictions, and a material assessment by a tax authority could affect our profitability.

Our tax filings are subject to audits by tax authorities in the various jurisdictions in which we do business. These audits may result in assessments of additional taxes that are subsequently resolved with the taxing authorities or through the courts. Currently, we believe there are no outstanding assessments whose resolution would result in a material adverse financial result. However, there can be no assurances that unasserted or potential future assessments would not have a material effect on our business, financial condition, or results of operations.

In addition, we are subject to a wide variety of complex domestic and international laws, rules and regulations, including trade policies and tax regimes. We are affected by new laws and regulations and changes to existing laws and regulations, including interpretations by the courts and regulators, whether prompted by changes in government administrations or otherwise. These laws, regulations and policies, and changes thereto, may result in restrictions or limitations to our current operational practices and processes and product/service offerings which could negatively impact our current cost structure, revenue streams, future tax obligations, the value of our deferred income tax assets, cash flows and overall financial position.

Natural disasters or other events outside of our control may disrupt our operations, adversely affect our business, financial condition, results of operations and prospects, and may not be fully covered by insurance.

Natural disasters, including hurricanes, fires, tornados, floods and other forms of severe weather, the intensity and frequency of which are being exacerbated by climate change, along with other impacts of climate change, such as rising sea waters, as well as other events outside of our control including public health crises, pandemics, power outages and industrial accidents, have in the past and could in the future disrupt our operations and adversely affect our business. We also face seasonal impacts to our business due to the sometimes severe weather where our facilities are located, particularly in Duluth, Minnesota, which typically experiences significant snowfall that impacts production and where several of our facilities are located.

Any of these events could result in physical damage to and/or complete or partial closure of one or more of our facilities and temporary or long-term disruption of our operations or the operations of our suppliers by causing business interruptions or by impacting the availability and cost of materials needed for manufacturing or otherwise impacting our ability to deliver products and services to our customers. Existing insurance arrangements may not provide full protection for the costs that may arise from such events. The occurrence of any of these events could materially increase our costs and expenses and have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE [REDACTED]

There has been no [REDACTED] for our Shares, and their liquidity and [REDACTED] following the [REDACTED] may be volatile.

Prior to the **[REDACTED]**, there was no **[REDACTED]** for our Shares. There can be no guarantee that an active **[REDACTED]** for our Shares will develop or be sustained after the completion of the **[REDACTED]**. The **[REDACTED]** will be determined by negotiations between the **[REDACTED]** and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and us, which may not be indicative of the **[REDACTED]** at which our Shares will be **[REDACTED]** following completion of the **[REDACTED]**. The **[REDACTED]** of our Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

In addition, the **[REDACTED]** of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies that have listed their securities in Hong Kong may affect the volatility in the **[REDACTED]** of and **[REDACTED]** for our Shares, and the **[REDACTED]** of our Shares may not reflect our actual results of operations.

Since there will be a gap of several days between pricing and trading of our [REDACTED], the price of our [REDACTED] could fall below the [REDACTED] when the trading commences.

The **[REDACTED]** of our Shares is expected to be determined on the **[REDACTED]**. However, our Shares will not commence **[REDACTED]** on the Stock Exchange until they are delivered, which is expected to be several business days after the **[REDACTED]**. As a result, **[REDACTED]** may not be able to **[REDACTED]** or otherwise **[REDACTED]** our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the **[REDACTED]** of our Shares could fall below the **[REDACTED]** when the **[REDACTED]** commences as a result of adverse market conditions or other adverse developments, that could occur between the time of **[REDACTED]** and the time **[REDACTED]** begins.

Potential [REDACTED] will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financings.

As the **[REDACTED]** of Shares is higher than the net tangible book value per share of our Shares immediately prior to the **[REDACTED]**, purchasers of our **[REDACTED]** will experience an immediate dilution. There can be no assurance that if we were to immediately liquidate after the **[REDACTED]**, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider **[REDACTED]** and issuing additional Shares in the future.

Purchasers of the **[REDACTED]** may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future or perceived sales of substantial amounts of our Shares could affect their [REDACTED] price.

Prior to the **[REDACTED]**, there has not been a **[REDACTED]** for our Shares. Future sales or perceived sales by our existing Shareholders, or issuance by us of significant amounts of our Shares after the **[REDACTED]**, could result in a significant decrease in the prevailing **[REDACTED]** of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the **[REDACTED]** due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the **[REDACTED]** or the perception that these sales may occur could significantly decrease the prevailing **[REDACTED]** for our Shares and our ability to raise equity capital in the future.

Our Controlling Shareholders have substantial influence over the Company, and our Controlling Shareholders' interests may not always be aligned with the interests of our other Shareholders.

Immediately following completion of the **[REDACTED]**, AVIC, CAIGA and CAIGA Hong Kong will directly or indirectly hold in aggregate approximately **[REDACTED]**% of our Shares (assuming that the **[REDACTED]** is not exercised). The interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

Our Controlling Shareholders may have conflicts of interest with us and our other shareholders. Accordingly, our Controlling Shareholders and its members may take actions that favor their own interests, but which are not in the best interests of our other shareholders and which would adversely affect the interests of our other shareholders. As our Controlling Shareholders, and subject to our Memorandum and Articles and applicable laws and regulations, AVIC, CAIGA and CAIGA Hong Kong will have significant influence over our business and affairs, including decisions in respect of mergers, consolidations, other business combinations, acquisition or disposition of assets, issuance of additional Shares, timing and amount of dividend payments, election of Directors and senior management and approval of our annual budget. This concentration of ownership may discourage, delay or prevent changes in control that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

We may not pay any dividends in the future.

As we intended to retain most, if not all, of our funds and future earnings to fund the growth of our business, we have not adopted a formal dividend policy with respect to our future dividend. Therefore, you should not rely on the **[REDACTED]** in our Shares as the source of your future dividend income.

Subject to certain restrictions under the Cayman Islands law, our Board has the discretion to determine whether to distribute dividends. Namely, our Company may only pay dividends either out of profits or a share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts at their fall due in the ordinary course of business. In addition, the dividend amount may not exceed the amount recommended by our Board. Furthermore, the timing, amount and form of future dividends are subject to the limitation of our future financial results. Accordingly, your **[REDACTED]** in our Shares will depend entirely upon any future price appreciation and there is no assurance as to the return of your **[REDACTED]**.

We are a Cayman Islands company and you may face difficulties in protecting your interests under the laws of the Cayman Islands.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability. Our operation and corporate affairs are governed by our Memorandum and Articles, the Cayman Companies Act and common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The Shareholders' right to take action against our Company and/or our Directors are governed by the common law of the Cayman Islands. However, the rights of the Shareholders and the fiduciary duties of Directors owed to us under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in Hong Kong, and the Cayman Islands has a less developed body of securities laws than Hong Kong. In addition, Cayman Islands companies may not have the standing to initiate a shareholder derivative action in a Hong Kong court. As we conduct substantially all of our operations and most of our Directors and senior management reside outside of Hong Kong, it may be difficult for you to effect service of process upon us or our management.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests than they would as public shareholders of a company incorporated in Hong Kong or the United States.

You should only rely on the information included in this Document to make your [REDACTED] decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

There has been, prior to the publication of this Document, and there may be, subsequent to the date of this Document but prior to the completion of the **[REDACTED]**, press and media coverage regarding us and the **[REDACTED]**. We have not authorized the disclosure of any information concerning the **[REDACTED]** in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective **[REDACTED]** are cautioned to make their decisions on the basis of the information contained in this Document only and should not rely on any other information.

Forward-looking statements contained in this Document are subject to risks and uncertainties.

This Document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would," and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change.

These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. **[REDACTED]** should not place undue reliance on such forward-looking statements and information.

Facts, forecasts and statistics in this Document may not be fully reliable.

Facts, forecasts and statistics in this Document relating to the personal aviation industry are obtained from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, [the **[REDACTED]**], [the **[REDACTED]**], the **[REDACTED]** nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Document relating to the personal aviation industry may be inaccurate or may not be comparable to statistics produced for other markets and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case elsewhere.

In preparation for the **[REDACTED]**, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN PRESENCE OF MANAGEMENT IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the Group's business operations are primarily managed and conducted outside Hong Kong, the Group's headquarters is located in the United States, and all executive Directors are based outside of Hong Kong and are expected to continue to be based outside of Hong Kong; our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors which is not in the best interests of our Company and our Shareholders as a whole. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, [and the Stock Exchange has granted,] a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(i) **Authorized representatives:** we have appointed Mr. Hui WANG (王暉), and Ms. Hoi Ting WONG (黃凱婷) as the authorized representatives ("Authorized Representatives") for the purpose of Rule 3.05 of the Listing Rules who will act at all times as our principal channel of communication with the Stock Exchange. The Authorized Representatives will be available to meet with the Stock Exchange upon reasonable notice and will be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. The Authorized Representatives are duly authorized to communicate on behalf of the Company with the Stock Exchange and will have all necessary means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact them on any matter. In the event that a Director expects to travel, he or she will provide (i) his or her mobile phone number, office number, email address and facsimile number (if any) to the Authorized Representatives; and (ii) phone number of the place of his/her accommodation to the Authorized Representatives or maintain an open line of communication via his/her mobile phone. See "Directors and Senior Management" for more information about our Authorized Representatives;

(ii) **Joint company secretaries:** The Company has appointed Mr. Wei PI (皮巍) and Ms. Hoi Ting WONG (黃凱婷) as our joint company secretaries. Mr. Pi and Ms. Wong will, among other things, act as our additional channel of communication with the Stock Exchange and be able to answer enquiries from the Stock Exchange. Mr. Pi and Ms. Wong will maintain constant contact with the Directors and senior management team members through various means, including regular meetings and telephone discussions whenever necessary;

(iii) **Directors:** to the best of our knowledge and information, all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice. Any meeting between the Stock Exchange and the Directors can be arranged through our Authorized Representatives or compliance advisor, or directly with the Directors within a reasonable timeframe;

(iv) **Compliance advisor:** we have appointed Altus Capital Limited as our compliance advisor (the "Compliance Advisor") upon **[REDACTED]** pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the **[REDACTED]** and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**. The Compliance Advisor will act as the additional channel of communication with the Stock Exchange and answer enquiries from the Stock Exchange. The Compliance Advisor will also provide us with professional advice on continuing obligations under the Listing Rules. The contact details of the Compliance Advisor have been provided to the Stock Exchange. We will also inform the Stock Exchange promptly in respect of any change in the Compliance Advisor;

(v) **Hong Kong legal advisors:** In addition to the Compliance Advisor's role and responsibilities after the proposed **[REDACTED]** of the Company, which includes, among other things, to inform us on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to us and to provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations, our Company expects to retain Hong Kong legal advisors to advise on matters relating to the application of the Listing Rules including but not limited to, the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable Hong Kong laws and regulations after **[REDACTED]**.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual, who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a Member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies (Winding Up and Miscellaneous) Ordinance and the Takeovers Code and Mergers and Share Buy-backs;

(iii) relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

The Company appreciates that the company secretary will play an important role in its corporate governance following the Company's proposed **[REDACTED]**, particularly in assisting the Company and its Directors in complying with the Listing Rules and other applicable company and securities laws and regulations. The Company also understands that since its principal business activities are primarily outside Hong Kong and its Directors and members of the senior management do not reside in Hong Kong, it is particularly important that its company secretary has experience relevant to the Company's operations in discharging his/her function as a joint company secretary.

We have appointed Mr. Wei PI (皮巍) and Ms. Hoi Ting WONG (黃凱婷) of TMF Hong Kong Limited as its joint company secretaries. Mr. Pi has extensive experience in financial and accounting matters but presently does not possess any of the qualification required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Pi's biographical information is set out in the section headed "Directors and Senior Management." Ms. Wong is an assistant manager of the listing services department of TMF Hong Kong Limited, responsible for providing corporate secretarial and compliance services to listed companies. She has over 10 years of experience in the corporate secretarial field. Ms. Wong is an associate of The Hong Kong Chartered Governance Institute and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. Ms. Wong's biographical information is set out in the section headed "Directors and Senior Management."

The joint company secretaries will be jointly discharging the duties and responsibilities of a company secretary. Ms. Wong will be assisting Mr. Pi in gaining the relevant experience required under Rules 3.28 and 8.17 of the Listing Rules. Also, Mr. Pi will be assisted by (a) the Compliance Advisor of our Company for the first full financial year starting from the **[REDACTED]**, particularly in relation to Hong Kong corporate governance practice and compliance matters; and (b) the Hong Kong legal advisor of our Company, on matters regarding our Company's ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Mr. Pi will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of an issuer **[REDACTED]** on the Stock Exchange. We have applied to the Stock Exchange for, [and the Stock Exchange has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Pi may be appointed as a joint company secretary of our Company.

Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time not exceeding three years (the "Waiver Period") and on the following conditions: (1) Mr. Pi must be assisted by Ms. Wong who possesses the specific qualification and relevant experience under Rule 3.28 of the Listing Rules throughout the Waiver Period so as to enable Mr. Pi to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge his duties; and (2) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. [The waiver is valid for an initial period of a three-year period on the condition that Ms. Wong, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Pi in the discharge of his duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. The waiver will be revoked immediately if Ms. Wong ceases to provide assistance to Mr. Pi as the joint company secretary for the three-year period after **[REDACTED]**.]

Our Company will further ensure that Mr. Pi has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer **[REDACTED]** on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Prior to the end of the three-year period, the qualifications and experience of Mr. Pi and the need for on-going assistance of Ms. Wong will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Pi, having benefited from the assistance of Ms. Wong for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the "relevant experience" within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors and Senior Management — Joint Company Secretaries" in this Document for further information regarding the qualifications of Mr. Pi and Ms. Wong.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]** as described in the section headed "Connected Transactions" of this Document. Our Directors consider that strict compliance with the applicable requirement under the Listing Rules would be impracticable and unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, we have applied for, [and the Stock Exchange has granted to us,] a waiver from strict compliance with the applicable requirements under Chapter 14A of the Listing Rules once the Shares are **[REDACTED]** on the Stock Exchange in respect of such non-exempt continuing connected transactions. For further details, see "Connected Transactions" in this Document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Mr. Lei YANG (楊雷)	Room 603 Building 16, AVIC Garden No. 188 Shanhuhai Road Jinwan District, Zhuhai Guangdong Province, PRC	Chinese
Mr. Hui WANG (王暉)	Room 1202 Building 15, AVIC Garden No.188 Shanhuhai Road Jinwan District, Zhuhai Guangdong Province, PRC	Chinese
Mr. Qingchun SONG (宋慶春)	Room 601 Building 14, AVIC Garden No. 188 Shanhuhai Road Jinwan District, Zhuhai Guangdong Province, PRC	Chinese
Mr. Liang LIU (劉亮)	Room 204 Building 4, AVIC Garden No.188 Shanhuhai Road Jinwan District, Zhuhai Guangdong Province, PRC	Chinese
Mr. Yihui LI (李屹暉)	Room 902 Building 15, AVIC Garden No.188 Shanhuhai Road Jinwan District, Zhuhai Guangdong Province, PRC	Chinese
Mr. Zean Hoffmeister Vang NIELSEN	No. 1722 of Lake Avenue, Wilmette Illinois, United States	American and Danish

Name	Address	Nationality
Mr. Ian H CHANG (張仁嫲)	Room 29M, North Apartment, China World Apartment No. 1 Jianguomenwai Street Chaoyang District Beijing, PRC	American
Mr. Chung Man Louis LAU (劉仲文)	16B Tower 2, Harbourfront Landmark 11 Wan Hoi Road, Hunghom Kowloon, Hong Kong	Chinese
Ms. Ferheen MAHOMED (*alias:* 馬穎欣)	Flat D1, 12/F, Yue Yan Mansions 96 Pok Fu Lam Road Pok Fu Lam, Hong Kong	British

Further information is set out in the section headed "Directors and Senior Management" in this Document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor, [REDACTED]	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
Legal Advisors to the Company	*As to Hong Kong law and U.S. law:* **Shearman & Sterling** 21/F, Gloucester Tower The Landmark 15 Queen's Road Central Central, Hong Kong

As to U.S. law in relation to our business operations in the United States:
Faegre Drinker Biddle & Reath LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis
Minnesota 55402
United States

As to U.S. regulatory laws and International Sanctions laws:
Hogan Lovells International LLP
11th Floor, One Pacific Place
88 Queensway
Hong Kong

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

As to PRC law
Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing, PRC

Legal Advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law and U.S. law:* **Slaughter and May** 47/F, Jardine House 1 Connaught Place Central, Hong Kong
	As to PRC law **King & Wood Mallesons** 25/F Guangzhou Chow Tai Fook Finance Centre, 6 Zhujiang East Road Zhujiang New Town, Tianhe District Guangzhou, PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central, Hong Kong
Industry Consultant	**Frost & Sullivan Limited** Unit 3006, 30/F, Two Exchange Square 8 Connaught Place Central, Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Address	**Maples Corporate Services Limited** PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Address of Head Office in the U.S.	4515 Taylor Circle Duluth Minnesota, 55811 United States
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	**https://cirrusaircraft.com/** *(the information contained on the website does not form part of this Document)*
Joint Company Secretaries	**Mr. Wei PI (皮巍)** Room 1301 Building 26, An Nan Li Garden Tanzhou Town, Zhongshan Guangdong Province, PRC **Ms. Hoi Ting WONG (黃凱婷)** *(a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

CORPORATE INFORMATION

Authorized Representatives	**Mr. Hui WANG (王暉)** Room 1202 Building 15, AVIC Garden No.188 Shanhuhai Road Jinwan District, Zhuhai Guangdong Province, PRC
	Ms. Hoi Ting WONG (黃凱婷) 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Mr. Liang LIU (劉亮) Mr. Chung Man Louis LAU (劉仲文) *(Chairperson)* Ms. Ferheen MAHOMED (*alias:* 馬穎欣)
Remuneration Committee	Mr. Qingchun SONG (宋慶春) Mr. Liang LIU (劉亮) Mr. Ian H CHANG (張仁婡) *(Chairperson)* Mr. Chung Man Louis LAU (劉仲文) Ms. Ferheen MAHOMED (*alias:* 馬穎欣)
Nomination Committee	Mr. Lei YANG (楊雷) *(Chairperson)* Mr. Ian H CHANG (張仁婡) Mr. Chung Man Louis LAU (劉仲文)
Compliance Advisor	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

[REDACTED]

Principal Banks	**Wells Fargo Bank, National Association** MAC D1109-019 1525 West W.T. Harris Blvd. Charlotte, NC 28262
	Bank of China, Los Angeles Branch 444 South Flower Street, 39/F Los Angeles, CA 90071 United States

The information and statistics set out in this section and other sections of this Document were extracted from different official government publications, available sources from public market research and other independent sources, and from the independent industry report prepared by Frost & Sullivan. We believe that the sources of such information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information from official government sources has not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, **[REDACTED]**, *[the* **[REDACTED]***], [the* **[REDACTED]***], the* **[REDACTED]**, *any of their respective directors, officers, employees, advisers or agents, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to the accuracy or completeness of such information and statistics.*

OVERVIEW OF GLOBAL GENERAL AND PERSONAL AVIATION MARKET

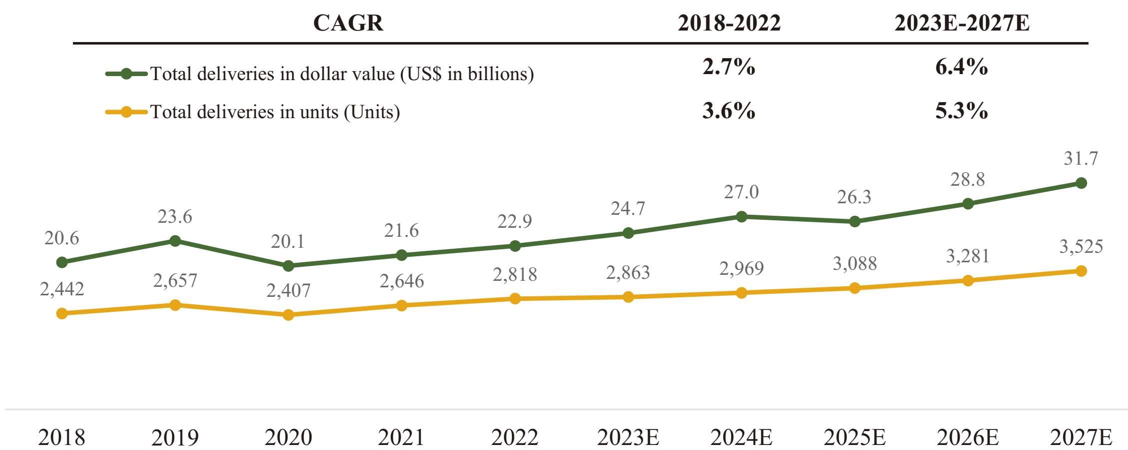
Definition and Classification of General and Personal Aviation

General aviation refers to all aviation other than military and scheduled commercial airlines. General aviation is the largest aviation market in the world based on units delivered. In 2022, the general aviation aircraft deliveries market totalled 2,818 new aircraft valued at approximately US$23 billion. General aviation encompasses both personal and professional aviation. Personal aviation refers to the non-commercial operation of fixed-wing general aviation aircraft, including activities such as owner-flown and flight instruction. The main types of aircraft used in personal aviation include piston engine aircraft and turbine aircraft. Turbine aircraft include turboprop aircraft and jet. Professional aviation involves a range of activities, including corporate services, charter services, agricultural operations, fire protection, disaster relief and environmental conservation.

GLOBAL AND REGIONAL GENERAL AVIATION AIRCRAFT DELIVERIES MARKET

Global market overview

Global General Aviation Aircraft Deliveries, in both Dollar Value and Units, 2018-2027E(1)



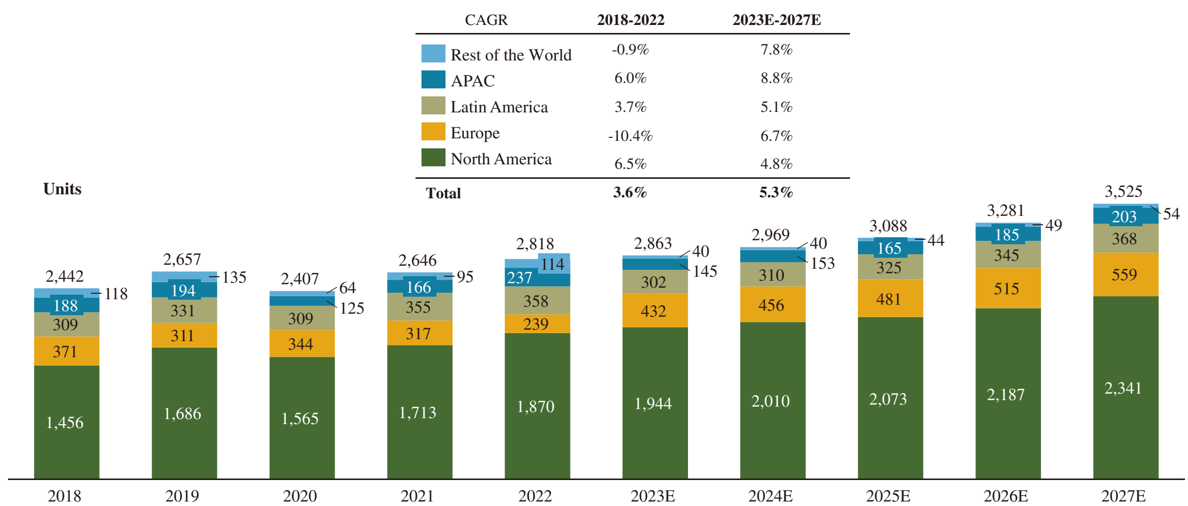
(1) Includes personal aviation piston aircraft and turbine aircraft, and fixed-wing professional aviation aircraft

Source: GAMA, Frost & Sullivan Analysis

Global economic growth and an increasing number of HNWIs, technological advancement, increasing availability and accessibility of airport infrastructure and related ancillary services are driving the growth of the general aviation market globally. In 2022, deliveries of general aviation aircraft, including personal aviation aircraft and fixed-wing professional aviation aircraft, reached 2,818 units, an increase from 2,442 units in 2018, representing a CAGR of 3.6%. Going forward, as the global economy recovers from the pandemic, with significant momentum in the growth of wealth among HNWIs, which is expected to lead to an increase in demand for general aviation aircraft as a luxury consumption option, it is expected that total deliveries will reach 3,525 units in 2027, representing a CAGR of 5.3% from 2023 to 2027. Global general aviation aircraft deliveries, measured by dollar value, are also expected to grow at a steady pace in the forecast period and reach US$31.7 billion in 2027, an increase from US$24.7 billion in 2023, representing a CAGR of 6.4%.

Regional market overview

Global General Aviation Aircraft Deliveries by Region, in Units, 2018-2027E



Source: GAMA, Frost & Sullivan analysis

North America (United States and Canada) has historically been by far the largest market for general aviation aircraft. In 2022, North America accounted for 66.4% of global deliveries of new fixed-wing piston, turboprop, and turbofan general aviation aircraft. The mature infrastructure present in North America further enhances the characteristic of general aircraft to provide flexible travel. In the United States, the general aviation aircraft fleet operates across a spectrum of more than 5,100 public-use airports, far more than any other country on an actual and per-capita basis. This wealth of civil aviation airport infrastructure is an important differentiator that encourages the widespread sale and use of general aviation aircraft. These aircraft operate across an extensive network of airports, providing unmatched and essential air services that help to connect communities, shorten overall travel times, increase productivity, and stimulate economic activity.

The growth in the aircraft pilot population in North America, also fueled by the number of student pilots in training, influences and reflects the demand for general aviation aircraft. The U.S. student pilot population grew at a CAGR of 13.5% from 167.8 thousand in 2018 to 280.6 thousand in 2022, which bodes well for sales of general aviation aircraft. Greatly contributing to the global general aviation market, the general aviation aircraft deliveries in North America reached 1,870 units in 2022, accounting for 66.4% of the world's total general aviation aircraft deliveries.

In the near future, the North America market is expected to benefit from a lower fuel price relative to other markets, and a significant backlog due to pent-up demand and an influx of customers who could previously afford personal aviation but, before COVID-19, could not justify the required investment. Additionally, general aviation is gradually being recognized as an optimal transportation alternative with a noticeably higher return on investment, along with market potential derived from the growth of general aviation market. Based on a confluence of all factors, and a continuation of government policy and regulatory oversight that is broadly supportive of the general aviation industry, the North America market will continue to experience a strong growing momentum in the next five years. It is expected that the general aircraft deliveries in North America will reach 2,341 units by 2027 with a CAGR of 4.8% from 2023 to 2027.

While North America was the fastest growing world region for deliveries from 2018-2022, growth rates over the next 5 years are expected to be more equally balanced across world regions. Other than North America, Latin America and Europe are considered regional markets with noticeable growth potential. Despite facing challenges such as relatively immature infrastructure and non-uniform regulations across different countries, general aviation new aircraft delivery market in Latin America and Europe are still considered key geographies outside North America with significant market potential that cannot be overlooked.

Latin America and Europe serve as important transportation hubs connecting different countries and continents, making personal aircraft a more convenient and efficient mode of transportation. Moreover, in the post-COVID-19 period, individuals in both regions are increasingly focused on and prefer using general aircraft for business and leisure travel, and there is also a considerable customer base for general aircraft. European general aviation market was greatly affected by the pandemic, which has resulted in a reduction in market size in the past few years; however, it is anticipated to regain growth potential moving on to the post-pandemic stage upon economic recovery. Therefore, with continuous economic growth and improving infrastructure, Latin America and Europe are expected to experience increasing demand for general aircraft. It is expected that the general aircraft deliveries for Latin America and Europe will reach 368 and 559 by 2027, respectively, with a CAGR of 5.1% and 6.7% from 2023 to 2027.

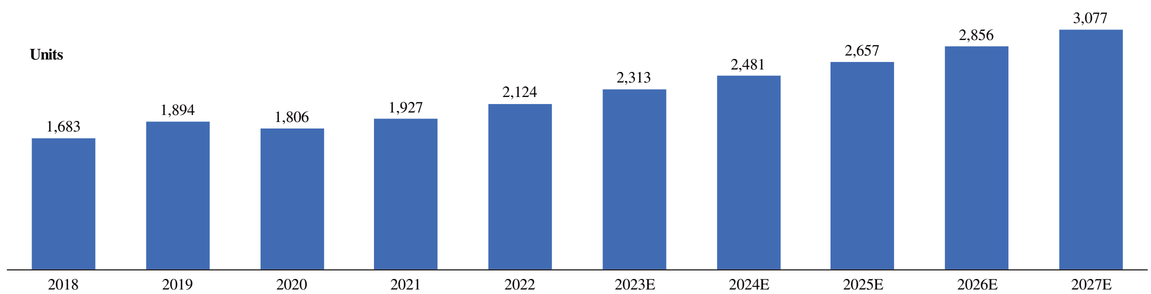
The market scale of other regions worldwide, including the Asia Pacific region, is relatively small in terms of the number of fleets or annual deliveries. However, due to the presence of supportive factors including 1) gradual relaxation of local government policies, 2) increasing consumption level of residents and 3) development of infrastructure and general aviation airports, it is anticipated that regional markets, including the Asia Pacific region, will experience potential market growth in the near future.

GLOBAL PERSONAL AVIATION AIRCRAFT DELIVERIES MARKET

The personal aviation aircraft market, typically referring to the market for general aviation aircraft with an acquisition price of US$7 million or less, has experienced accelerated growth in terms of units delivered in comparison to the overall general aviation aircraft market. The personal aviation market has benefited from several factors, including the recovery of the global economy in the post-pandemic era, recovering business confidence, and the increase in the number of HNWIs globally. Central to the interest of the expanded HNWI population in personal aviation are the key benefits of personal air mobility, privacy, security, schedule flexibility, and year-round accessibility. The personal aviation market is also expected to gain strong growth momentum in the future by benefiting from the growth in popularity of premium mobility services for customers seeking the finest personalized, customized air transportation solutions. The chart below sets forth the growth of personal aviation aircraft market:

Global Personal Aviation Aircraft Deliveries, in Units, 2018-2027E

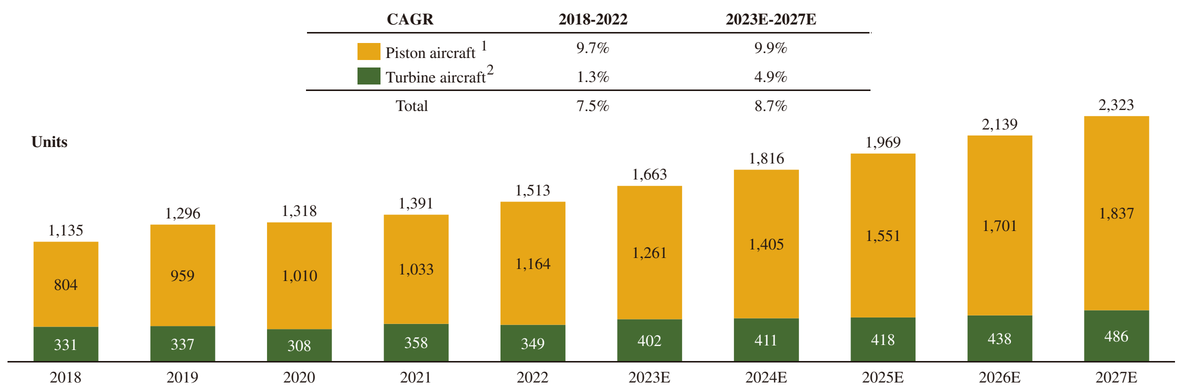
CAGR	2018-2022	2023E-2027E
Personal aviation aircraft	6.0%	7.4%



Source: GAMA, Frost & Sullivan analysis

Aircraft manufacturers tend to compete based on aircraft size, price, engine type, mission performance, design features, brand reputation, and customer service. Due to their ease of operation and cost-effective performance, certain personal aircraft have gained popularity and become increasingly attractive as a sub-segment of personal aircraft. Such personal aircraft include fixed tricycle gear certified piston aircraft, and single pilot pressurized turbine aircraft with acquisition price of US$7 million or less. The chart below sets forth the growth of the Comparable and Obtainable Global Personal Aviation Market, which includes aircraft models manufactured by us and aircraft models of similar product features and functionalities as our aircraft manufactured by our comparable competitors (i.e., fixed tricycle gear certified piston aircraft and US$7 million and below single pilot pressurized turbine aircraft).

Global Comparable and Obtainable Personal Aviation Aircraft Deliveries by Type, in Units, 2018-2027E



1. Piston aircraft: Fixed tricycle gear certified piston aircraft.
2. Turbine aircraft: Single pilot pressurized turbine aircraft with acquisition price of US$7 million or less.

Source: GAMA, Frost & Sullivan analysis

GLOBAL GENERAL AVIATION AIRCRAFT SERVICE MARKET

Services including FBO, MRO, spare parts, upgrades, training, insurance and financing, play an important role in the growing general aviation aircraft market.

For the majority of top-line aviation manufacturing companies, typically with large-scale and aging fleets, relevant services can contribute up to 35% to 40% of revenue. The primary cause or consideration for most original equipment manufacturers ("OEMs") is that they focus on servicing their own aircraft for parts and maintenance, so the installed base or size of their own fleet, aircraft age, and aircraft utilization levels are the primary determinants of market potential.

In addition, the sales revenue derived from parts tends to be more noticeable than that derived from the new delivery of aircraft, due to the demand for aftersales maintenance services required by end customers. In terms of direct finances or leases, some aircraft OEMs tend to acquire their finance and equipment from banks and equipment lessors to facilitate sales, while utilizing resources in other areas of core competency. Providing aftermarket service can increase the profits of aircraft OEMs.

Service	Content
FBO	Fixed-base operators provide ground handling, fueling, parking, and other services for general aircraft. They may also offer concierge services, catering, and other amenities for passengers and crew.

Service	Content
MRO	Maintenance, repair, and overhaul. MRO services are crucial for ensuring the safety and airworthiness of general aircraft. They involve routine inspections, repairs, and upgrades to aircraft systems and components.
Spare parts	Components and parts used to replace worn or damaged parts of an aircraft.
Upgrades	Improvements or modifications made to an aircraft's equipment, systems, or design to enhance its performance.
Training	Educational programs and courses that teach pilots, mechanics, and other personnel how to operate aircraft.
Insurance	Protection against financial losses resulting from accidents, damage, theft, or other incidents related to aircraft ownership and operation. This can include liability coverage, hull insurance, and other specialized policies.
Financing	Obtaining funds to purchase or operate an aircraft, often through loans or other financial arrangements.

Source: Literature Research, Expert Interview and Frost & Sullivan Analysis

Services are gaining greater importance in the general aviation industry, which is attributable to several reasons:

Increasing demand for general aviation services. As more individuals and businesses enter the general aviation market, there is a growing need for support services to maintain and upgrade aircraft, as well as provide training, insurance, and financing solutions.

Regular maintenance. Regular maintenance serves as a major component in after-sale services in the general aviation industry, as it not only contributes to optimized operational levels but also further generates new sales opportunities.

Advancements in technology. New technologies are constantly being developed for small aircraft, which require specialized expertise to install, maintain, and repair. General aviation services, such as MRO and spare parts providers, play a critical role in ensuring that these technologies are effectively integrated into aircraft.

Safety concerns. Safety is paramount in the aviation industry, and general aviation services such as training and insurance help ensure that pilots are properly trained and insured against potential risks.

Long lifecycle of aircraft. General aircraft can last for decades with proper maintenance and upgrading. General aviation services such as upgrades and retrofits can help extend the lifespan of an aircraft while keeping it up-to-date with the latest technology and safety standards.

Regulatory compliance. The aviation industry is heavily regulated, and general aviation services must comply with strict regulations and requirements to ensure the safety and reliability of aircraft.

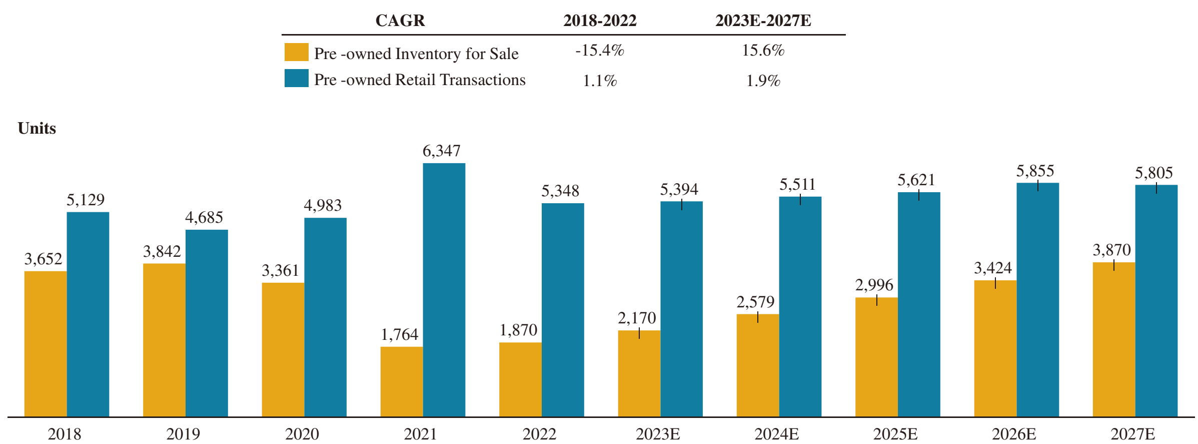
Brand reputation. New users show a greater tendency toward general aviation brands with a more established reputation and well-represented brand image. Brand reputation is crucial in attracting customers to new product offerings and services and further boosting market share for general aviation brands.

GLOBAL PRE-OWNED GENERAL AVIATION AIRCRAFT MARKET

The global inventory of pre-owned general aviation aircraft has begun to rebuild after historically low levels in 2021. In 2022, the pre-owned turboprop and jet inventory reached 3.1% and 5.4% of the total in-service fleet respectively. As inventory levels representing 10% to 12% of the fleet are more typical of a balanced aircraft market, it is expected that the pre-owned general aviation aircraft inventory will maintain a steady growth in the future.

At the same time, the rebound in inventory also signals a period where transaction prices will likely soften from their recent highs. The pre-owned aircraft market has begun to shift from a classical "seller's market" to one where there is better balance between buyers and sellers. With the growth of general aviation aircraft registration numbers and relatively lower transaction prices compared to new aircraft, it is expected that the transaction volume of pre-owned general aviation aircraft will reach 5,805 by 2027, with a CAGR of 1.9% from 2023 to 2027.

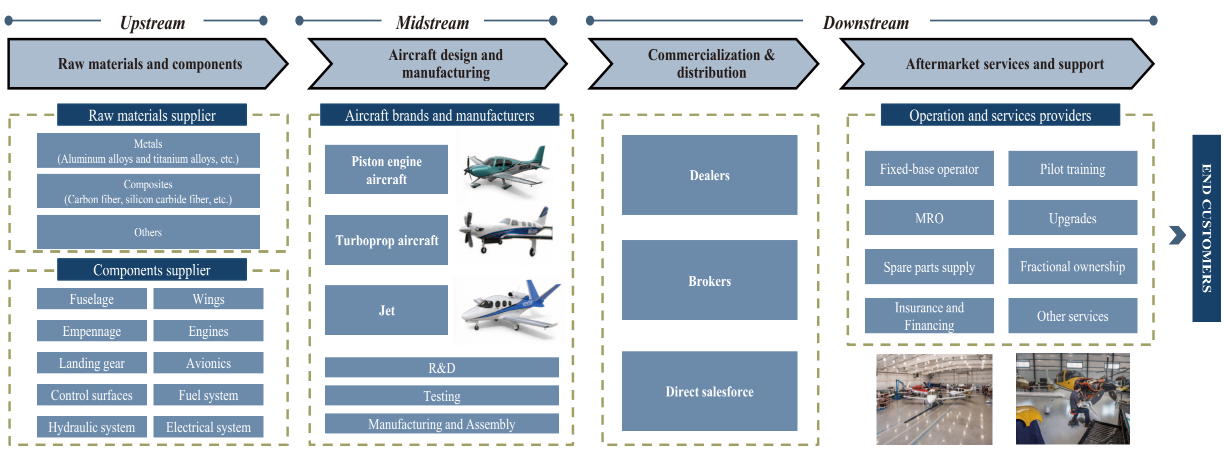
Global Pre-owned General Aviation Aircraft Inventory and Transactions, 2018-2027E



Source: Literature Research, Expert Interview and Frost & Sullivan Analysis

VALUE CHAIN OF PERSONAL AVIATION INDUSTRY

The diagram below sets forth the value chain of personal aviation:



Source: Literature Research, Expert Interview and Frost & Sullivan Analysis

Upstream Market

Raw materials and components that serve as the upstream portion of the personal aviation industry include various metals, composites, plastics, electronics, avionics, engines, and other mechanical parts. These materials and components are used in the manufacturing of aircraft, aircraft parts, and related systems. Examples of raw materials used include aluminum alloy, titanium alloy, carbon fiber, and various types of steel. Components such as engines, landing gear, and avionics systems are critical to the operation of the aircraft and require specialized manufacturing processes and expertise.

Midstream Market

R&D is a crucial midstream activity in the personal aviation industry, which involves the development of new technologies, materials, and systems for aircraft design, testing, and certification. R&D efforts can focus on various areas such as aerodynamics, structural engineering, propulsion systems, avionics, and safety features. These developments aim to enhance aircraft performance, fuel efficiency, safety, reliability, system intelligence and simplicity in operation. Assembly, on the other hand, involves the process of building aircraft or aircraft parts using raw materials, components, and systems developed during the R&D stage. Assembly processes can vary depending on the type and complexity of the aircraft being produced and typically involve a series of stages, including fabrication, assembly, installation, testing, and certification of aircraft systems.

Downstream Market

During the process of commercialization and distribution, key participants involved in distribution networks of personal aviation include dealers, brokers and direct salesforce. The distribution networks of leading participants in the downstream market include numerous approaches, and among all, the direct salesforce approach is gaining popularity due to its advantage in effective customer relationship maintenance and demonstration of core product competence. Personal aircraft are then distributed to end customers, with related aftersales services provided by operation and services providers. Operation and services such as FBO, MRO, pilot training, aircraft management, insurance, financing, and fractional ownership are also an essential part of the downstream value chain of personal aviation. For details of these services, see "Global General Aviation Aircraft Service Market." These operation services are critical for the safe, efficient, and cost-effective operation of personal aircraft. The quality and availability of these services can impact the adoption and growth of the personal aviation industry, and may further deliver value to customers and result in greater new purchases or product upgrades from customers.

In the downstream portion of the personal aviation industry, there are two main customer segments: enterprise customers and individual customers. Enterprise customers include businesses, and other organizations that use personal aircraft for various purposes such as self-use and commercial operation. These customers often have specific requirements for their aircraft, such as range, speed, payload capacity, and specialized equipment. The aircraft may be owned or leased, and maintenance and operation may be outsourced to third-party service providers. Individual customers include private individuals who own or charter personal aviation aircraft for personal or recreational use, such as air travel, sightseeing, and sports. These customers may also have specific requirements for their aircraft, such as comfort, speed, range, safety, and simplicity in operation. Individual customers may operate their aircraft or hire a pilot to operate it for them. Both enterprise and individual customers are essential for the growth and sustainability of the personal aviation industry.

Similar to luxury cars and the first class offering of commercial airlines, personal aviation is an important part of the premium mobility service market and is capable of providing much more flexible, efficient and comfortable mobility services with a high degree of privacy. Personal aviation is gaining wide acceptance as it becomes increasingly accessible and affordable to end customers, while potentially delivering advanced product features.

KEY DRIVERS FOR PERSONAL AVIATION AIRCRAFT AND SERVICE MARKET GROWTH

Global economic growth and increasing number of HNWIs

Extensive domestic and international travel is common for HNWIs, and HNWIs are important consumers for the global personal aircraft market. From 2017 to 2022, the worldwide HNWI population increased from 48.8 million to 69.5 million at a CAGR of 7.3%, and is expected to reach 109.1 million by 2027, representing a CAGR of 11.9% from 2023 to 2027. As an optimized option, personal aircraft is becoming widely chosen by HNWIs for short-distance commuting, sightseeing, and other recreational activities. This could create opportunities for personal aviation service providers to offer customized solutions to meet specific needs. The overall consumer base of personal aviation has increased accordingly.

Post-pandemic global economic recovery driving consumer perception toward privacy and convenience

The COVID-19 pandemic has disrupted travel and transportation worldwide, leading to increased interest in private air travel as an alternative to commercial airlines. As the global economy recovers, individuals and businesses are expected to have more disposable income to spend on leisure and travel. As such, consumers show greater tendency toward enhanced services regarding transportation with a stronger focus on safety and convenience. During the post-pandemic stage, consumers are motivated to subscribe to premium product and service offerings and an enhanced traveling experience, while prioritizing privacy and convenience. Additionally, businesses may use personal aircraft for corporate travel, as they seek to improve efficiency and premium services.

Technological advancement leading to upgrade in product offering

Due to a number of factors, including favorable government policies and investments and increased interest in personal aviation, advancements in technology have made small aircraft more accessible and affordable. In addition with the development of technology, products are becoming more intelligent with increasing simplicity to operate, while providing enhanced levels of safety. The improved product offerings have contributed significantly to the growth of the personal aviation industry, making it more accessible and convenient for individuals to own and operate small aircraft for personal use.

Increasing availability and accessibility of airport infrastructure and related ancillary services

Airports serve as critical hubs for personal aviation, providing essential services such as fueling, maintenance, and storage for personal aircraft owners. In recent years, there has been a trend towards expanding and upgrading airport infrastructure to support the growing demand for personal aviation services. As a result, there has been a proliferation of small and regional airports across many parts of the world, making it easier for individuals to access personal aviation services. In addition, many airports have upgraded their infrastructure, adding new facilities and services such as FBOs that provide aircraft parking, fueling, maintenance, and catering services. The increasing availability and accessibility of airport infrastructure have contributed significantly to the growth of the personal aviation industry.

Pilot formation and increasing number of qualified personal aviation pilots

Pilots are essential to the operation and growth of the personal aviation industry, and an increase in the number of qualified pilots can help to expand the market for personal aviation services. In the United States, the number of licensed pilots reached approximately 757 thousand in 2022, representing a CAGR of 4.7% from 2018, and such number is expected to increase further to approximately 993 thousand in 2027 at a CAGR of 5.7%, which is attributable to several factors including the availability of affordable flight training programs, government support for pilot training and new technologies such as flight simulators and online learning tools making it easier and more efficient to train pilots.

Favorable policies supporting development of personal aviation

The personal aviation industry has been supported by several favorable policies that have encouraged its growth globally. For example, regulations such as Part 61 and Part 91 by the FAA that make it easier for private pilots to obtain licenses and fly small aircraft for personal use in the United States. The FAA also allows pilots to use a driver's license as medical certification for certain types of flying, such as recreational flying or flight training in a light-sport aircraft.

These policies have created a supportive environment for the personal aviation industry, encouraging growth and innovation in this sector by reducing customer barriers to entry, promoting affordability, and improving airport infrastructure.

MARKET TRENDS ANALYSIS OF GLOBAL PERSONAL AVIATION MARKET

Cost-efficient aircraft with higher ownership flexibility options will become more popular and attract a larger customer base.

In recent years, advancements in technology and manufacturing processes have led to a decrease in the cost of personal aircraft. This, coupled with a growing demand for convenient and efficient transportation options, has made personal aircraft more attractive to a larger customer base. Some companies are offering innovative ownership and sharing models, such as fractional ownership and on-demand charter services, which can make personal aircraft more affordable and accessible to a wider range of customers.

User-friendly features and ease in operation serve as key product features for personal aircraft to become more accessible to growing number of customers.

As personal aircraft gain popularity as an optimal transportation alternative of personal use, future product development could potentially adapt a consumer-centric approach to prioritize the simplicity in operation for end consumers. Changing consumer preferences are also driving the trend towards more commercial applications for personal aircraft. Without any necessary downgrade in functionalities or safety features, it is expected that users will be able to operate newly developed personal aircraft with ease and accessibility.

Advance technological innovation and intelligent product features will be associated with future development of personal aviation products.

In the long run, new technologies such as electric propulsion and airframe parachute system could enable greater flexibility, efficiency, and safety in personal aviation operations, making it more practical for commercial use.

Personal aviation aircraft have the potential to provide a faster and more direct transportation option with lower emissions than traditional air travel, making them an attractive alternative for businesses and individuals seeking to reduce their environmental impact. Overall, personal aviation aircraft are likely to become more widely used in commercial applications and provide on-demand premium mobility services as the personal aviation industry continues to evolve, bringing significant benefits to both consumers and businesses, offering greater convenience, flexibility, speed, and sustainability in air travel.

ENTRY BARRIERS AND KEY SUCCESS FACTORS IN GLOBAL PERSONAL AVIATION MARKET

Product R&D, step-up product, and service family strategy

Designing and developing a personal aircraft requires a deep understanding of aerodynamics, materials science, electronics, and other specialized fields. This requires a commitment to continuous research and development and a willingness to invest in new technologies and processes. To further enhance product offering, the step-up product and service family strategy involves offering a range of products and services that cater to different segments of the market, from piston aircraft to jet, as well as corresponding MRO services. By offering a comprehensive product and service family, established manufacturers can leverage their brand reputation and customer loyalty to capture a larger share of the market. Existing customers who have purchased one type of aircraft from a particular manufacturer may be more likely to purchase additional models or services from the same supplier, particularly if they are satisfied with the quality and reliability of the existing products. In addition, the step-up product and service family strategy allows manufacturers to benefit from economies of scale and scope. Overall, the step-up product and service family strategy can act as an entry barrier for new aircraft manufacturers. Leading companies with a comprehensive product and service offering have an advantage in terms of brand recognition and customer loyalty, making it more challenging for new entrants to break into the market.

Manufacturing capabilities and supply chain management expertise

Manufacturing a personal aircraft requires specialized knowledge of materials, processes, and technologies, as well as skilled labor. In addition, a strong capability of integrating industry knowledge and skillsets in these fields further serves as a key success factor. Manufacturers must ensure that their production processes are efficient, cost-effective, and meet all necessary quality standards. Additionally, the supply chain for personal aircraft components is often complex and global, requiring strong relationships with suppliers and extensive logistics knowledge. Sourcing high-quality parts and materials can be challenging, as can managing inventory levels to avoid stockouts or excess inventory. Without this expertise, manufacturers may struggle to produce aircraft at scale and control costs, making it difficult to compete in the market. Supply chain management is crucial to personal aviation manufacturers, as disruptions in supply chain could impact production schedules, further delaying time-to-market. In addition, leading manufacturers usually engage in the entire process from raw material quality control to the manufacturing process to ensure high product quality.

Installed base of customers and value delivered to customers

Established manufacturers with a large and loyal customer base have a significant advantage over new entrants who must build their customer base from scratch. These customers may be loyal to the brand and have established good relationships with the manufacturer, making it difficult for new entrants to attract them. In addition, existing customers may be resistant to switching to a new manufacturer due to the high cost and complexity of owning and operating personal aircraft. They may prefer to remain with a trusted brand that they know and are familiar with. To overcome this entry barrier, new entrants must find ways to differentiate themselves from established manufacturers and build their own loyal customer base. Established personal aircraft manufacturers with a long history in the industry and a strong marketing presence have typically built-up higher levels of brand awareness than new entrants. New entrants to the market may struggle to build up a reputation for product quality and reliability without significant investment in product development, marketing, and customer support. Customers, particularly in the aviation industry, prioritize safety above all else. A manufacturer's safety record and reputation can greatly influence customer trust and purchasing decisions. Establishing a strong safety reputation requires a track record of producing safe and reliable aircraft, as well as implementing rigorous quality control and testing processes.

Financial strength

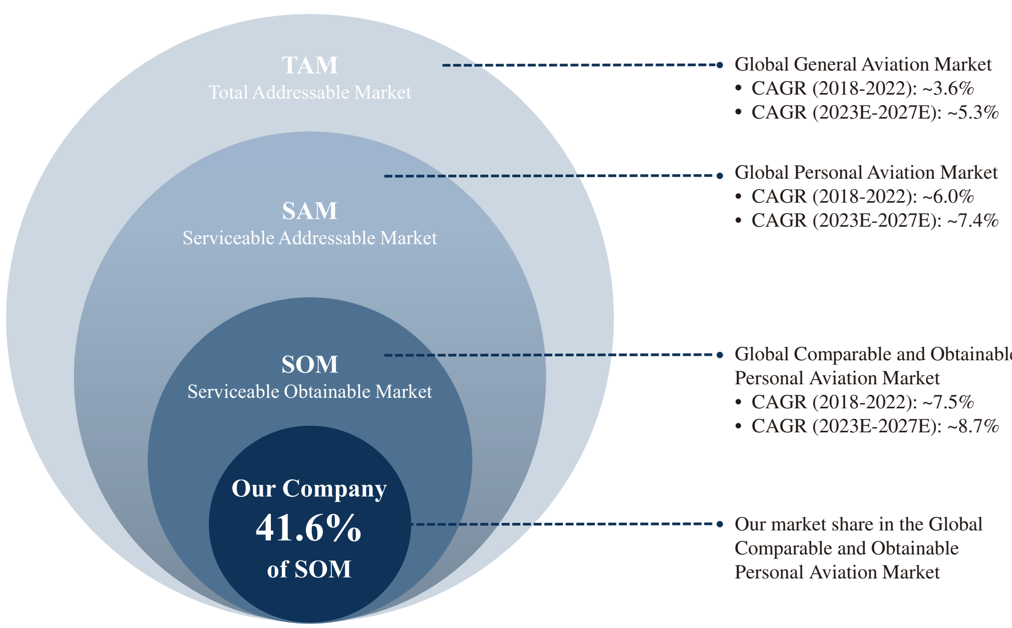
Aircraft manufacturing and service network establishment requires substantial upfront investment in research and development, design, production facilities, and supply chain management. Due to the nature of the personal aviation market, high initial capital is required to commercialize and build out infrastructure, and it takes time to build out financially viable aircraft. As such, established manufacturers with strong financial performance are often better positioned to weather downturns in the market, maintain high levels of R&D spending, and invest in new technologies that improve their products' competitiveness. Aircraft manufacturing is generally characterized by high fixed costs, which means that new entrants must achieve a significant scale of production to achieve economies of scale and compete on cost with established players. This often requires sustained investments over many years, which may be difficult for new competitors without strong financial backing. Additional financial capabilities are usually required by aircraft manufactures to enable sufficient coverage of sales and aftersales network to enhance service delivery capabilities. Furthermore, the aviation industry is heavily regulated by government agencies, requiring strict adherence to safety standards, environmental regulations, and other compliance requirements. Compliance with these regulations can be expensive and time-consuming. Overall, the financial performance can be a critical entry barrier for new companies looking to enter the market. Established manufacturers with strong financial positions, experienced management teams, and established supply chains are more likely to have the resources and experience necessary to navigate the challenges of aircraft manufacturing successfully.

Regulatory and certification expertise

Regulatory and certification expertise is a significant entry barrier for personal aircraft manufacturers because it requires a deep understanding of complex legal and technical requirements related to aviation safety. Manufacturers must comply with rigorous regulations from organizations such as the FAA in the United States or the European Aviation Safety Agency in Europe, which can involve extensive testing and evaluation processes. This expertise is critical to ensure that the aircraft meets all necessary safety standards and regulations before it can be certified for commercial use. Without this expertise, manufacturers may struggle to navigate the regulatory landscape and obtain certification, making it difficult to bring their product to market.

COMPETITIVE LANDSCAPE

Market Breakdown (in units delivered)



Note: Not to scale

Source: *GAMA, Frost & Sullivan Analysis*

The development of the personal aviation market is primarily contributed and driven by the capability in new product R&D and upgrades by key market participants. The scale of deliveries of personal aircraft globally was 2,124 in 2022, according to GAMA. Turbine aircraft includes turboprop aircraft and jet. Our market share in the global personal aviation market was 29.6% in 2022 based on number of units delivered.

In addition, the below table sets forth a comparison within our Comparable and Obtainable Global Personal Aviation Market. The sum of deliveries of the top three market participants of personal aircraft, including piston and turbine aircraft, was 1,118 units in total in 2022. Among which, the proportion delivered by us was 41.6%. We are clearly positioned as a leading brand in the global personal aviation industry.

Ranking and market share of leading companies by deliveries of personal aircraft in Comparable and Obtainable Global Personal Aviation Market (2022)

Ranking	Company		Deliveries in units	Market share
1	Our Company	Our company is a global personal aircraft manufacturer founded in 1984, primarily designing, producing and selling single-engine piston and jet.	629	41.6%
2	Cessna Aircraft	Cessna is an American brand of general aviation aircraft owned by Textron Aviation since 2014, including Citation jets, Caravan turboprops and piston aircraft.	274	18.1%
3	Piper Aircraft	Piper Aircraft is a manufacturer of general aviation aircraft based in the US and owned by the Government of Brunei since 2009.	215	14.2%
	Top three market participants		1,118	73.9%
	Others		395	26.1%

Source: GAMA, Frost & Sullivan Analysis

The sum of deliveries of the top five market participants of piston and turbine aircraft within our Comparable and Obtainable Global Personal Aviation Market was 1,132 and 309 in total in 2022, respectively. Among which, the proportion delivered by us was approximately 46.3% and 25.8%, respectively. The subsegment market shares demonstrate the leading position and core product competence of our SR2X Series piston aircraft and Vision Jet jet aircraft.

Ranking and market share of leading companies by deliveries of fixed tricycle gear certified piston aircraft segment (2022)

Ranking	Company		Deliveries	Market share
1	Our Company	Our company is a global personal aircraft manufacturer founded in 1984, primarily designing, producing and selling single-engine piston and jet.	539	46.3%
2	Cessna Aircraft	Cessna is an American brand of general aviation aircraft owned by Textron Aviation since 2014, including Citation jets, Caravan turboprops and piston aircraft.	241	20.7%
3	Piper Aircraft	Piper Aircraft is a manufacturer of general aviation aircraft based in the US and owned by the Government of Brunei since 2009.	165	14.2%
4	Diamond Aircraft	Diamond Aircraft, headquartered in Austria with facilities in Canada and China, is an aircraft manufacturer in general aviation founded in 1981.	141	12.1%
5	Tecnam Aircraft	Tecnam Aircraft is an Italian aircraft manufacturer founded in 1948, focusing in producing single-engine, twin engine, and special mission aircraft.	46	4.0%
	Top five market participants		1,132	97.3%
	Others		32	2.7%

Source: GAMA, Frost & Sullivan Analysis

Ranking and market share of leading companies by deliveries of US$7 million and below single pilot pressurized turbine aircraft segment (2022)

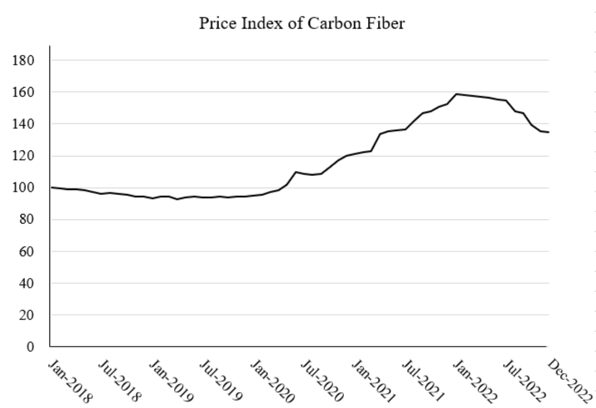
Ranking	Company		Deliveries	Market share
1	Our Company	Our company is a global personal aircraft manufacturer founded in 1984, primarily designing, producing and selling single-engine piston and jet.	90	25.8%
2	Pilatus Aircraft	Pilatus Aircraft Ltd is a Swiss aircraft manufacturer founded in 1939 with a strong focus in single-engine, turboprop aircraft.	80	22.9%
3	Daher	Daher is an aircraft manufacturer and an industry and service equipment supplier initially founded in 1863 in the form of family ownership.	56	16.0%
4	Piper Aircraft	Piper Aircraft is a manufacturer of general aviation aircraft based in the US and owned by the Government of Brunei since 2009.	50	14.3%
5	Cessna Aircraft	Cessna is an American brand of general aviation aircraft owned by Textron Aviation since 2014, including Citation jets, Caravan turboprops and piston aircraft.	33	9.5%
	Top five market participants		309	88.5%
	Others		40	11.5%

Source: GAMA, Frost & Sullivan Analysis

PRICE ANALYSIS OF KEY RAW MATERIALS AND LABOR

Major raw materials used by personal aviation manufacturers include aluminum, titanium, and carbon fiber composites. Carbon fiber is an advanced fiber material used in the production of high-performance composite materials for aircraft. From 2019 to 2021, the increasing demand for carbon fiber in various industrial sectors, combined with disruptions in production and logistics caused by the COVID-19 pandemic, led to a consistent upward trend in carbon fiber prices. However, starting in 2022, the market experienced a shift as carbon fiber supply expanded and the raw material prices for carbon fiber declined, resulting in a downward trend in carbon fiber prices.

Labor cost is a significant component of overall costs for personal aviation manufacturers. Over the past five years, labor wages have demonstrated an upward trend. In early 2020, the outbreak of COVID-19 had a severe impact on economic activity, resulting in a significant decline in labor wages. However, as the impact of the pandemic gradually subsided and economic activity rebounded, labor wages resumed an upward trajectory. By the end of 2022, labor wages had risen by approximately 20% compared to early 2018.



Source: BAIINFO, U.S. Bureau of Labor Statistics, Frost & Sullivan analysis

Report Commissioned by Frost & Sullivan

In connection with the **[REDACTED]**, we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the markets in which we operate. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this Document because we believe such information facilitates an understanding of the market in which we operate for potential **[REDACTED]**. Frost & Sullivan prepared its report based on its in-house database, independent third party reports and publicly available data from reputable industry organizations, literature research and market data gathered by conducting interviews with key industry experts and leading industry participants. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of US$50,000 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful **[REDACTED]** or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the **[REDACTED]**. Our Directors confirmed that, to the best of their knowledge, after making reasonable enquiries, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

LAW AND REGULATIONS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS IN THE UNITED STATES

We engage in manufacturing, sales, marketing and customer service activities through Cirrus Design, a corporation headquartered in Duluth, Minnesota, but organized under the laws of the State of Wisconsin, the United States, and manufacturing activities through Dakota Aircraft Corporation, a corporation headquartered in Duluth, Minnesota, but organized under the laws of the State of North Dakota, the United States. Both Cirrus Design Corporation and Dakota Aircraft Corporation are our indirect wholly-owned subsidiaries. The following is a summary of certain U.S. federal and state laws and regulations that are material to our operations. This summary does not purport to be complete or describe applicable U.S. federal, state, or local laws in their entirety. The summary highlights material laws, rules, and regulations to illustrate the legal issues that arise in the conduct of our business, but does not explain every single law, interpretation or application. In many cases, the outcome of a legal matter will be highly fact-specific.

Environmental Laws and Regulations

Our activities in the U.S. are subject to U.S. federal, state, and municipal laws governing the release of pollutants into the water, air, and soil. These laws affect how we receive, handle, store, market, label, and sell our products, and how our customers use our products. The U.S. Environmental Protection Agency ("EPA") is primarily responsible for promulgating and enforcing environmental regulations. U.S. states are generally free to adopt laws that are more stringent than U.S. federal law. Most U.S. states have adopted and enforce environmental laws and regulations applicable to businesses conducting activity in their states. Environmental laws in the U.S. are strictly enforced by federal, state, and local law enforcement agencies.

The U.S. Resource Conservation and Recovery Act gives the EPA and delegated state agencies broad authority to regulate the generation, treatment, storage, transportation, and disposal of hazardous materials and hazardous waste. To the extent our products include hazardous material or hazardous materials are used in our production or fueling processes, we are subject to regulations that provide how we must handle such materials and manage the disposal of such materials, among other matters. We may be required to send waste that we generate to a permitted hazardous waste disposal facility or a recycler.

Product Liability and Consumer Protection

As a manufacturer and seller of personal aircraft, we may be liable for injuries and damages caused by our products under broad and consumer-friendly products liability laws if the products are proven to be defective. Each of the 50 states in the United States has different laws and judicial precedents that can vary significantly from one another. While circumstances and jurisdictions can differ in significant ways, the following provides a broad overview of the product liability law concepts that are generally followed in the majority of the states within the United States.

Product liability lawsuits may be brought against manufacturers by individual plaintiffs who have sustained injury, death, or property damage due to a defective product. In addition, lawsuits may be brought by groups of plaintiffs who have suffered similarly-situated claims relating to a defective product and who are certified by a court as a proper class of plaintiffs to act together to bring a class action suit in the United States. Manufacturers may also be subject to cross-claims or third-party claims for indemnity or contribution brought by other defendants in a product liability suit who may be upstream or downstream in the supply chain.

The types of product liability claims brought by plaintiffs generally fall into three broad categories: (1) design defect claims, which are based upon inherent flaws in the intended design or make-up of the product, (2) manufacturing defect claims, which are based on product flaws caused during the construction or production of the particular item that deviate from the intended design, and (3) failure to warn claims, which are based on inadequate product warnings or instructions, and whether inherent dangers could have been mitigated or avoided through adequate warnings to the user. Some states have also added an additional post-sale duty to warn of later discovered latent defects, designed to prevent future injuries involving the same product.

Plaintiffs generally assert product liability claims premised on legal theories of liability based on negligence, strict liability, or breach of an express or implied warranty. Most jurisdictions permit the submission of a case under multiple theories, so it is common to see a plaintiff plead his or her complaint under all of the aforementioned theories of liability. Regardless of the theory a plaintiff chooses to pursue, the burden is generally on the plaintiff to establish and prove (1) that the product in question was defective, (2) an injury and/or damages, and (3) a causal relationship between the defect and the injury.

Negligence is the failure of a manufacturer to do something that a manufacturer exercising reasonable care under the circumstances would have done in the same or similar circumstances. Generally, a negligence claim requires the plaintiff to demonstrate that the defendant owed a legal duty of care, the defendant breached that duty, and such breach caused the plaintiff's injury.

Strict liability is another theory of liability adopted by most states. A lawsuit based on strict liability does not depend on the fault or lack of care by the manufacturer. Rather, such a lawsuit is based solely on the presence of a defect that renders the product unreasonably dangerous and that causes injury.

A claim for breach of warranty is generally governed by contract law. The vast majority of states have adopted Article 2 of the Uniform Commercial Code ("UCC"), which governs the sale of goods. Under Article 2 of the UCC, there are express warranties and implied warranties. An express warranty can be created by a representation by the seller, a description of the good which is made part of the basis of the bargain, or by showing a sample or model of a product to the buyer where the buyer reasonably assumed that the whole of the goods would conform to the sample. An implied warranty, on the other hand, covers those expectations common to all products (e.g., that the product is fit for its ordinary purpose) and is presumed to have been made by the seller unless it is clearly and unambiguously disclaimed in writing as part of the sales agreement.

In all jurisdictions, numerous defenses are available to the manufacturer in a product liability lawsuit. While the defenses, like the claims themselves, are dependent upon the facts, the common defenses include: product alteration, where the plaintiff or others have altered or modified the product after manufacture; product misuse/abuse, where the plaintiff was using the product outside the recommended or normal use; comparative negligence, where the plaintiff through their own actions was negligent and contributed to the cause of their injury, and; assumption of risk, where the plaintiff knew the dangers of using the product in a certain way and knowingly assumed the risk of injury.

If a product liability claim is proven, the following types of damages, among others, may be recoverable by the plaintiff depending on the particular facts and the specific jurisdiction: (1) money damages for pain and suffering; (2) money damages for lost earnings or medical expenses; (3) long-term care expenses; (4) loss of financial support; (5) loss of consortium; (6) damage to property; and (7) punitive damages in the event the plaintiff can demonstrate reckless or intentional behavior on the part of the manufacturer. Punitive damages awards can be many times higher than the amount of compensatory damages and they are not awarded to compensate an injured party but rather to punish past and deter future misconduct. In some jurisdictions, plaintiffs may also be able to recover statutory damages and attorneys' fees if a state or U.S. federal statute permits such recovery. Usually, such statutes target specific goods or industries. The sources for these regulations are either state statutes or administrative regulations that place specific requirements on certain industries. Such requirements often take the form of labeling or licensing requirements and are usually enforced by public health or state safety agencies or by state attorneys-general. Civil and/or criminal penalties may be imposed for violations of the safety-driven consumer product regulations.

Federal Aviation Administration Regulations

As a designer, manufacturer, dealer, and servicer of aircraft, as well as a training provider, we are subject to compliance with Federal Aviation Administration ("FAA") regulatory requirements located in Title 14 of the Code of Federal Regulations, otherwise known as the Federal Aviation Regulations ("FARs").

Design Approval, Production Approval, and Airworthiness Approval

The production of civil aircraft in the United States generally requires three types of safety approvals from the FAA: a design approval, a production approval, and an airworthiness approval, the requirements for which are set forth in the FARs. With these three approvals, the FAA regulates the safety of the aircraft design, the production system, and each individual aircraft.

A design approval typically takes the form of a type certificate that defines the approved design of the aircraft. The type certificate includes the type design, the operating limitations, the certificate data sheet, the applicable FARs requiring compliance, and any other conditions or limitations prescribed by the FAA. Issuance of a type certificate also generally requires compliance with environmental requirements pertaining to emissions, fuel venting, and noise. A design approval may also take the form of a supplemental type certificate, which is an FAA approval to modify an aircraft or other aeronautical product from its original design.

Type certificates and supplemental type certificates enable the holder to pursue production and airworthiness approvals from the FAA. Type certificates and supplemental type certificates are freely transferable via licensing agreements. The licensee of a type certificate or supplemental type certificate may also pursue production and airworthiness approvals associated with the aircraft or other aeronautical products for which they have licensed the design approval. After producing an aircraft, the holder of a type certificate or supplemental type certificate remains responsible for continued oversight and support of its product in the form of Instructions for Continued Airworthiness.

A production approval is an FAA authorization to produce a product or article under an FAA-approved type design and in accordance with an FAA-approved quality system. Any entity that holds a type certificate or supplemental type certificate, or has rights to the benefits of a type certificate or supplemental type certificate under a licensing agreement with the design approval holder, is eligible to apply to the FAA for a production certificate. The holder of a production certificate may obtain an airworthiness certificate for aircraft produced under the production certificate without further showing to the FAA. A production certificate holder must comply with the production certification regulatory requirements contained in Part 21 of the FARs and the procedures contained in the holder's FAA-approved quality manual.

An airworthiness certificate is issued to an individual aircraft and signifies that the produced aircraft conforms to its approved design and is in a condition for safe operation. Generally, all civil aircraft operated in the U.S. National Airspace System must have a valid airworthiness certificate. An applicant for a standard airworthiness certificate for a new aircraft manufactured under a production certificate is entitled to receive a standard airworthiness certificate for the aircraft without further showing, although the FAA may elect to inspect the aircraft to determine conformity to the type design and condition for safe operation.

Repair Stations

An FAA-certified repair station may perform maintenance, preventive maintenance, or alterations in accordance with the FARs on any article for which the repair station is rated and within the limitations of the repair station's FAA-issued operations specifications. A certificated repair station must prepare and follow a repair station manual acceptable to the FAA. It must also establish and maintain a quality control system acceptable to the FAA that ensures the airworthiness of the articles on which the repair station or any of its contractors performs maintenance, preventive maintenance, or alterations.

Training Centers

An FAA-certified training center is an organization that provides certain training, testing, and checking under contract or other arrangement. A training center must be operated according to FAA-issued training specifications that prescribe the center's training, checking, and testing authorizations and limitations, and specify training program requirements.

Organization Designation Authorization

The FAA's Organization Designation Authorization ("ODA") program grants designee authority to organizations or companies to conduct certain functions related to engineering, manufacturing, operations, airworthiness, or maintenance that would normally be conducted by the FAA. These ODA functions must be performed in accordance with the procedures contained in the ODA's FAA-approved procedures manual and the requirements of Part 183, Subpart D of the FARs. The FAA may terminate or temporarily suspend an ODA for any reason, including, among others, if the FAA determines that the ODA holder failed to properly perform its duties.

Dealer's Aircraft Registration Certificate

Aircraft manufacturers and dealers may apply to the FAA for a Dealer's Aircraft Registration Certificate ("DARC"), which allows manufacturers and dealers to operate, demonstrate, and merchandise aircraft to prospective customers without the need to obtain an individual Certificate of Aircraft Registration for each aircraft produced or sold.

Airworthiness Directives

FAA airworthiness directives are legally enforceable rules that apply to aircraft, aircraft engines, propellers, and appliances. The FAA issues an airworthiness directive addressing a product when the FAA finds that an unsafe condition exists in the product and the condition is likely to exist or develop in other products of the same type design. Airworthiness directives specify inspections that must be carried out, conditions and limitations that must be complied with, and any actions that must be taken to resolve an unsafe condition. In some cases, an airworthiness directive incorporates by reference a manufacturer's service document. In these cases, the service document becomes part of the airworthiness directive.

Oversight and Enforcement

The FAA has authority to investigate possible violations of the FARs, and may reinspect at any time any civil aircraft, aircraft engine, propeller, appliance, design organization, production certificate holder, repair station, or training center. Among the FAA's enforcement authorities, the FAA has authority, where warranted, to issue orders amending, modifying, suspending, or revoking any part of a certificate issued under its authority; suspend or revoke a certificate of registration when an aircraft no longer meets registration requirements; suspend or revoke a DARC; impose civil penalties for violations of FAA requirements; and issue immediately effective orders in response to air safety emergencies.

Civil Aviation Accident Investigations

The National Transportation Safety Board ("NTSB") investigates and determines the probable cause of transportation accidents, and issues safety recommendations aimed at preventing future accidents. The NTSB is responsible for investigating each civil aviation accident that occurs in the United States, as well as accidents involving U.S.-registered civil aircraft that occur in international waters. NTSB investigations are fact-finding proceedings with no adverse parties, and are not conducted for the purpose of determining the rights, liabilities, or blame of any person or entity. Once the final accident investigation report has been adopted, the final copy of the report will be prepared for public release. NTSB safety recommendations can be directed to regulatory agencies, manufacturers, state and local jurisdictions, companies, and other organizations involved in the specific transportation area.

Labor and Employment Laws

The employment of individuals in the United States is governed by federal, state and sometimes local laws. Labor and employment laws can generally be categorized under the headings of (i) equal employment opportunity (including anti-harassment and other forms of discrimination), (ii) wage and hour (including worker classification), (iii) medical/disability (including workers' compensation), (iv) union rights, and (v) workplace safety. Typically, national laws set the minimum legal standard for employee rights, and state and local laws, if adopted, enhance those rights. Most employees in the United States are hired "at-will," meaning that their employment can generally be terminated at any time, with or without notice, cause, or government-mandated severance pay. However, individual employment agreements between an employee and employer may vary this status, and even an at-will employee may not be terminated for an illegal reason (such as discrimination), nor may an employee be terminated or otherwise retaliated against for engaging in protected activity under the law. In addition, employers are required to maintain workplaces that are free of harassment based on protected characteristics such as sex, race, etc. Different jurisdictions (federal, state, and local) protect varying characteristics under their equal employment opportunity laws. Employers must also generally provide employees with overtime premium pay when they work over 40 hours a week, unless employees fall under specific exemptions under federal or state law; some states also provide for greater wage-and-hour protections.

Employees who believe they have suffered discrimination, harassment, or other alleged wrongs may pursue claims against us through state and U.S. federal governmental agencies and the courts. If we are found to violate applicable labor and employment laws, we may have to compensate affected employees and may face fines and penalties (monetary and otherwise), including attorneys' fees and costs.

Laws and Regulations concerning International Trade

The summary below addresses key U.S. legal and regulatory issues associated with international trade, and sanctions programs adopted by the United Nations, the European Union, and the United Kingdom. Our cross-border operations include the exportation of goods from the United States. As a result, our business requires compliance with export controls, U.S. economic and other sanctions programs, and anti-bribery laws and regulations.

U.S. Export Controls

The U.S. primarily regulates the export of items including goods, technology or technical data, software, and some services through two sets of regulations.[2] The International Traffic in Arms Regulations ("ITAR") implements section 48 of the Arms Export Control Act of 1976. The ITAR is administered and enforced by the U.S. State Department and regulates the export and temporary import of defense articles. A separate set of export controls that regulate almost all other exports from the U.S. is administered by the U.S. Department of Commerce under the Export Administration Regulations ("EAR"), which implements the Export Control Reform Act of 2018. Other agencies may impose requirements on exports above and beyond those of the ITAR and EAR, such as the Drug Enforcement Agency or the Nuclear Regulatory Commission.

Both the ITAR and EAR primarily regulate exports, reexports, certain transfers and retransfers and, in the case of ITAR, temporary imports. Although these terms all carry their own definitions, an "export" can be broadly understood to be the movement of an item, software, or technology outside of the U.S.

Exports subject to control under the ITAR and EAR can be made by the physical transfer of goods, or by visual, oral, or electronic transmission. Transfers of certain data or technology that take place within the borders of the United States can still be subject to export control laws if the transfer is to a non-U.S. person.

Generally, compliance with U.S. export controls requires an exporter to understand the export control jurisdiction and classification of the item (including software, technology, technical data, or service) it intends to export, the destination of the export, the end use of the items, the end user of the items. By understanding these aspects of the intended export, the exporter can determine whether the export requires government authorization or is permitted at all. For manufacturers, exporters, or brokers of defense articles, there is also an additional registration requirement with the U.S. Department of State and annual renewals.

2 This overview covers the ITAR and EAR at a high level, but there are other agencies and regulations that can and do regulate certain exports such as the Department of Energy. Any export activity should be reviewed on a case-by-case basis to determine what legal requirements exist.

To determine one's obligations under these regulations, one must know the ultimate end use and user of the item it will export. The EAR specifically prohibits exports of anything subject to the jurisdiction of the EAR[3] for certain prohibited end uses such as use in the development or production of weapons of mass destruction among other end uses. In addition to these broadly prohibited end uses, the EAR defines specific end use restrictions on certain types of items to certain destinations. For example, recent amendments have expanded the restrictions on exports for military end use or to military end users in Belarus, Myanmar (Burma), Cambodia, China, Russia, and Venezuela. The diligence necessary to determine whether a party is a military end user is a combination of confirming against BIS Lists and independent research and knowledge of the party. This is a developing set of controls and an enforcement focus, particularly with respect to Russian military end users and export for military end use in support of Russia.

Penalties for individuals and companies for non-compliance with U.S. export control laws can be both civil and criminal. Civil penalties can include substantial monetary fines, loss of export privileges, and government contract debarment. For knowing and willful violations, the government can enforce criminal penalties that include large fines and imprisonment.

Economic Sanctions

U.S.

OFAC is the primary agency responsible for administering U.S. sanctions programs against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies. Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the

[3] There are several ways an item (including software or technology) can be subject to the EAR and some of those extend to items manufactured outside of the U.S. As noted above, a careful analysis and understanding of the export control jurisdiction and classification of an item is crucial to understanding one's regulatory obligations.

asset/property interest; and no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements), except pursuant to an authorization or license from OFAC.

OFAC's comprehensive sanctions programs currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine as well as the self-proclaimed Luhansk People's Republic and Donetsk People's Republic regions. OFAC also prohibits virtually all business dealings with persons and entities identified in the Specially Designated Nationals and Blocked Persons List (the "SDN List") . Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

In addition to the comprehensive sanctions programs, the U.S. maintains "list-based" sanctions programs against targeted regimes, entities and individuals that have been found to have taken actions contrary to the foreign policy or national security interests of the United States.

Specifically, Executive Order 14032 restricts the ability of U.S. persons to invest in specified companies involved in the defense (or related materiel) and surveillance technology sectors of the Chinese economy which have been designated as a Chinese Military-Industrial Complex company ("CMIC") to the Non-SDN Chinese Military-Industrial Complex Companies List (the "NS-CMIC List"). From the effective date for the designation of a CMIC, U.S. persons are prohibited from the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities of any person listed as a CMIC, unless authorized or licensed by the relevant U.S. authority. A CMIC designation and associated restrictions only apply to the entity designated and specifically named on the NS-CMIC List, and do not restrict U.S. persons from purchasing or selling the publicly traded securities of any affiliate of such named legal entity which is not identified on the NS-CMIC List, so long as such affiliate's publicly traded securities are neither derivative of nor designed to provide investment exposure to the publicly traded securities of the named CMIC.

United Nations

The United Nations Security Council (the "UNSC") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

European Union, United Kingdom and United Kingdom oversea territories

Under European Union sanction measures, there is no 'blanket' ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person and not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures, provided that no funds and economic resources are made available to the Sanctioned Persons. As of January 1, 2021, sanctions applicable in the UK stem from sanctions adopted by the United Nations or autonomous sanctions regimes adopted by the UK. UK sanctions are in force under the Sanctions and Anti-Money Laundering Act 2018, the Act is implemented through regulations setting out the specific measures under each UK sanctions regime. UK sanctions measures have also been extended by the UK on a regime by regime basis to apply to and in the UK Overseas Territories (without requiring enactment of any further legislation by them), including the Cayman Islands as of January 1, 2021.

The Foreign Corrupt Practices Act and Other Anti-Bribery Laws

The U.S. federal Foreign Corrupt Practices Act ("FCPA") includes two key elements:

- *Anti-bribery provisions*. A person may not give or offer money, gifts, or anything of value to a foreign government official to obtain or retain business.

- *Accounting requirements*. Companies must maintain accurate books and records and adequate internal accounting controls to avoid disguising corrupt payments. The U.S. Department of Justice and Securities and Exchange Commission enforce the FCPA. This Note focuses on the FCPA's anti-bribery provisions.

The FCPA applies to two broad categories of persons: those with formal ties to the US and those who take action in furtherance of a violation while in the U.S. Recently, foreign companies in both categories have been the focus of an increasing number of enforcement actions.

In addition to the FCPA, U.S. state criminal laws generally prohibit bribery of government officials and private commercial actors.

Tax Law

Federal Government

The U.S. federal government levies a variety of taxes on U.S. businesses, non-U.S. businesses engaging in certain activities in the United States, and business owners and their employees. Our business activities in the U.S. require us to pay U.S. federal income tax, taxes on the sale of certain assets, income tax on dividends, distributions, and interest, sales and other transfer taxes, employee payroll taxes, withholding obligations, and other taxes.

Federal and state tax laws are subject to change, which in some instances can apply to us retroactively. Changes to federal and state taxation adopted into law after the date of this Document could be material to our business.

State and Local Governments

In addition to the federal government, the 50 U.S. states and their political subdivisions play an important role in taxing and regulating business activity within their respective jurisdictions. For example, our business activities within a U.S. state may be subject to the state's business and personal income tax, payroll tax, sales tax, real and personal property tax, franchise tax, withholding obligations, and other taxes. In addition, some local governments, such as counties and cities, may impose their own similar taxes.

Registration and Regulation

There is no such thing as a "U.S. corporation." Instead, corporations in the United States are registered and organized in one of the 50 states. In addition to its legal formation in a particular state, a corporation that does business in more than one state may need to qualify or register to do business in other states if the corporation's activities establish "minimum contacts" for tax purposes in those states.

Individual state laws apply to business transactions occurring in each state, unless such laws conflict with, or are superseded by, U.S. federal law, which takes precedence over state and local law. For this reason, U.S. businesses frequently must comply with separate federal, state and local regulations.

Intellectual Property Law

The United States has both federal and state laws that govern intellectual property rights ("IPRs"). Some IPRs are governed exclusively by federal law, while others are governed by both federal and state laws.

Intellectual Property Rights Governed by Federal Law

The IPRs that are the exclusive domain of federal law are copyrights and patents.

Copyrights. A U.S. copyright is a set of exclusive rights owned by the creator of an original work that is fixed in tangible form. A copyright (i) covers expressions, not ideas; (ii) cannot be purely functional; and (iii) must be an original work. U.S. copyright law is governed by the Copyright Act of 1976, codified at 17 U.S.C. 101 et seq.

Patents. A U.S. patent is a government grant providing the patent owner with the right to exclude others from manufacturing, using, offering to sell, selling, or importing a claimed invention within the United States for a limited timeframe. A patent is obtained by filing an application with the U.S. Patent and Trademark Office ("USPTO") that satisfies the requirements of the Patent Act (codified at 35 U.S.C. § 1 et seq). Primarily, those requirements are that (i) the invention is novel, nonobvious and not subject to a statutory bar, (ii) the invention is useful and (iii) the inventor satisfies the Patent Act's disclosure requirements. The USPTO is an agency within the U.S. Department of Commerce that examines and grants U.S. patents.

A patent owner may bring a patent infringement claim against an alleged infringer in a U.S. Federal District Court or, if the case includes the importation of allegedly infringing products, before the U.S. International Trade Commission. In the event that a patent is found to be enforceable and infringed, a patent owner may be entitled to remedies against an infringing party including preliminary and permanent injunctions, direct damages (including lost profits and/or royalties), and, in exceptional cases, treble damages and attorneys' fees.

Intellectual Property Rights Governed by both Federal and State Law

Trademarks and service marks. A "mark" is the use of one or more words, symbols, logos or other indicia to identify the mark owner's goods and/or services and distinguish them from others. A trademark is a mark used for goods; a service mark is a mark used in connection with providing services. U.S. trademarks and service marks must satisfy a number of legal requirements, including that it: (i) not be likely to cause confusion with a prior mark of another, (ii) not be generic, and (iii) not be merely descriptive of the goods or services in connection with which it is used. U.S. federal trademark law is governed by the Lanham Act, codified at 15 U.S.C. § 1051 et seq. The

USPTO is responsible for examining trademark and service mark applications and either granting or rejecting applications to register marks. Marks that are approved for registration on the Principal Trademark Register by the USPTO are published for opposition. Once granted, a trademark or service mark provides its owner with presumptions of ownership and an exclusive right to use the mark in connection with the goods and services covered therein.

State law is an alternative basis for trademark and service mark rights, either under specific state laws or under common law. States generally provide common law rights in trademarks and service marks upon their first use in commerce, without requiring registration. Some states have registries for trademarks and service marks. The rights inherent in such marks are limited to the state where they are used.

The owner of a trademark generally has a cause of action for trademark infringement and/or unfair competition against a defendant who uses a mark that is likely to cause confusion, or to cause mistake, or to deceive in the relevant marketplace about the source of goods or services, or as to the affiliation, connection or association of such defendant and the owner. A plaintiff may be entitled to preliminary and permanent injunctions (including destruction of infringing articles), actual monetary damages, accounting of the defendant's profits, and in some cases, attorneys' fees.

Trade secrets. A trade secret is information that (i) has independent economic value from being generally unknown by the public and (ii) is the subject of reasonable efforts under the circumstances to maintain its secrecy. Trade secrets are governed by both federal and state law. The Defend Trade Secrets Act, codified at 18 U.S.C. § 1836, et seq. ("DTSA"), is the federal trade secret law. Enacted recently in 2016, the DTSA applies only to trade secrets used in interstate or foreign commerce. The DTSA provides specific remedies for trade secret misappropriation, including ex parte seizure in specific and generally rare instances. The DTSA is similar to the Uniform Trade Secret Act ("UTSA"), a model set of laws enacted by almost all fifty states within the U.S. A trade secret owner may often have a choice in enforcing its trade secret rights under the DTSA or a relevant state's version of the UTSA.

Antitrust Laws

Generally, a manufacturer or supplier may have liability under U.S. federal antitrust laws, primarily the Sherman Antitrust Act of 1890, as amended ("Sherman Act") and the Federal Trade Commission Act of 1914, as amended ("FTC Act") and regulations thereunder. The Sherman Act prohibits agreements that unreasonably restrain trade, as well as monopolization, attempted monopolization, and conspiracies to monopolize. Although a monopoly is not inherently illegal under U.S. federal antitrust laws and regulations, use of a monopoly to prevent competitors from entering or effectively participating in the market may violate antitrust laws. The FTC Act gives the U.S. Federal Trade Commission authority to bring claims against unfair competition.

Successful antitrust claims may carry significant penalties (in addition to litigation and defense costs), including without limitation treble damages and/or an injunction prohibiting the defendant from conducting business in a particular manner. Criminal sanctions may include monetary penalties, and individuals convicted of antitrust violations may be sentenced to serve up to ten years in prison in addition to a monetary penalty.

U.S.-Based Data Privacy Regulations

We are subject to federal and individual U.S state laws and regulations that dictate whether, how, and under what circumstances we can collect, transfer, process, and/or retain certain data that is critical to our operations, as well as when we must notify individuals and governmental authorities if there is a breach of this data. Several federal laws are in place that regulate various types of data, including the Health Insurance Portability and Accountability Act of 1996, which governs the collection and use of certain health information (for example, with respect to our U.S. employees). There are also numerous state laws that are not uniformly adopted by other states, and new laws are being added more frequently than ever before. For example, California, Nevada and Virginia all have differing requirements when collecting personal information about consumers residing in these states, including website disclosures that must be made by the collector.

There have been a number of recent legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas related to consumer privacy. Various U.S. government agencies, including the Federal Trade Commission, have advocated for greater regulation of data privacy with respect to consumer information, including information collected over the internet, but uniform legislation has not yet been proposed.

Currently, the most comprehensive state data protection law in the United States is the California Consumer Privacy Act, as amended by the California Privacy Rights Act, ("CCPA"), which generally regulates the collection, use, and disclosure of personal information of consumers in California (the most populous U.S. state). The California Attorney General enforces the CCPA and may seek civil penalties of up to US$7,500 per intentional violation. The law also allows consumers, under certain circumstances, to bring suits in the event of a data breach. Businesses within the scope of the CCPA are subject to several requirements regarding disclosures, mandatory consumer rights, and contractual provision with vendors. In addition to the CCPA, nine other states have passed comprehensive state privacy legislation.

OVERVIEW

In 1979, our co-founders, Mr. Alan Lee Klapmeier and Mr. Dale Edward Klapmeier started developing the VK-30 homebuilt aircraft in Wisconsin, the United States. The Klapmeier brothers established Cirrus Design in 1987, following which the VK-30 aircraft celebrated its first flight in 1988. The headquarters of Cirrus Design was relocated to Duluth, Minnesota, the United States in 1994, and Legacy Cirrus Industries was incorporated in 1996. In June 2011, Legacy Cirrus Industries was acquired by CAIGA by way of merger. Upon completion of the merger in June 2011, Legacy Cirrus Industries became indirectly wholly-owned by CAIGA.

In preparation of our **[REDACTED]**, we underwent the Reorganization and our Company was incorporated in the Cayman Islands as an exempted company with limited liability in December 2019. Our Company is an investment holding company and our Group carries out our operations mainly through our wholly-owned subsidiaries.

Since our establishment in 1987, we have grown to become a pioneer and a global market leader in the personal aviation industry, according to Frost & Sullivan. Our two aircraft product lines are the SR2X Series (SR20, SR22 and SR22T models) and the Vision Jet.

OUR BUSINESS MILESTONES

The following sets out our major business development milestones since our inception and up to the Latest Practicable Date:

Year	Business Milestones
1987	• Cirrus Design was incorporated which is now one of our principal subsidiaries
1988	• VK-30 celebrated its first flight
1998	• We received the FAA type certification of the SR20 model in October
	• We became the first aircraft company to incorporate the FAA-certified CAPS
1999	• SR20 aircraft was first delivered to customer

Year	Business Milestones
2000	• We received the FAA production certification of the SR20 model
	• We received the Australian Government Civil Aviation Safety Authority (formerly known as Australian Aviation Authority) certification of the SR20 model
	• We received the FAA type certification and the FAA production certificate of the SR22 model in December
2001	• The first customer delivery of the SR22 model
2002	• We received the Transport Canada Civil Aviation (formerly known as Canadian Council for Aviation and Aerospace) certification of the SR20 model
	• The FSC located in Duluth, Minnesota was opened
2004	• We introduced the second generation airframe of the SR2X Series
2006	• The first customer delivery of the SR22TN model
2007	• We introduced the third generation airframe of the SR2X Series
2008	• We introduced the Cirrus Perspective+™ by Garmin platform
2010	• We received the FAA type certification and the FAA production certification of the SR22T model in February
	• The first customer delivery of the SR22T model
2011	• Legacy Cirrus Industries was acquired by CAIGA
2013	• We introduced the fifth generation airframe of the SR2X Series
2014	• We launched our parts and aftermarket service platform, Cirrus Direct
2015	• We received the Diamond Award of Excellence from the FAA

Year	Business Milestones
2016	• We received the FAA type certification of the Vision Jet model in October
	• The SR Series received the Joseph T. Nall Safety Award from the Aircraft Owners & Pilots Association Air Safety Institute
	• The first customer delivery of the Vision Jet model
2017	• We received the FAA production certification of the Vision Jet model
	• We launched the Cirrus Embark training program
	• We introduced the sixth generation airframe of the SR2X Series
	• The Vision Center in Knoxville, Tennessee was opened to provide aircraft delivery, SR2X Series and Vision Jet flight training, service, support, design and all customer experience services globally
	• The Vision Jet was awarded the Robert J. Collier Trophy by National Aeronautic Association, the Plane of the Year by Plane & Pilot Magazine, the Editor's Choice Awards by Flying Magazine, and listed on the Bespoke List of Robb Report and the Best of What's New of Popular Science Magazine
	• We received the European Aviation Safety Agency certification of the Vision Jet model
2018	• We launched Cirrus Services
	• Cirrus Embark was awarded the Innovation of the Year (Finalist) and the SR22T model was awarded the Aircraft of the Year by Flieger Magazine, and the SR22 model was awarded the Aircraft of the Year by Aerokurier Magazine
	• The Vision Jet model was awarded the Innovation Award by Flying Magazine, the Plane of the Year by Plane & Pilot Magazine, and the Innovation Award by Aerokurier Magazine
	• We launched the Vision Jet full-motion flight simulator in support of the Vision Jet Type Rating training program
2019	• We introduced the second generation airframe of the Vision Jet model
	• The FTC located in McKinney, Texas was opened

Year	Business Milestones
2020	• We launched our exclusive VisionAir aircraft management program
2021	• We expanded our Cirrus Services offering to the Florida market
2022	• We launched Cirrus IQ, a connected digital platform for owners to keep track of their aircraft status and health from their mobile device
2023	• Our SR2X Series aircraft achieved 9,000th delivery

OUR CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 13, 2019. Upon its incorporation, one ordinary Share of par value of US$1.00 per Share was allotted and issued to the initial subscriber, an independent third party, on December 13, 2019, which was then transferred to CAIGA Hong Kong, a direct wholly-owned subsidiary of CAIGA, on the same date. On January 15, 2020, an additional 155,481,658 ordinary Shares were issued to CAIGA Hong Kong. For details, see "— Reorganization — 2. Acquisition of CAIGA Co., Ltd. through Share Swap."

Our Company has been wholly-owned by CAIGA Hong Kong since the date of its incorporation.

Our Principal Subsidiaries

Set out below are the major corporate history and shareholding changes of our principal subsidiaries:

Cirrus Industries and Legacy Cirrus Industries

Legacy Cirrus Industries was incorporated in Delaware, the United States, as a corporation on February 13, 1996.

As of February 2011, Legacy Cirrus Industries was the holding company of our Group (then comprising Legacy Cirrus Industries, Cirrus Design, Dakota Aircraft and SAIC) and was owned by Cirrus Holding Company Limited (an independent third party established by Arcapita, an asset management firm headquartered in Bahrain) as to approximately 58.70% and Mr. Dale Edward Klapmeier (for himself and for the benefit of his family members) as to approximately 5.01%.

Considering the Group's long-term development potential in light of its product offering, reputation in the personal aviation industry and management team's expertise, CAIGA decided to acquire the Group by way of a merger with Legacy Cirrus Industries. CAIGA is a limited liability company incorporated in the PRC and is principally engaged in the research and development, operation and service of general aviation, designing and manufacturing of aviation parts and accessories. For further details on the background of CAIGA, see the section headed "Relationship with Our Controlling Shareholders — Background of Our Controlling Shareholders." Pursuant to an agreement and plan of merger dated February 3, 2011 (the "Merger Agreement"), CAIGA MS Co., Ltd., a direct wholly-owned subsidiary of CAIGA (US) Co., Ltd. (a company directly wholly-owned by CAIGA Co., Ltd., which was wholly-owned by CAIGA prior to the Reorganization), merged with and into Legacy Cirrus Industries (the "2011 Merger").

The aggregate consideration for the 2011 Merger pursuant to the Merger Agreement was calculated by the valuation of the Group (i.e. US$210 million), as adjusted by the net debt and certain deductibles of the Group, as well as the transaction expenses of the 2011 Merger. The valuation of the Group was determined based on advice provided by independent financial advisors to the 2011 Merger. Pursuant to the Merger Agreement, on or before the effective date of the 2011 Merger, CAIGA (US) Co., Ltd. shall deposit the consideration payable to the then stockholders of Legacy Cirrus Industries in cash with a paying agent who shall make payments to the then stockholders. The certificate of merger in respect of the 2011 Merger was filed with the Secretary of State of the State of Delaware on June 24, 2011, and the 2011 Merger became effective on the same day. The 2011 Merger has been properly and legally completed and settled with all applicable approvals obtained.

Subsequent to the 2011 Merger, Legacy Cirrus Industries had been directly wholly-owned by CAIGA (US) Co., Ltd. until the merger in December 2022 as further elaborated in "— Reorganization — 3. Merger of holding entities under the 2022 Merger" below (the "2022 Merger"), after which Cirrus Industries (the surviving corporation pursuant to the 2022 Merger among Legacy Cirrus Industries, CAIGA (US) Co., Ltd. and CAIGA Co., Ltd.) became wholly-owned by our Company.

Cirrus Design

Cirrus Design was incorporated in Wisconsin, the United States, as a corporation on February 25, 1987, with Mr. Alan Lee Klapmeier, Mr. Dale Edward Klapmeier and Mr. Jeffrey K Viken, each an independent third party, as the initial shareholders. The principal business activity of Cirrus Design is designing, manufacturing and retail sale of aircraft and related operations. Cirrus Design is the principal operating company within our Group.

While the entire shareholding held by Mr. Jeffrey K Viken was repurchased by Cirrus Design in April 1990, Mr. Alan Lee Klapmeier and Mr. Dale Edward Klapmeier transferred the entire shareholding in Cirrus Design to Legacy Cirrus Industries in February 1996, after which Cirrus Design became wholly-owned by Legacy Cirrus Industries.

After the 2022 Merger, CAIGA Co., Ltd. (subsequently renamed as Cirrus Industries) became the shareholder of Cirrus Design.

As of the Latest Practicable Date, the authorized capitalization of Cirrus Design was 100,000 shares of common stock with par value of US$0.01 per share, and the issued and outstanding share capital of Cirrus Design was 82,500 shares of common stock with par value of US$0.01 per share, all of which was held by Cirrus Industries.

Dakota Aircraft

Dakota Aircraft was incorporated in North Dakota, the United States, as a corporation on July 28, 2014. The principal business activity of Dakota Aircraft is manufacturing of composite components of aircraft.

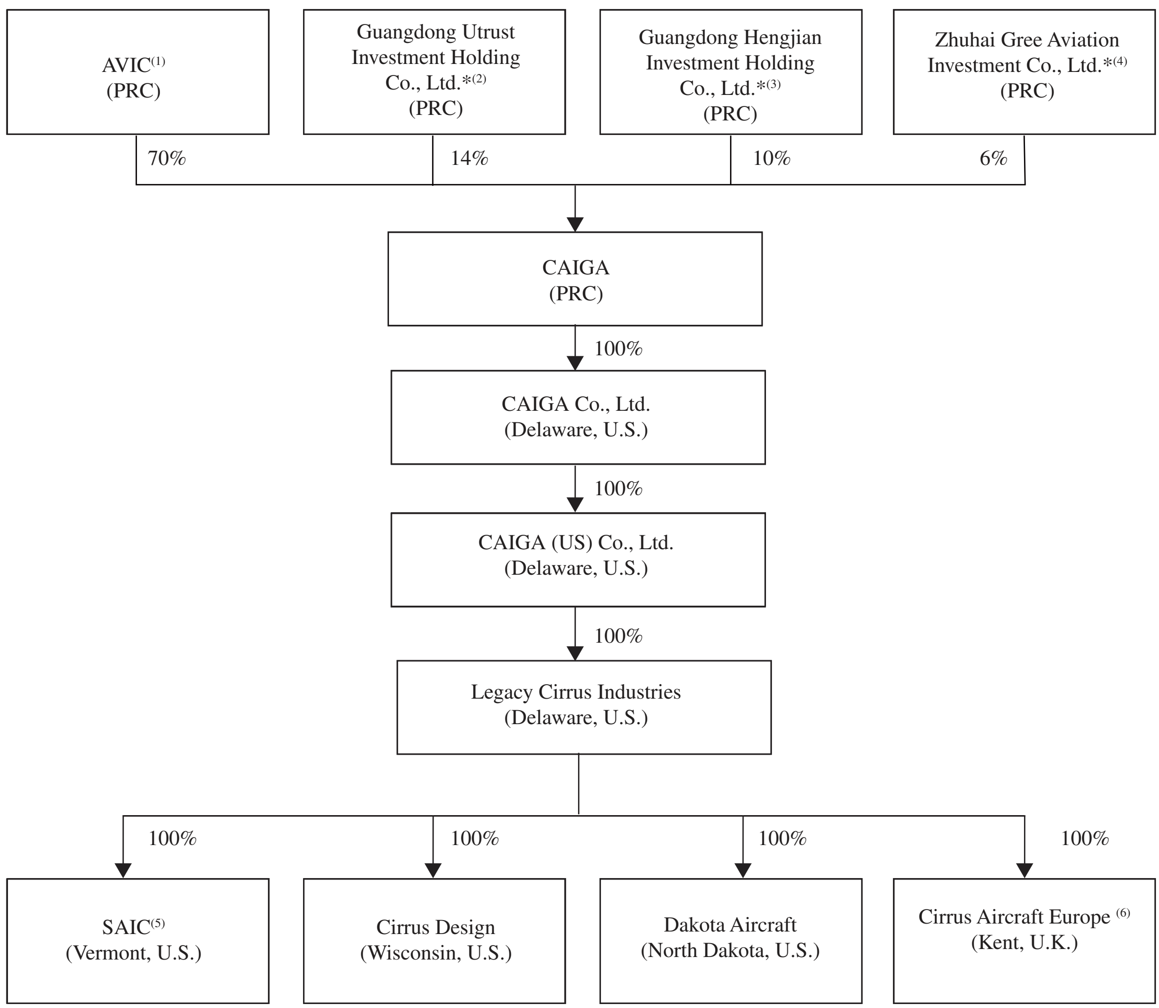
Dakota Aircraft had been held by Legacy Cirrus Industries since its incorporation until the 2022 Merger, after which CAIGA Co., Ltd. (subsequently renamed as Cirrus Industries) became the shareholder of Dakota Aircraft.

As of the Latest Practicable Date, the authorized capitalization of Dakota Aircraft was 10,000 shares of common stock with par value of US$0.01 per share, and the issued and outstanding share capital of Dakota Aircraft was 1,000 shares of common stock with par value of US$0.01 per share, all of which was held by Cirrus Industries.

REORGANIZATION

In preparation of our **[REDACTED]**, we underwent the Reorganization pursuant to which our Company became the holding company of our Group.

The following chart shows the shareholding and corporate structure of our Group before the Reorganization which commenced in December 2019:



Notes:

(1) AVIC is a limited liability company established in the PRC on November 6, 2008, and is wholly-owned by the SASAC.

(2) Guangdong Utrust Investment Holding Co., Ltd.* (廣東粵財投資控股有限公司, "Guangdong Utrust") is a limited liability company established in the PRC on May 14, 2001, which is owned as to approximately 92.13% by the People's Government of Guangdong Province (廣東省人民政府) and as to approximately 7.87% by the Department of Finance of the People's Government of Guangdong Province (廣東省人民政府財政廳).

(3) Guangdong Hengjian Investment Holding Co., Ltd.* (廣東恒健投資控股有限公司, "Guangdong Hengjian") is a limited liability company established in the PRC on March 16, 2006, which is wholly-owned by the SASAC of the People's Government of Guangdong Province (廣東省人民政府國有資產監督管理委員會).

(4) Zhuhai Gree Aviation Investment Co., Ltd.* (珠海格力航空投資有限公司, "Gree Aviation Investment") is a limited liability company established in the PRC on July 6, 2009, which is wholly-owned by Zhuhai Gree Group Co., Ltd.* (珠海格力集團有限公司). Zhuhai Gree Group Co., Ltd. * (珠海格力集團有限公司) is a limited liability company established in the PRC on December 15, 1990, which is wholly-owned as to 90% by the SASAC of the People's Government of Zhuhai (珠海市人民政府國有資產監督管理委員會) and as to 10% by the Department of Finance of the People's Government of Guangdong Province.

(5) SAIC was incorporated in Vermont, the United States, as a corporation on June 22, 2005.

(6) Cirrus Aircraft Europe was incorporated in Kent, the United Kingdom, as a private company limited by shares on August 12, 2015.

The Reorganization involved the following steps:

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on December 13, 2019 with an authorized share capital of US$50,000 divided into 50,000 Shares with par value of US$1.00 per Share. Upon its incorporation, one ordinary Share of par value of US$1.00 per Share was allotted and issued to the initial subscriber, an independent third party, on December 13, 2019, which was then transferred to CAIGA Hong Kong, a direct wholly-owned subsidiary of CAIGA, on the same date.

2. Acquisition of CAIGA Co., Ltd. through share swap

CAIGA Co., Ltd. was incorporated in Delaware, the United States as a corporation on January 19, 2011 and was wholly-owned by CAIGA immediately prior to the Reorganization.

Pursuant to the share purchase agreement dated January 15, 2020 entered into between CAIGA, CAIGA Hong Kong and our Company, CAIGA agreed to sell, transfer and assign its right, title and interest in and to the 100% of the issued and outstanding share capital of CAIGA Co., Ltd. to our Company at a consideration of US$155,481,658. The consideration was determined based on arm's length negotiation with reference to the audited consolidated net asset value of CAIGA Co., Ltd. as of December 31, 2018 and has been satisfied by the allotment and issuance of 155,481,658 new ordinary Shares by our Company to CAIGA Hong Kong on January 15, 2020, and our Company's authorized share capital was increased from US$50,000, divided into 50,000 Shares with par value of US$1.00 per Share, to US$250,000,000, divided into 250,000,000 Shares with par value of US$1.00 per Share.

Upon the completion of such transfer, CAIGA Co., Ltd. was wholly-owned by our Company.

3. Merger of holding entities under the 2022 Merger

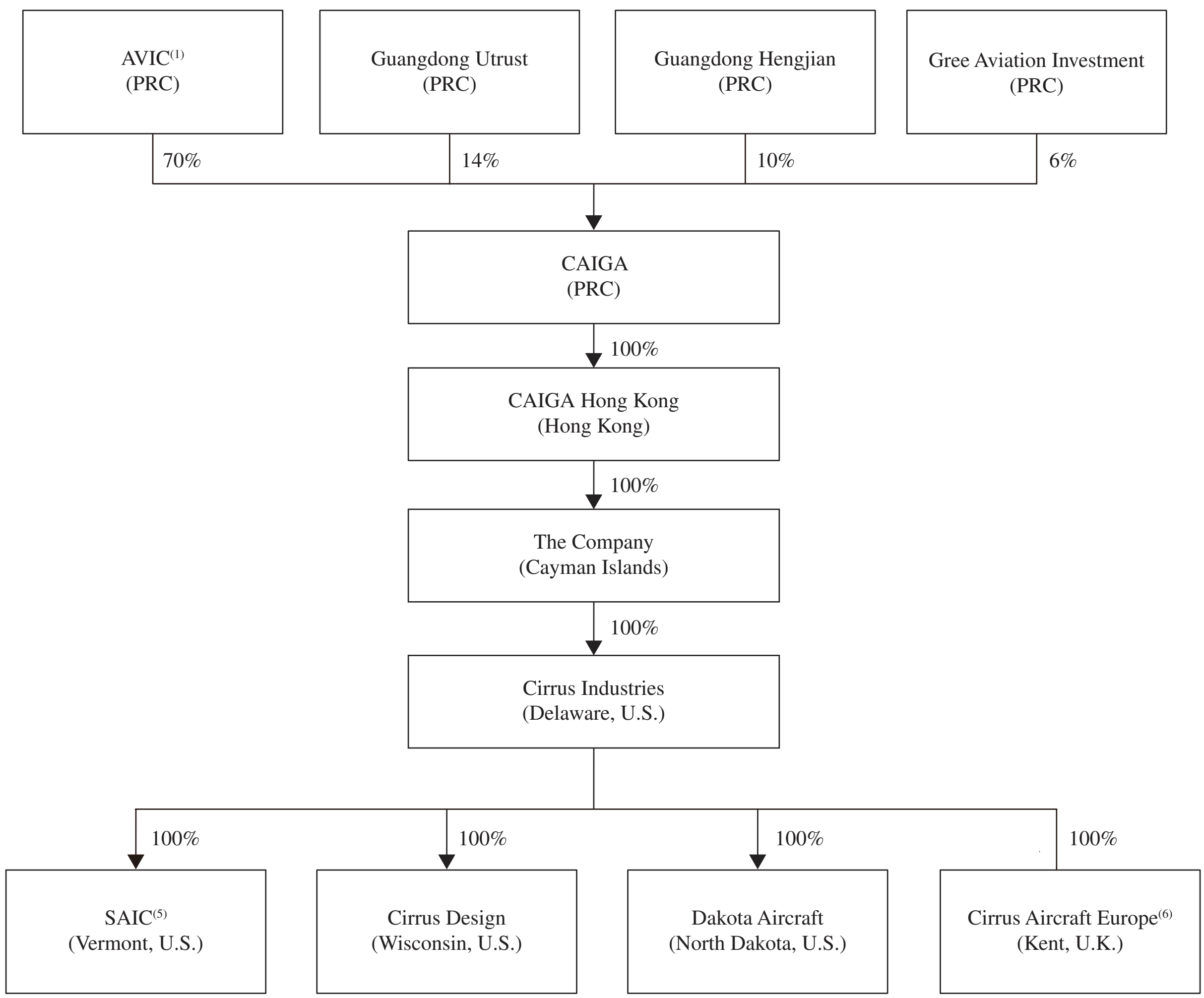
In December 2022, Legacy Cirrus Industries was merged with and into CAIGA (US) Co., Ltd. and CAIGA (US) Co., Ltd. was merged with and into CAIGA Co., Ltd. under Delaware law. As a result, CAIGA Co., Ltd. acquired all the assets and properties of CAIGA (US) Co., Ltd. and Legacy Cirrus Industries, respectively, and assumed all of the liabilities and obligations therein. CAIGA Co., Ltd. was renamed as "Cirrus Industries, Inc." The surviving corporation pursuant to the 2022 Merger was Cirrus Industries. For the shareholding and corporate structure of our Group after the Reorganization, see "— Corporate Structure Immediately Prior to the **[REDACTED]**."

Faegre has confirmed that all relevant approvals and permits from relevant authorities in the U.S. with respect to the Reorganization have been obtained, and the procedures involved are in accordance with applicable U.S. laws, rules and regulations.

[REDACTED]

CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

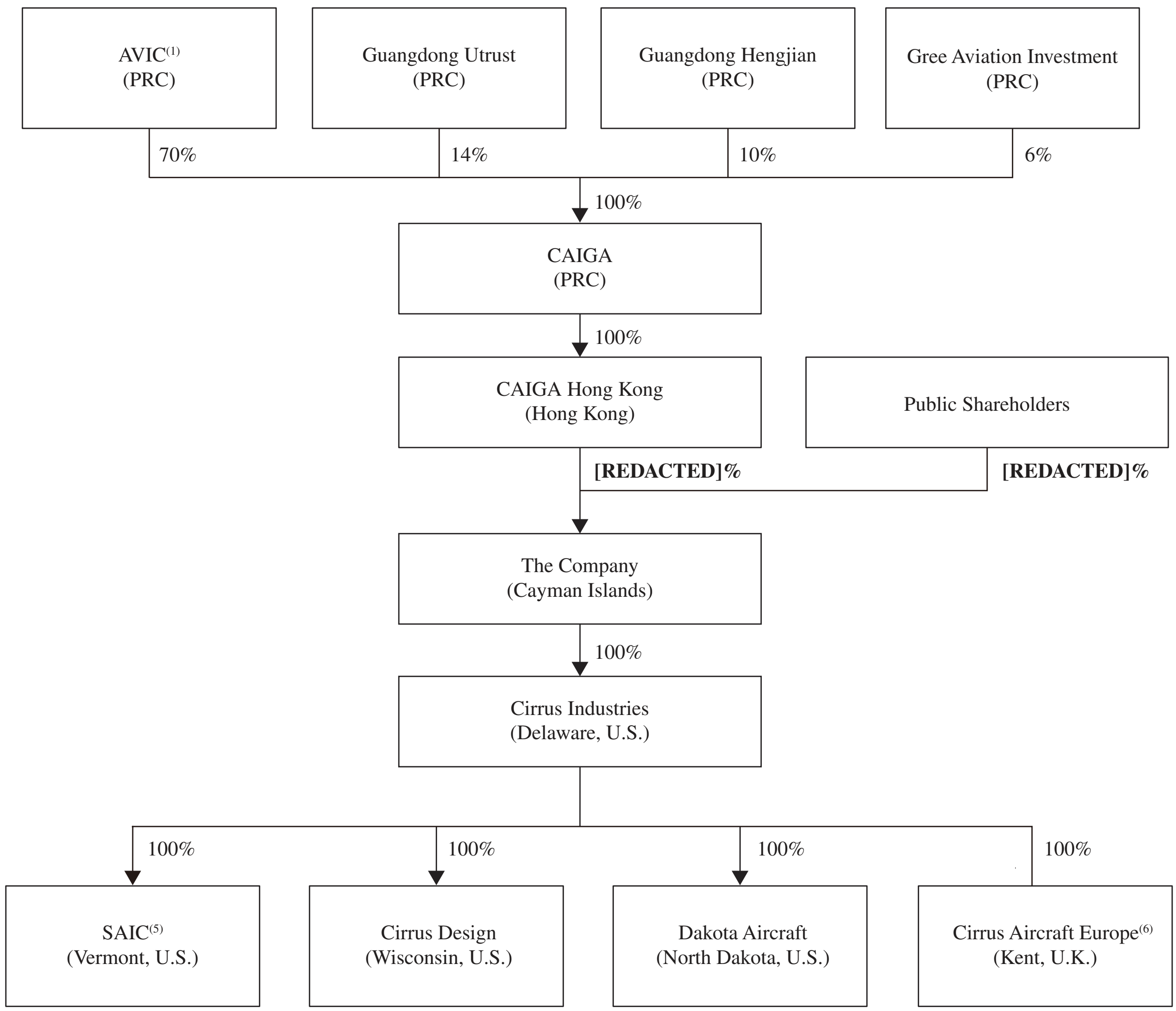
The following chart shows the shareholding and corporate structure of our Group after the Reorganization and immediately before completion of the **[REDACTED]**:



(1) See "— Reorganization" in this section for notes (5) to (6).

CORPORATE STRUCTURE IMMEDIATELY AFTER THE [REDACTED]

The following chart shows the shareholding and corporate structure of our Group upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



(1) See "— Reorganization" in this section for notes (5) to (6).

Overview

We are a pioneer and a global market leader in the personal aviation industry, according to Frost & Sullivan. We design, develop, manufacture, and sell premium aircraft recognized across the industry, driving innovations in safety, technology, connectivity, performance, and comfort. Our two aircraft product lines, the SR2X Series and the Vision Jet, have successfully set the industry standard for owner-piloted aircraft and are currently certified and validated in more than 60 countries. The SR2X Series aircraft has been the best-selling single-engine piston model for the last 21 consecutive years, according to GAMA. The SR2X Series aircraft represented 46.3% of the market share in the fixed tricycle gear certified piston aircraft segment based on delivered units in 2022, according to Frost & Sullivan. First delivered in 2016, the Vision Jet has been the best-selling jet under US$7.0 million for five consecutive years, according to GAMA. The Vision Jet accounted for 25.8% of the market share in the US$7 million and below single pilot pressurized turbine aircraft segment based on delivered units in 2022, according to Frost & Sullivan. In order to make owning and operating an aircraft accessible, convenient, productive, and enjoyable for everyone, we aim to cultivate a distinctive "The Cirrus Life" experience for our customers through our compelling products and the comprehensive service associated with them, which includes maintenance, upgrades, training, and Cirrus-branded social events.

Our Aircraft and Their Key Features

Since our inception in 1984 in Wisconsin, United States, we have relentlessly developed and upgraded our products to deliver a comfortable, convenient, and premium aviation experience that is the pinnacle of innovation, quality, and safety. As of the Latest Practicable Date, we have delivered over 9,000 SR2X Series aircraft and over 400 Vision Jet aircraft since inception.

As part of our comprehensive product offering strategy, our SR2X Series consists of an entry level aircraft, the SR20, as well as the SR22 and SR22T, both of which offer increasing levels of performance and capabilities addressing different customer needs and preferences for a single-engine piston aircraft. SR2X Series aircraft can typically carry up to four adults and one child. The Vision Jet targets a different and more premium segment of the personal aviation market and offers significantly enhanced performance, capabilities and specifications at a higher price point. The Vision Jet can typically carry up to five adults and two children.

				
Model	SR20	SR22	SR22T	Vision Jet
Engine	Piston	Piston	Piston	Jet
Max Cruise Speed (KTAS)	155	183	213	311
Max Operating Altitude (ft)	17,500	17,500	25,000	31,000
Max Range (55% Power) (nm)	709	1,169	1,021	1,275
Useful Load (lbs)	1,028	1,328	1,246	2,450
Max Takeoff Weight (lbs)	3,050	3,600	3,600	6,000
Takeoff (ft)	1,685	1,082	1,517	2,036
Max Passengers	5	5	5	7
Base Price as of the Latest Practicable Date	US$579,900	US$772,900	US$887,900	US$2,980,000
First Delivery	July 1999	February 2001	June 2010	December 2016
Total Deliveries as of the Latest Practicable Date	1,722	4,379	2,990*	451

Note: Performance figures and prices reflect aircraft delivered in 2023.

* SR22T's predecessor was the SR22TN. The SR22T in its current configuration was first delivered in 2010. Total deliveries of the SR22T include deliveries of the SR22TN.

The hallmarks of our innovation process are rooted in our design philosophy. This design philosophy is customer-centric and focuses on enhancing the aviation experience by surrounding the operators and occupants with safety, advanced technology and architecture, and connectivity, as well as ease of use, comfort and personalization, and performance. The resulting design features are tightly integrated to deliver a seamless and convenient product experience.

Safety. Continuous improvement of safety has been our core priority since the founding of our Company. Our co-founder, Alan Klapmeier, experienced a mid-air collision in the 1980s and since that time, along with his bother Dale, advanced a passion for bringing both active and passive safety systems to personal aviation. We seek to address each primary causal factor for incidents and accidents with various innovative features and systems. We are well-known for equipping each aircraft with a patented CAPS, which has saved over 250 people since its introduction in 1999. Our recent and future Vision Jet aircraft are and will be equipped with Safe Return, an emergency auto-landing system which allows a passenger in the cabin to land the aircraft safely with the single touch of a button in the event of a pilot's incapacitation. Our safety innovation extends well-beyond to numerous active and passive mitigations for different situations, including loss of control, mid-air collision, pilot incapacitation, loss of engine power, flight into terrain, adverse weather conditions, and runway incursion. Our commitment to safety in addition to our award-winning training and learning systems, Cirrus Approach and Cirrus Embark, and our engaged community of owners and operators, has allowed us to achieve general aviation's safest accident records in the United States, according to Frost & Sullivan. Our total accident rate per 100,000 flight hours is three times lower than the general aviation industry average, according to Frost & Sullivan.

Advanced Technology & Architecture and Connectivity. We are a recognized industry leader in aircraft innovation. We not only leverage advanced technologies and systems architecture, but also have proven capabilities for seamless and smart integration. Many of these technologies are linked to safety systems as described above, but more importantly we bring these technologies and other features together to deliver what we view as exceptional reliability and performance.

The introduction of technology supporting a connected environment has opened new opportunities for improved safety, reliability, and ease of ownership. Our patented Cirrus IQ system allows owners and operators to remotely wake their aircraft to monitor systems status such as fuel quantity and battery condition, and also connects the customer and the aircraft to us for data diagnostics to improve reliability and the overall experience. We intend to continue enhancing our aircraft with more advanced connected aircraft technologies supporting in-flight data communications and services. We expect connected capability in addition to an intelligent aircraft architecture and continued automation to eventually support significantly simplified vehicle operations ("SVO") with the potential to dramatically reduce traditional barriers to the easy access and consumption of personal aviation. Increased automation will progressively reduce training requirements and further increase safety.

Ease of Use, Comfort, and Performance. The Pilot-Vehicle-Interface and passenger-interface are also a primary design focus for us. Whether piloting the aircraft or experiencing the cabin as a passenger, the intuitive ease of use, comfort, and ergonomic design of the aircraft space shape the experience. During the design and development process, we thoughtfully consider each element of human interaction — from how the side-yoke in the SR2X Series and side-stick in the Vision Jet and door handles feel in the hand, to simplification of the systems interfaces, to the operational ergonomics. Examples in the SR2X Series include the elimination of the propeller control handle, the position of the Flight Management System ("FMS") interface, and a mixture leaning indicator making fuel-air mixture adjustments easy. The Vision Jet was also designed with ease of use in mind and equipped with the custom developed touch-screen FMS displays, automatic pressurization control system, and the vertical navigation system integrated with an advanced auto-throttle system for easy climbs, descents, and routing speed control. From a performance perspective, we continue to improve the capabilities of each of our product lines including engine power improvements, gross weight increases, and processing power in our flight decks. These features and benefits not only make our products easy to fly and interact with, but they are also integral to the safety system.

Our Commercialization Model Enabled by our Connected Ecosystem

Our commercialization model is enabled by our connected ecosystem, which encompasses maintenance services, upgrades, training services, and Cirrus-branded social events. Through our compelling products, innovative products and design team, and comprehensive services provided through our ecosystem, we seek to cultivate a distinctive "The Cirrus Life" experience for our customers.

Direct-to-Customer Commercialization and Sales Model. Since inception, we have focused on a "close-to-customer" model as an enterprise priority. Under this model, we are able to quickly respond to customer needs and ensure a close connection between our prospective and existing owners and operators in each aspect of the aircraft sales process, including dedicated sales person, product demonstration, contracting, finance, insurance, delivery, and resale, making Cirrus aircraft ownership convenient and efficient.

We have also established a sales presence in more than 36 countries around the world through our sales agents and our CSAs, enabling us to reach customers on a global scale. Our sales network consists of our in-house sales team based in the United States, Canada and France. We require all of our sales team to be experienced pilots qualified to provide flight demonstrations directly to customers.

Comprehensive Consumer Support Capabilities Through Cirrus Services. We have developed a comprehensive global post-sale ownership and support ecosystem that makes owning and operating our aircraft as accessible and convenient as owning and operating a car. Through our dedicated business unit "Cirrus Services" and adjacent products and solutions, we provide service and support, maintenance, parts fulfillment, flight training, pilot services and aircraft management services that collectively enable frictionless aircraft ownership and enjoyment. As of the Latest Practicable Date, our global customer base owned in excess of 9,500 of our aircraft and continues to grow.

Our Vision Center in Knoxville, Tennessee provides the flagship customer experience, including aircraft delivery, personalization consultations, flight training, maintenance and parts fulfillment, and complete aircraft management services. The comprehensive customer support capabilities are further enhanced by convenient maintenance and repair services provided through our own four FSCs in Minnesota, Tennessee, Florida, and Texas and a global partner network of approximately 244 ASCs located in 32 countries.

We also provide a wide range of personalized flight training programs to our existing and new customers. The SR2X Series requires a private pilot's license ("PPL") to operate, and the Vision Jet requires both a PPL and a Type Rating. These flight training certifications, along with many other certifications, are offered through our Cirrus Services global training network. We have FTCs in Tennessee, Arizona, Texas and Florida, as well as more than 100 ATCs throughout the world.

Our Cirrus Services full customer support capability and network, together with additional ancillary services such as our Cirrus Finance™ and Cirrus Insurance™ programs, form an unrivaled aircraft ownership ecosystem. This ecosystem is fully connected via digital and online systems and applications, such as Cirrus IQ, as well as authorized brand assets, tools and identification to provide comprehensive, multi-faceted ownership and operating solutions for Cirrus owners and operators.

Our Production and Supply Chain Capability

Our manufacturing philosophy centers on product quality, continuous improvement, flexibility, and high operating efficiency. We operate two primary Cirrus-owned manufacturing sites, including a high volume composite parts manufacturing facility in Grand Forks, North Dakota and a final aircraft assembly and production flight test campus located in Duluth, Minnesota. The Grand Forks, North Dakota operation produces composite parts using a variety of advanced materials including carbon composites. We leverage the right materials and process for the application — fiberglass composites for the SR2X Series and high-strength, light-weight oven and autoclave cured carbon composites for the Vision Jet. Our composite structures manufacturing capabilities are a core strength and competitive advantage given the required investments and lengthy process for know-how development in the design, manufacturing, and non-destructive inspection processes. Further, we also maintain our competitive advantage through our tooling processes and capability. We both produce our own composite molds in-house and leverage several strategic partners for large parts and complex bonding operations. We have designed our manufacturing and assembly capabilities to be seamlessly connected and provide efficient development cycles. For example, we purchased a supplier facility that specializes in metal fabrication to add to our Duluth, Minnesota campus to further vertically integrate key components for our aircraft. In addition, we further increased vertical integration of our manufacturing processes with another facility in our Duluth, Minnesota campus that makes sub-components/sub-assemblies that we sequence into the line for final assembly, such as flight controls. Additionally, integration of our production process gives us the flexibility to quickly implement incremental design modifications to enhance aircraft performance and simplify the manufacturing process.

To optimize production efficiency and facilitate integration across system applications, we have introduced the proprietary Cirrus Operating System ("COS") to establish and standardize operational methods, integrate our business processes, and promote the flexibility to produce the parts and finished products of multiple models simultaneously on the same production line in the future. The continuous investments we have made in our FAA-certified manufacturing processes would be difficult for potential competitors to replicate, providing us with a significant moat and competitive advantage.

We view the supply chain as a strategically critical area. Due to the limited volumes, high switching costs, and challenges in developing multiple supplier relationships, we depend on relationship development, market analysis, and long-term agreements to maintain a healthy supply base. We also engage with key suppliers on strategic product development to advance critical technologies and continuous improvement in reliability and quality. We are executing on a strategic sourcing plan that segments areas that are commodities for consistent market competition, segments to partner with such as Garmin, and segments to vertically integrate. We compliment this strategy with inventory control methods such as vendor managed inventory and just-in-time delivery of goods and materials.

Our Financial Performance

By leveraging our market leadership and continuous product innovation, we have achieved a strong financial track record. For the years ended December 31, 2020, 2021 and 2022, we recorded revenue of US$586.5 million, US$738.1 million and US$894.1 million, respectively, representing a CAGR of 23.5%, and profit for the year of US$36.1 million, US$72.4 million and US$88.1 million, respectively, representing a CAGR of 56.2%. For the year ended December 31, 2022, we achieved a return on equity and EBITDA margin percentage (non-IFRS measure) of 25.6% and 16.3%, respectively. As of December 31, 2022, our gearing ratio was 0.2. As of the Latest Practicable Date, we had a backlog of 1,461 aircraft, which will support our production for several years. Due to our backlog, we take reservations from our customers to purchase a Vision Jet, which gives the customer a place in the queue. As of the Latest Practicable Date, our backlog included 253 reservations. See "— Sales and Marketing — Aircraft Orders and Delivery" for more information.

Our Competitive Strengths

We believe that the following competitive strengths are important to our current success and future growth:

Established market leader widely recognized in the personal aviation industry

We are a pioneer and an established global market leader in the personal aviation industry, according to Frost & Sullivan. Our SR2X Series has been the best-selling single-engine piston aircraft for 21 consecutive years with 539 deliveries in 2022, according to GAMA. The SR2X Series aircraft represented 46.3% of the market share in the fixed tricycle gear certified piston aircraft segment based on delivered units in 2022, according to Frost & Sullivan. First delivered in 2016, our Vision Jet represents the next evolution of our aircraft and has been the best-selling jet under US$7.0 million for the past five consecutive years, according to GAMA. The Vision Jet accounted for 25.8% of the market share in the US$7 million and below single pilot pressurized turbine aircraft segment based on delivered units in 2022, according to Frost & Sullivan.

Our premium brand is also widely acknowledged in the aviation industry for our safety innovations. In 2016, we won the Joseph T. Nall Safety Award for our Cirrus Approach training program and in recognition of our continued efforts to improve safety standards across all facets of aviation. In 2017, we won the prestigious Robert J. Collier Trophy for our Vision Jet aircraft. The award is given annually by the US National Aeronautic Association for the greatest achievement in aeronautics or astronautics with respect to improving the performance, efficiency, and safety of air or space vehicles.

Complementary product portfolio with compelling market positioning that appeals to a diversified customer base

We offer a complementary product portfolio that covers multiple entry points to personal aviation, enabling us to target a wide range of potential customers and cover the lifetime of a customer's personal aviation experience. Our SR2X Series aircraft have a selling price of US$500,000 to US$1.3 million and provide a product "ladder" with increasing levels of performance and specifications that satisfy various customer demands at different price points, often resulting in multiple purchases from the same customer as they move up our product ladder.

The Vision Jet introduces the next step into a more premium segment of the personal aviation market and offers significantly enhanced performance, mission capabilities and specifications. Our Vision Jet aircraft targets and challenges the light turbine aircraft market, offered at half the price compared to other aircraft with similar performance with costs between US$4.5 million to US$7.0 million, according to Frost & Sullivan.

We believe our market leading products are well positioned to address the diverse needs of the personal aviation market. During the Track Record Period, approximately 75% of our Vision Jet deliveries were made to owners who had already owned a Cirrus aircraft.

Direct-to-Customer model enabled by connected ecosystem

Our direct-to-customer model is enabled by our ecosystem. From tailored flight demonstrations to purchase and delivery of the aircraft and beyond, our sales director and delivery experience advisors develop a closer connection with our customers, reducing brand dilution, and in turn promoting purchases of post-sales products and related services.

We strive to make owning and operating an aircraft accessible, convenient, and enjoyable through a comprehensive global ownership ecosystem that connects owners and operators of our aircraft with a wide range of services. Through Cirrus Services and other ancillary products and services, not only are we able to generate a steady stream of recurring revenue, but we have also created a safer and more engaged Cirrus flying community. In 2020, 2021 and 2022, the revenue generated from Cirrus Services and Other, which includes ancillary products and services, was US$98.2 million, US$118.5 million, and US$134.3 million, respectively, representing a CAGR of 17.0%.

Our ecosystem is further enhanced by our digital connectivity capabilities. Our full-package of services is easily accessible through Cirrus IQ, a connected digital platform and mobile application with which our recently delivered aircraft are equipped. While providing real-time access to information about an aircraft to the owner, we can also use the data collected by Cirrus IQ throughout our organization to improve decision making and efficiency in multiple functional areas, enhancing our ability to deliver services effectively within our ecosystem.

Customer centric designs and features supported by advanced proprietary technology

We have accumulated extensive experience in building certified aircraft with market-leading innovations that are quintessential components of our products and brand. We possess the in-house expertise needed to develop, certify and manufacture an aircraft from scratch, while working with world-class suppliers to incorporate cutting-edge technologies and designs. The combination of both has given us the ability to cater to a wide range of needs of our customers, while consistently delivering products that meet the high standards in the personal aviation industry.

Since our inception, we have continuously enhanced the safety, technology, connectivity, performance, and comfort of our aircraft by integrating various technologies and innovative designs that differentiate us. For example, responding to evolving customer needs and industry trends, in iterative generations of the SR2X Series aircraft, we have introduced Cirrus IQ, electronic locking of luggage door and additional aerodynamic features. Similarly, in iterative generations of the Vision Jet aircraft, we have also upgraded the avionics system to Cirrus Perspective+ improving the ease of operation, and have added more thrust in hot and high conditions, along with the Safe Return and Wi-Fi features. We believe this product strategy increases the appeal of our products and enhances customer stickiness.

Superior development and commercialization capabilities fortify industry position

Our entrenched market leading position is fortified by our experience in development, engineering, material expertise, supply chain and systems integrations — all required for obtaining FAA and other required certifications for our aircraft — as well as our production systems and procedures, our scale and volume of operations, including our manufacturing facilities and service network, our extensive supply chain network, and our strong direct sales network. All these capabilities collectively constitute our moat and have allowed us to benefit from operational efficiencies and synergies that create very substantial barriers to entry to potential new entrants.

For more than 30 years, we have been building a deep competitive moat and strong foundations for long-term success in the personal aviation industry — a loyal base of customers who are well-served and eager for the latest personal aviation products, services, experiences and technologies. Our focus on technology, product, and service development and personalized customer experiences is a significant competitive differentiator that continuously reinforces loyalty to our Cirrus brand, drives repeat sales, attracts customers and creates new customer business. We believe we have created and established a successful modern personal aviation ecosystem serving a broad spectrum of customers that no other aircraft OEM has been able to replicate. With over 9,500 aircraft deliveries worldwide as of the Latest Practicable Date, we believe we are well-positioned to continue to capture the growth in the personal aviation industry.

According to Frost & Sullivan, the certification of a new aircraft type can take between five to nine years, while amended type certificates typically take three to five years to be obtained. We have accumulated extensive experience in building and obtaining FAA-certification for award-winning personal piston and turbine aircraft. In addition, our superior productivity is achieved through over 2,300 employees, using parts produced ourselves and sourced from an extensive network of suppliers. For the years ended December 31, 2020, 2021 and 2022, we delivered 420, 528, and 629 aircraft, respectively, significantly higher than the average annual deliveries of our peers, according to GAMA.

Our high marketing and post-sales service efficiency is achieved through our direct-to-customer team in the United States as well as our CSA Model operating outside the United States, four FSCs and a global partner network of approximately 244 ASCs located in 32 countries as of December 31, 2022. This established network enhances success in bringing new products and services to market and providing aircraft maintenance to our aircraft owners and operators around the world.

Visionary senior management team with proven track record

We are led by a visionary and dedicated management team with not only extensive experience in the aviation and automobile industries but also leadership positions at public multinational companies. The leadership team has an average of more than 20 years of experience at industry-leading companies such as Tesla, Bang & Olufsen, James Hardie, Navistar, Cub Crafters, Delta Air Lines, Textron, and Garmin. See "Directors and Senior Management" for their biographies. In addition, several of our management members are active pilots themselves.

Our senior management is led by our Chief Executive Officer, Zean Nielsen, President of Customer Experience, Todd Simmons, President of Innovations and Operations, Pat Waddick, and Chief Financial Officer and Executive Vice President, George Letten. The senior management team brings a skilled mix of strategic planning, tactical and rapid execution, efficient capital allocation, effective marketing, and innovative product design capabilities to our Company. As testament to the success of our management's vision of delivering a holistic personal aviation experience, we have experienced significant growth since 2019, when Mr. Nielsen was appointed our Chief Executive Officer. In particular, during the Track Record Period, our profit for the year more than doubled from US$36.1 million in 2020 to US$88.1 million in 2022.

Our Strategies

To deliver a comprehensive and connected premium aviation experience and expand our market leadership in the personal aviation industry in the United States and globally, we intend to focus on the following key strategies:

Monetize installed base

With our ecosystem and established customer base, we seek to expand our maintenance, training and management service offerings, which will not only enhance our customer loyalty but also increase our recurring revenue streams.

By leveraging the success of our JetStream program, we will continue to establish new maintenance programs and deliver additional features in the existing programs to make owning an aircraft simpler, safer and more convenient for our customers. We will also continue to provide a wider range of aircraft upgrades as well as enhance our overhaul capabilities. For example, we will expand the range of post-sales upgrades available through our Cirrus Direct program, which would provide our customers with more modification options such as adding hot-and-high and WiFi features to their aircraft.

We plan to expand the aircraft management solutions to more customized services and in more locations after receiving exceptional feedback from our customers on our turnkey Vision Jet ownership program VisionAir and a similar program for the SR2X Series called Cirrus One. In addition, we plan to offer trade-in opportunities to our existing aircraft owners and expand to facilitate secondary sales of aircraft to expand our customer base. Furthermore, we aim to expand financing options for existing and new customers to facilitate their purchase of new aircraft and aircraft upgrades.

Enhance flight training solutions

We will continue to scale up our customized flight training solutions to support our growing customer base. For example, we have introduced Cirrus Flight Training ("CFT") which include, our concentrated 35-day flight training program that teaches our customers the basic aeronautical skills and experience to become a FAA-certified pilot. We also intend to expand our current Type Rating training program and further enhance our simulation capabilities to increase our training solution offerings.

In addition, we strive to make it easy to operate our aircraft and introduce personal aviation to more potential customers. For example, we have started to introduce training programs for prospective buyers such as factory-direct flight training in our four FTC locations where we train our prospective customers to fly using the Cirrus Approach system in a premium environment with new Cirrus planes. Through these programs, we can introduce personal aviation to customers who have not previously considered it a viable mobility solution.

Advance and expand our aircraft and services portfolio

We intend to maintain the long-term competitiveness of our core SR2X Series and Vision Jet aircraft through model upgrades and generational changes. We plan to incorporate new technologies and features into our aircraft that enhance the safety, automation, connectivity, and ease of use. For example, we seek to increase the level of automation to enable SVO by leveraging advanced flight control and on-board computing systems to simplify and automate certain tasks that normally belong to pilots. In addition, we will continue to work with existing and new strategic partners to make advances in connectivity solutions that support data analytics to improve reliability and expand customer services. For example, we plan to further expand the services available on Cirrus IQ to include flight quality analysis and feedback, maintenance and training scheduling, and integrated flight planning solutions.

We will continue to increase the reach of our product portfolio by expanding the products available along the product "ladder." In addition to our existing SR2X Series and Vision Jet aircraft, we plan to develop derivative aircraft and new platform aircraft to expand the product "ladder." These products can further complement our existing product portfolio, enabling us to retain existing customers, penetrate new markets, and attract additional customers.

Advance production capabilities

We will continue our COS transformation of all production processes involving standard work with a focus on IT infrastructure modernization and integration to simplify the manufacturing process and achieve better productivity management. For example, we plan to integrate the current manual process to document work orders in the enterprise resource planning ("ERP") system with COS to allow our work to be registered digitally and the process to be highly traceable. We will also upgrade and expand our facilities to support COS implementation and streamline the production flow. For example, we are currently conducting tests on automated sanding equipment and plan to implement the equipment into actual production to replace labor intensive manufacturing processes. We believe that the combination of COS efficiencies and automation not only can further reduce the cost and labor hours per unit, but can also increase safety and quality of our production process.

We also plan to seek opportunities to provide flexibility to implement incremental design modifications quickly. For example, we plan to implement Demand Flow Technology ("DFT"), a system that accommodates a mixed-model production environment and provides us with the flexibility to easily adjust the mix ratios between the various SR2X Series aircraft. DFT reduces lead-time for order configuration, and allows us to assemble various SR2X Series aircraft down the same production line.

In addition, we will explore production capacity expansion in various strategic locations to support our growth. This can include expansion in the United States and internationally to serve those markets more closely. We will also further expand the production capacities of composite parts, which are essential to our products, and seek vertical integration of suppliers depending on the prevailing future economic environment.

Expand our markets globally

We will continue to expand the geographic reach and presence of our Cirrus Services network and to enhance its capabilities to service more customers. During the Track Record Period, our products were sold to customers in 36 countries around the world and we had ASCs in 32 countries. In addition, we seek to repeat the success of our direct-to-consumer model domestically by increasing the number of sales pilots and expanding that model outside of the United States. We intend to add more physical locations in addition to our four existing FSCs, focusing on underserved areas. Similarly, we will continue to expand and enhance our ASC and ATC network through cooperating with existing partners and adding new partners. We plan to expand our virtual and electronic offerings to provide services in more locations and improve our ability to service more customers in our ecosystem.

Establish on-demand personal aviation solutions

We aim to establish our aircraft as the ultimate on-demand personal aviation solution that addresses the gap between ground transportation and regional air services. We plan to expand the offerings of our ownership management programs VisionAir and Cirrus One to more locations to provide Cirrus aircraft owners, an on-demand and seamless flying experience with our global network of professional pilots. In addition, we plan to further collaborate with fleet operators and training schools to use Cirrus aircraft for charter flight services when owners are not actively using the aircraft. This way, not only would we be able to generate additional revenue for us, our partners, and our customers, but we can also build up our reputation as the top choice for on-demand air services.

In addition, we will continue to invest in infrastructure that enables us to advance in the on-demand air services market. For example, the expansion of our flight training programs will increase the number of qualified pilots to operate on-demand Cirrus aircraft. Moreover, the continuous upgrades of Cirrus IQ and our e-commerce platform would allow us to eventually connect available pilots and customers who seek on-demand flights. We believe our initiatives will keep us in the forefront of on-demand personal aviation services as they become more widely accepted.

OUR BUSINESS MODEL

We design, develop, manufacture, and sell single-engine piston and jet aircraft, delivering a comfortable, convenient, and premium aviation experience that is the pinnacle of innovation, quality and safety. Our global post-sale ownership and support ecosystem enable frictionless aircraft ownership and enjoyment.

We currently offer two aircraft product lines: (1) the SR2X Series, our single-engine piston aircraft primarily for retail customers which is comprised of three models: the SR20, the SR22 and the SR22T with specialized configurations for fleet and special mission applications; and (2) the Vision Jet, our single-engine jet aircraft primarily for retail customers and to a lesser extent charter operational use. Our aircraft are available for sale and delivery around the world and have a price ranging from approximately US$500,000 to approximately US$3.3 million.

Each of our aircraft is designed to prioritize safety, advanced technology and architecture, and connectivity, as well as ease-of-use, comfort and performance. We integrate advanced technologies, such as CAPS (our award-winning, whole airframe plane parachute), Cirrus IQ (our connected digital platform and mobile application which collects a wide range of flight data and aircraft data during flight to provide pilots useful data on their aircraft) and Safe Return (our emergency auto-landing system) on the Vision Jet, bringing a safe, premium and enhanced experience to our customers. We also personalize and customize our aircraft for specific mission purposes, such as for institutional flight training or charter fleets, as well as various special mission customers. Our continued focus on product improvement leads to model upgrades and ongoing generational changes to equip our aircraft with new technologies and designs to remain at the forefront of the industry.

We consider the production and sale of our aircraft to be the beginning of a life-long relationship with our customers. In 2018, we launched Cirrus Services, our customer-centric business unit that provides lifestyle-based solutions for flight training, aircraft maintenance and management and financing for individual aircraft owners and operators with a wide range of flight needs. Through Cirrus Services, we address the challenges of a fragmented aircraft market by creating lifestyle-based solutions for our customers, regardless of the ownership cycle of our aircraft. By leveraging the smooth integration of our advanced technologies to create aircraft that directly connect to the customer and their lifestyle, combined with the various benefits offered as part of our Cirrus Services business unit, we have created a comprehensive ecosystem that enhances customer satisfaction and brand loyalty. Our direct-to-customer model is enabled by our global ecosystem. See "— Our Ecosystem" for more information. As of December 31, 2022, we had established a sales presence in more than 36 countries, through our sales agents and CSAs, enabling us to reach our customers globally.

The following table sets forth the breakdown of our revenue by revenue stream during the Track Record Period:

	For the year ended December 31,					
	2020		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Revenue						
Aircraft	488,290	83.3	619,612	83.9	759,740	85.0
SR2X Series	290,468	49.6	384,638	52.1	492,825	55.1
Vision Jet	197,822	33.7	234,974	31.8	266,915	29.9
Cirrus Services and Other	98,173	16.7	118,518	16.1	134,342	15.0
Total	**586,463**	**100.0**	**738,130**	**100.0**	**894,082**	**100.0**

OUR ECOSYSTEM

Our comprehensive global post-sale ownership and support ecosystem makes owning and operating our aircraft as accessible and convenient as owning and operating a car. Through our dedicated business unit Cirrus Services and adjacent products and solutions, we provide service and support, maintenance, parts fulfillment, flight training, pilot services and aircraft management services that collectively enable frictionless aircraft ownership and enjoyment. Our direct-to-customer model is enabled by our global ecosystem.

We have established a comprehensive global ownership ecosystem to make owning and operating an aircraft accessible, convenient, and enjoyable. Our ecosystem provides the following:

- *Support and Maintenance:* Customers enjoy access to our FSCs and global partner network of ASCs. See "— Sales and Marketing — Our Marketing Strategies" and "— Our Services — Aircraft Maintenance and Support" for more information.

- *Training:* Our FTCs, ATCs, network of more than 800 Cirrus standardized instructor pilots and in-person and online flight training programs help customers hone their skills and earn their PPL. See "— Our Services — Flight Training Services" for more information.

- *Management Services:* Our services extend beyond the initial aircraft purchase and include access to on-demand professional pilots and aircraft maintenance. See "— Our Services — Aircraft Management" for more information.

- *Financing and Insurance Services:* Cirrus Finance and Cirrus Insurance offer financing and insurance solutions through their strong relationships with preferred third-party financing and insurance partners in the U.S. and abroad in more than 140 countries. See " — Our Services — Financing and Insurance Services" for more information.

We employ a direct sales team in the United States, which has the greatest concentration of Cirrus owners, supplemented with a network of Cirrus Sales Agents who promote our aircraft throughout the rest of the world (the "CSA Model"). This direct-to-customer model provides a competitive advantage by expediting the speed at which our sales team can schedule flight demonstrations with customers and reduces brand dilution that would occur as a result of third-party dealer involvement. Unlike our peers that use a dealership model in which each dealer may sell product lines from various brands at the same time, our CSA Model is advantageous in that our CSAs are generally required to sell Cirrus aircraft exclusively.

Increasing the scope of Cirrus Services expands the reach of our Cirrus community, attracts new customers, improves our customer satisfaction and brand loyalty and generates aftersales recurring revenue. As of the Latest Practicable Date, our global customer base owned in excess of 9,500 of our aircraft and continues to grow. For the years ended December 31, 2020, 2021 and 2022, Cirrus Services and Other generated revenue of US$98.2 million, US$118.5 million and US$134.3 million, respectively, representing 16.7%, 16.1% and 15.0% of our total revenue for the corresponding periods, respectively.

OUR PRODUCT PORTFOLIO

We design, produce and sell single-engine piston and jet aircraft with a focus on continuously improving performance, safety and comfort by leveraging our innovative technologies and advanced systems. We offer an innovative and complementary product portfolio that covers a range of personal aviation solutions. Our aircraft are primarily operated for personal and business travel and are typically piloted by the aircraft owners who have earned certification to fly the aircraft. Each of our aircraft is produced with composite materials and equipped with advanced features. See "— Technically Advanced Aircraft Features" for more information.




Model	SR20	SR22	SR22T	Vision Jet
Engine	Piston	Piston	Piston	Jet
Max Cruise Speed (KTAS)	155	183	213	311
Max Operating Altitude (ft)	17,500	17,500	25,000	31,000
Max Range (55% Power) (nm)	709	1,169	1,021	1,275
Useful Load (lbs)	1,028	1,328	1,246	2,450
Max Takeoff Weight (lbs)	3,050	3,600	3,600	6,000
Takeoff (ft)	1,685	1,082	1,517	2,036
Max Passengers	5	5	5	7
Base Price as of the Latest Practicable Date	US$579,900	US$772,900	US$887,900	US$2,980,000
First Delivery	July 1999	February 2001	June 2010	December 2016
Total Deliveries as of the Latest Practicable Date	1,722	4,379	2,990*	451

Note: Performance figures and prices reflect aircraft delivered in 2023.

* SR22T's predecessor was the SR22TN. The SR22T in its current configuration was first delivered in 2010. Total deliveries of the SR22T include deliveries of the SR22TN.

The SR2X Series

Initially certified by the FAA in 1998, the SR2X Series is comprised of a series of single-engine piston models of aircraft that have been certified and validated in more than 60 countries. Our SR2X Series, currently in its sixth generation with over 9,000 aircraft delivered as of the Latest Practicable Date, has been the best-selling high-performance, single-engine piston aircraft for 21 consecutive years in the U.S., according to Frost & Sullivan.

Since our inception, we have sought to design and build a personal aircraft that is safer, faster and more comfortable than market alternatives. The SR2X Series design includes a premium interior, a multi-function instrument display to provide faster and better access to information, as well as our CAPS, a whole airframe parachute that is a unique feature in single-engine piston aircraft, according to Frost & Sullivan. Over the years, the SR2X Series has been refined and enhanced with improvements to performance, comfort, convenience and, most importantly, safety.

As part of our comprehensive product offering strategy, our SR2X Series provides a product "ladder" with increasing levels of performance and capabilities addressing different customer needs and preferences for a single-engine piston aircraft at different price points and providing a stepping stone to our Vision Jet resulting in multiple purchases from the same customers as they move up our product ladder. We offer an entry-level training aircraft, the SR20 model, as well as the SR22 and SR22T models, both of which offer increasing engine and aircraft performance. Each model is a single-engine, piston-powered aircraft with automated propeller control and a range of features and customizable options for enhanced aesthetics, performance, safety and comfort. Each model of the SR2X Series has also been modified for flight training purposes as part of our TRAC Series, which often supports our fleet and special missions customers.

Our SR2X Series is designed for functionality and comfort without compromising performance and safety. Each model is equipped with standardized features, including a remote and keyless baggage door, high-powered USB ports, advanced avionics and premium leather seating and interiors. Our interiors are designed to replicate the feel of a premium automobile. Our SR2X Series aircraft are also equipped with our proprietary Spectra™ wingtip lighting and Spectra illuminated steps, which increase brightness and visibility. These features together contribute to the premium feel of our aircraft.

For the years ended December 31, 2020, 2021 and 2022, the SR2X Series generated revenue of US$290.5 million, US$384.6 million and US$492.8 million, respectively, representing 49.6%, 52.1% and 55.1% of our total revenue for the corresponding periods, respectively.

The SR20 Model

Initially designed in 1994, the SR20, our entry-level model, redefined the single-engine piston aircraft category by bringing modern automotive-like styling and features, all-composite construction, an intuitive flat-panel avionics display with advanced sidestick controls, and the distinctive benefits of a full-airframe parachute to a segment of the market that had long suffered from little research and development and new product investment, according to Frost & Sullivan. Certified by the FAA in 1998 before entering into service in 1999, the SR20 model has continued to evolve over the past 29 years. The SR20 model is equipped with a 215 horsepower Lycoming engine. The aircraft has a maximum cruising speed of 155 KTAS, a maximum range of 709 nm and a maximum operating altitude of 17,500 feet. The SR20 model has a useful load of approximately 1,028 pounds and can typically carry up to four adults and one child.

Our SR20 model comes equipped with our standard range of features. See "— Technically Advanced Aircraft Features" for more information. We also offer a pre-bundled package of premium features for the SR20 model, which includes the following:

Digital 4-in-1 Standby Instrument — provides back-up altitude, airspeed, attitude and slip/skid data in a format familiar to glass cockpit aviators, which gives pilots faster access to better information in real-time.

Dual 12-inch Display Screens — offers improved situational awareness and screen display bigger than the standard 10-inch screens.

Active Traffic — enhances the standard system with active interrogation of nearby transponder-equipped aircraft to create a 360 degree zone of detection and awareness around the aircraft and provides visual and audio alerts to potential traffic hazards.

The above premium features are in addition to a remote and keyless baggage door, interior and exterior ambient convenience lighting to facilitate access to the aircraft during non-daylight hours and premium appearance options. There are also a series of a la carte customizable options, including air conditioning, connectivity options (e.g., satellite phone) and an engine pre-heater for cold weather.

The first SR20 model was delivered in 1999. As of the Latest Practicable Date we have delivered 1,722 SR20 aircraft.

The SR22 Model

The SR22 model focuses on higher performance with a larger wing, higher fuel capacity and more powerful engine than the SR20 model. The SR22 model is equipped with a 310 horsepower Continental engine. It has a maximum cruising speed of 183 KTAS, a maximum range of 1,169 nm and a maximum operating altitude of 17,500 feet. The SR22 model offers a useful load of 1,328 pounds and can typically carry up to four adults and one child. In addition to the standard features included and additional a la carte options available for the SR20 model, the SR22 model also offers five premium packages of additional features, such as the FAA-certified Flight Into Known Ice (FIKI) system (a fluid-based ice protection system that coats aircraft flight surfaces, including vertical stabilizer and elevator tips, with anti-ice fluid and allows pilots to fly into limited icing conditions), as well as enhanced active traffic monitoring, large display screens and the ability to activate aural and visual alerts while at the airport.

The first SR22 model was delivered in 2001. As of the Latest Practicable Date, we have delivered 4,379 SR22 aircraft.

The SR22T Model

The SR22T model builds upon the high performance of the SR22 model with a turbo-charged engine that enables the SR22T model to maintain the same high level of horsepower at even higher altitudes. The SR22T model is equipped with a 315 horsepower Continental turbo-charged engine and has an increased maximum cruising speed of 213 KTAS, a maximum range of 1,021 nm, and a higher maximum operating altitude of 25,000 ft. The SR22T model offers a useful load of 1,246 pounds and can typically carry up to four adults and one child. The same standard features, additional a la carte options and five premium packages offered for the SR22 model are available for the SR22T model.

The first SR22T model was delivered in 2010. As of the Latest Practicable Date, we have delivered 2,990 SR22T aircraft.

TRAC Series

Launched in 2019, the TRAC Series is a purpose-built configuration of the SR2X Series initially developed for flight training institutions and often purchased as part of a fleet. The TRAC Series includes the TRAC20, TRAC22 and TRAC22T models based on the three models of the SR2X Series. The TRAC Series provides additional tailored features, such as rear set push-to-talk functionality and a landing gear simulator.

The TRAC Series is equipped with several advanced features that optimize it for training, such as the integrated Cirrus Perspective+, mimicking features typically found in advanced airliners to make the TRAC Series an optimal tool for flight training programs. We have applied our design approach to the TRAC Series to optimize its functionality by redesigning the interior of the SR2X Series to meet the specific needs of a high-utilization training environment. Our TRAC Series is further bolstered by our wide array of interactive, tailored flight content offered through Cirrus Approach.

The Vision Jet

Our category-defining Vision Jet is the first and only personal single-engine jet that has been certified and put into production according to Frost & Sullivan. As of the Latest Practicable Date, the Vision Jet was certified and validated in 45 countries and has been the world's best-selling jet (including the best-selling jet of the personal aircraft segment) under US$7.0 million for five consecutive years, according to GAMA. The Vision Jet is designed for owners to fly at jet speed, includes an advanced avionics system and has a Williams International engine that can travel at a cruising speed of 311 KTAS at a maximum operating altitude of 31,000 ft and a maximum range of 1,275 nm. In addition to high performance, the Vision Jet can hold a high useful load of 2,450 pounds and can typically carry up to five adults and two children. The Vision Jet is designed for optimized travel at jet speed without requiring support from a full-time pilot or flight department, reducing ownership costs when compared to full-service options. The Vision Jet is supported by our exclusive VisionAir aircraft management program. See "— Our Services — Aircraft Management" for more information.

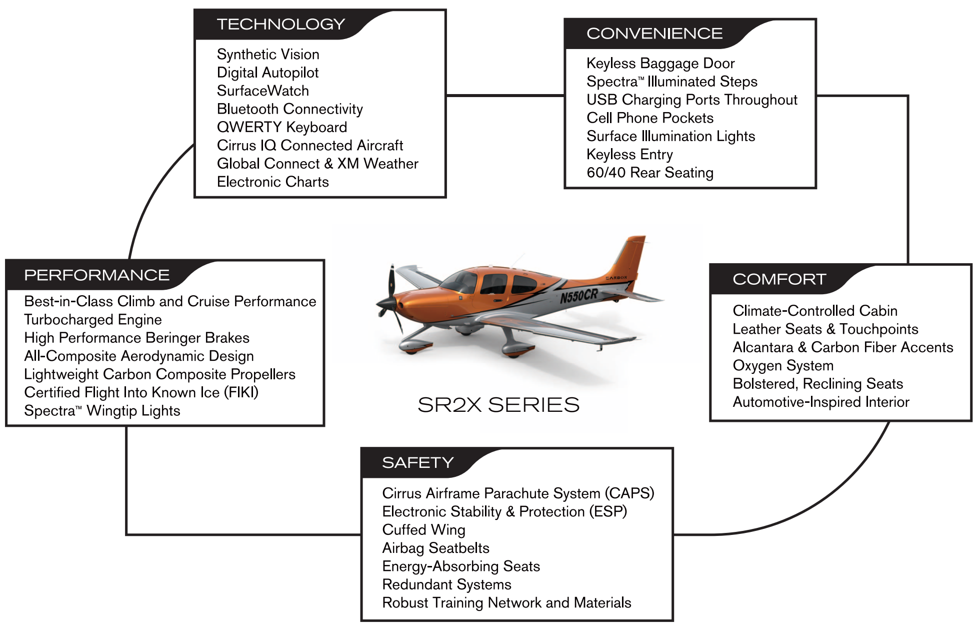
The Vision Jet uses carbon fiber technology to provide an advanced monocoque carbon fuselage. The use of carbon fiber materials provides numerous competitive advantages such as allowing for a smoother airframe surface, providing improved aesthetics and fit-and-finish, reducing lower production cycle-time, improving first-time production quality, and improving fuel efficiency and lowering carbon emissions by improving aerodynamic drag, according to Frost & Sullivan. The "backpack" engine placement (in which the engine is placed on the top of the aircraft as opposed to the sides given the aircraft's single-turbine nature) and V-tail design reduce cabin noise. Safety remains at the forefront of our design. The Vision Jet includes CAPS and Safe Return as standard features.

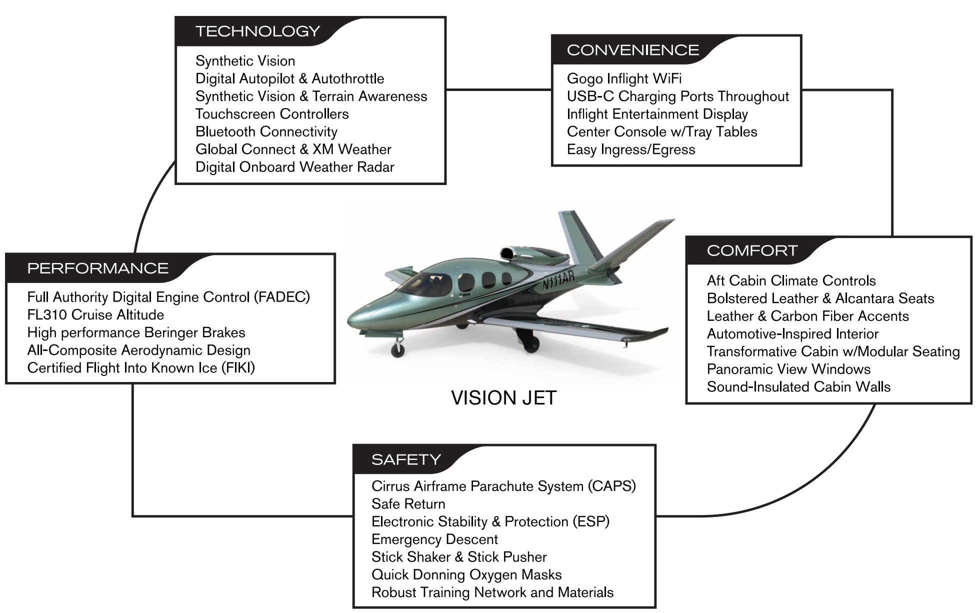
We offer five premium packages for the Vision Jet that are designed to fit effortlessly into our customers' increasingly, digitally connected world through a variety of advanced features. These features add convenience and additional connectivity through, for example, the Cirrus Perspective Touch+™ by Garmin flight deck with added touch screen capability, as well as Gogo® Inflight Wifi, Bluetooth® and satellite connectivity and SiriusXM® weather and radio options offered in the U.S. and Canada. Other premium packages include enhanced mission capabilities with weather tracking tools that provide precision analysis in real-time, active traffic monitoring and premium interior and exterior features, including multi-tone paint and customized seating options.

The first Vision Jet aircraft was delivered in 2016. As of the Latest Practicable Date, we have delivered 451 Vision Jet aircraft. For the years ended December 31, 2020, 2021 and 2022, the Vision Jet generated a revenue of US$197.8 million, US$235.0 million and US$266.9 million, respectively, representing 33.7%, 31.8% and 29.9% of our total revenue for the corresponding periods, respectively.

Technically Advanced Aircraft Features

Each of our SR2X Series and Vision Jet aircraft has been designed to focus on addressing five key priorities: safety, advanced technology and architecture and connectivity, ease of use, comfort and personalization, and performance. The successful integration of various technologies and innovative designs has distinguished us from our competitors. Each of our SR2X Series and Vision Jet include our advanced technologies as standard or premium features, depending on model.





Safety:

Safety has been at the core of our product design since we designed our first aircraft. All of our aircraft include active safety features including our hallmark CAPS. Our recent and future Vision Jet aircraft include, and will include, our Safe Return auto-landing system.

Cirrus Airframe Parachute System — CAPS is a whole-plane parachute system that is included as standard equipment on all of our aircraft. Inspired by a mid-air collision that one of our co-founders survived, CAPS was the industry's first general aviation parachute system implemented into a FAA-certified aircraft, according to Frost & Sullivan. As of the Latest Practicable Date, we remain the only company to include a whole airframe parachute as standard equipment in each of our certified aircraft, according to Frost & Sullivan. In the event of an emergency, activation of CAPS will release the parachute and facilitate a slow descent. As of the Last Practicable Date, our aircraft installed with CAPS had accumulated a total worldwide flight time of over 15.5 million hours and had featured 123 aircraft recovered under parachute that involved 253 survivors and has contributed to our strong safety record and profile.

In the SR2X Series, CAPS is deployed with a handle above the pilot activating a rocket system that extracts the parachute pack from the aircraft. In the Vision Jet, CAPS is similarly deployed with a handle above the pilot activating an inflator bag ejecting the parachute pack from the aircraft and is assisted by a rocket ballistic system. The Vision Jet is the first and only jet with a ballistic parachute, according to Frost & Sullivan. Our Vision Jet was awarded the 2017 Robert J. Collier Trophy, given annually by the U.S. National Aeronautic Association for "the greatest achievement in aeronautics in America, with respect to improving the performance, efficiency, and safety of air or space vehicles." See "— Awards and Recognition" for more information.

Safe Return — Safe Return is an emergency auto-landing system that was created in collaboration with Garmin, a worldwide leader in general aviation avionics. Safe Return allows passengers in the cabin to land the aircraft safely with the touch of a button in the event of a pilot's incapacitation. Once pressed, Safe Return transforms the aircraft into an autonomous vehicle that utilizes all available data streams to navigate the aircraft safely to a suitable airport where the aircraft makes a landing and comes to a full stop on the runway, allowing passengers to open the door and step out safely.

The following diagram illustrates the use of Safe Return feature by simply pressing the button:

Our aircraft also includes several passive safety features embedded in the design of each model, including our cuffed wing technology that provides a safer flying experience, our Digital Autopilot, and our Cirrus Electronic Stability & Protection system. Our SR2X Series aircraft are the only single-engine aircraft with airbags in our seatbelts, according to Frost & Sullivan.

Digital Autopilot — Digital Autopilot is a fully digital, dual-channel Automated Flight Control System that delivers precise lateral and vertical navigation guidance for each phase of flight. The system also incorporates a return-to-level mode, which provides the pilot with a single-touch auto-pilot engage button to roll the wings and pitch to a level altitude if momentarily distracted or disoriented. Digital Autopilot has been a standard feature in all of our aircraft since 2008 and was also produced in collaboration with Garmin.

Cirrus Electronic Stability & Protection — Cirrus Electronic Stability and Protection ("ESP") is an avionics system that is available in all of our aircraft and automatically monitors an aircraft's flight condition. Cirrus ESP was produced in collaboration with Garmin, utilizing Garmin's advanced, attitude and heading reference system that consists of sensors on three axes to apply a control force to stabilize flights in the event of pitch or roll deviations that exceed recommended limits.

The following table represents our robust safety features:

Situation	Active Mitigation	Passive Mitigation
Loss of Control	• Synthetic Vision • Electronic Stability Protection (ESP™) • Stick Pusher/Stick Shaker • Blue Level Button • Advanced Autopilot • CAPS • Autothrottle	• Wide-aspect Ratio Electronic Displays • Wing Leading Edge Technology • Simplified Engine Control • Dynamic Seat Technology • Crashworthy Composite Structure
Mid-air Collision	• CAPS • Traffic Awareness/Synthetic Vision	• Window Visibility • Dynamic Seat Technology • Crashworthy Composite Structure
Pilot Incapacitation	• Safe Return • CAPS	• Dynamic Seat Technology • Crashworthy Composite Structure
Loss of Power	• Digital Engine Monitoring • CAPS	• Dynamic Seat Technology • Crashworthy Composite Structure
Flight Into Terrain/ Crashworthiness	• Terrain Awareness/Synthetic Vision • Air-bag Seatbelts	• Dynamic Seat Technology • Crashworthy Composite Structure • Side-stick Control
Weather/Icing	• Known-Ice Protection • Advanced Weather Products • Weather Radar • Lightning Detection System • High-altitude Capability	• Advanced Lightning Protection System
Runway Incursion	• Electronic Flight Displays • ADSB/Traffic Awareness • Safe-Taxi Technology	• Window Visibility • Dynamic Seat Technology • Crashworthy Composite Structure

Advanced Technology & Architecture and Connectivity:

Several of our aircraft features were created based on ongoing integration of innovative technologies and a focus on connectivity. This includes Cirrus IQ, our connected-aircraft technology which improves the customer experience by creating an integrated application that provides valuable insights.

Cirrus IQ **—** Each of our aircraft comes equipped with Cirrus IQ, a connected-aircraft technology that currently collects a wide range of flight data and aircraft data during flight and transmits the data off the aircraft upon landing for a wide range of uses, including dispatch support, preventative maintenance, training, engine health and incident-related data, all accessible via a clean interface by mobile device. The application tracks fuel, other fluid levels, maintenance intervals and flights and achievements. The application also supports push notifications for technical publication updates applicable to specific aircraft, as well as important inspection, maintenance and warranty events, providing users with quick reference to nearby ASCs and ATCs. Cirrus IQ introduced for the SR2X Series in 2020, is offered in English and available in 35 countries.

Ease of Use:

An integral part of our aircraft is their ease of use and accessibility for a wide range of experience levels, including first-time pilots. We are focused on continuing to integrate advancements in SVO (the flight systems and user interfaces that apply technology to provide assistance to pilots) in all of our aircraft. A standard feature in our aircraft that supports this is Cirrus Perspective+, our avionics flight deck with state-of-the-art and intuitive safety, communications, and navigational capabilities.

Cirrus Perspective+ — The system is comprised of two large flight displays, a flight management system keypad controller, our Cirrus ESP system, as well as an integrated engine indication and crew alert system. Cirrus Perspective+ integrates all aircraft flight, communication and navigation system information with external data, and displays it in real time over a clear and intuitive set of large displays. It includes an enhanced vision system, flight envelope protection, real-time datalink weather updates with moving map displays, stabilized approach advisories, wireless database uploads and additional glass back-up instrumentation. The flight deck is designed to assist the pilot's decision-making process by providing all relevant information to the pilot in an easy-to-assess way. Designed in collaboration with Garmin, Cirrus Perspective+ is available in our SR2X Series aircraft. Cirrus Perspective Touch+ is offered in each of our Vision Jet aircraft, which enhances the original Cirrus Perspective+ flight deck with faster hardware and touch screen capability.

Our design is purpose-driven, including our side-stick, auto-throttle design which places the throttle in a more convenient location for pilots at their side, instead of the traditional centered design which takes up space in front of the pilot making the experience less comfortable or convenient for the pilot to reach for.

Comfort and Personalization:

The premium look and feel of our aircraft is based on several intentional design elements and features in our aircraft. This includes our ergonomic window design, which balances visibility and functionality for a pressurized cabin and our passenger-centric cabin design which utilizes space effectively. We also allow for customers to customize their aircraft with preferred modifications to optimize their comfort based on their preferences and to create a personalized aesthetic with our Cirrus Xi program.

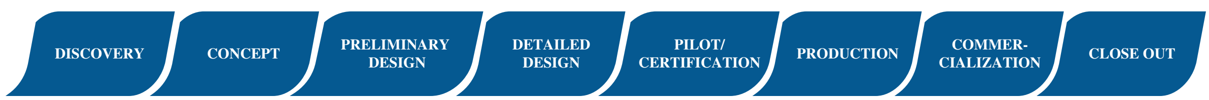
Cirrus Xi — Our Cirrus Xi program provides our customers with the ability to add custom and personalized specifications to their aircraft. This is facilitated by our Xi specialists, who work directly with the customer to plan and execute personalized modifications to their aircraft, from exterior paint to the stitching of seating. The process includes a remote evaluation and selection of materials and options for the aircraft, followed by custom sketches and samples created by our team to ensure that the details are tailored and approved to the customer's specifications. This process is completed with a special visit by our customers to the Xi Design Studio in Knoxville, Tennessee. From the exterior paint to the stitching of the seating, this customized process enhances the look and individuality of the aircraft.

Performance:

The utility of our aircraft as a viable mobility solution is driven by their performance metrics and can also be equipped with a platform for special missions, known as Cirrus Perception. Since its inception we have increased the performance of the SR2X Series multiple times with updates to our models including new powerplants and gross weight increases, and we have increased the performance of our Vision Jet twice since its launch in 2016 with the addition of a new avionics system, improved thrust and the introduction of Wi-Fi.

PRODUCT DEVELOPMENT AND INNOVATION CAPABILITIES

Constant technological and design innovation leading to continuous improvement and new feature launches and generational upgrades are critical to our success. For this reason, we have dedicated a substantial amount of resources to our product development team, comprising 330 employees as of December 31, 2022, representing 14% of our workforce. Our product development investment were US$17.5 million, US$23.3 million and US$39.4 million for the years ended December 31, 2020, 2021 and 2022, respectively.



We have been continuously renewing our product portfolio since our inception, which we believe is a key driver to sustaining the growth of our business and to continue providing a premium experience for our customers. Our key capabilities are being able to develop innovative safety features and design, our proficiency with advanced materials (and specifically, with composite carbon fiber technologies), our ability to get aircraft certified in a highly regulated environment and bring them to market and our ability to successfully integrate advanced technologies and materials. These capabilities create an expertise in product development and innovation that gives us a competitive advantage.

We will continue to evolve our aircraft in accordance with new capabilities and as technology evolves. We are committed to integrating new technologies and applications into our models to further enhance the technological competitiveness of our aircraft. We may, in the process of developing certain designs, or functionalities, develop our own proprietary technologies, solutions or applications, or proactively work in collaboration with several external suppliers to co-develop.

Due to our focus on renewing our product portfolio, our SR2X Series is in its sixth generation since its inception and our Vision Jet is in its second generation since its inception. We will continue to extend product lines and add new products and services into market segments and spaces where we can add distinct value as we have done for the past two decades.

OUR SERVICES

We consider the production and sale of our aircraft to be the beginning of a life-long relationship with our customers. In 2018, we launched Cirrus Services, our customer-centric business unit that provides lifestyle-based solutions for aircraft support and maintenance, flight training, and management and financing for individual aircraft owners and operators with a wide range of flight needs. Through Cirrus Services, we address the challenges of a fragmented aircraft market by creating lifestyle-based solutions for our customers, regardless of the ownership cycle of our aircraft. As of December 31, 2022, we had 288 employees dedicated to Cirrus Services across our FSCs. For the years ended December 31, 2020, 2021 and 2022, our Cirrus Services and Other revenue stream generated revenue of US$98.2 million, US$118.5 million and US$134.3 million, respectively, representing 16.7%, 16.1% and 15.0% of our total revenue for the corresponding periods, respectively.

In expanding and strengthening our service offerings, we believe that we will attract new customers while improving customer loyalty and strengthening our competitive advantage. We believe that this approach differentiates our business from many of our competitors who manufacture and sell aircraft but do not provide after-sale services.

Aircraft Maintenance and Support

We provide global maintenance solutions for our customers through the support of our 80 employees (as of December 31, 2022) at our FSCs and strong partner network of trained technicians at our ASCs with access to our branded aircraft parts and the latest services at our ASCs. Our aircraft maintenance and support services include (1) aircraft maintenance, including 24/7 global coverage and mobile aircraft on the ground ("AOG") support; and (2) aircraft management, including our exclusive turnkey ownership program. As of December 31, 2022, we had a network of 244 ASCs, of which 185 were in North America, 30 were in Europe, seven were in Asia, eight were in Australia and New Zealand, 12 were in South America, one was in Central America and one was in Africa. With the exception of AG Services, our connected person which operates an ASC in the PRC on a non-exclusive basis, to the best of our knowledge, each of our ASCs was an independent third party as of the Latest Practicable Date. See "Connected Transactions" for additional information regarding our connected relationship and transactions with AG Services.

Aircraft Maintenance and Modifications

Our maintenance solutions include our JetStream, Cirrus ASSIST™, and Cirrus Direct programs.

The JetStream program is the comprehensive, pre-paid ownership program available to every Vision Jet customer that includes benefits beyond the standard warranty including, for example, coverage for normal wear replacement, recurrent training (e.g., our Vision Jet pilots are required by FAA rules and regulations to receive an annual re-certification for their type instrument ratings), subscription renewals, 10-year overhauls on the CAPS and direct access to our expert technicians. As part of the JetStream program, the expert technicians at our four FSCs and 244 ASCs provide recurrent maintenance for the Vision Jet aircraft, as well as annual or semi-annual proficiency checks with our certified instructor pilots. As of the Latest Practicable Date, we maintained nearly 100% enrollment rate for all of our Vision Jet owners in the JetStream program. We also provide optional, extended warranty packages for the SR2X Series aircraft for three to five years from the time of purchase. See "— Sales and Marketing — Aircraft Orders and Delivery" for more information.

Our Cirrus ASSIST program provides 24/7 global coverage mobile AOG support with our team of expert technicians for expedited parts delivery, which addresses maintenance and modification upgrades for interior and exterior aspects of the aircraft, such as lighting, tires, wheels and brakes, avionics, powerplant, fuel system, and comfort and convenience.

The Cirrus Direct program, launched in 2014, is an in-house, online platform by which customers can place direct orders for modifications and upgrades, as well as replacement parts, to their SR2X Series and Vision Jet aircraft. The program supplements the robust, existing partner network of ASCs and offers complete Cirrus aircraft, engine and avionics.

Pre-Owned Cirrus Network

Pre-Owned Cirrus Network is our platform that connects prospective pre-owned Cirrus aircraft buyers and sellers across the globe, and is the largest and most active marketplace for previously owned Cirrus aircraft. First-time buyers, as well as sellers looking to upgrade into the latest Cirrus aircraft model are supported by our dedicated Cirrus Pre-Owned team at every stage of the pre-owned aircraft buying and selling process. By putting the full resources of a global team to work for those seeking to buy or sell a Cirrus aircraft, this program helps to facilitate a smooth process and to support an active secondary market for our aircraft.

Flight Training Services

Our flight training services include (1) in-person flight simulations and training at our facilities and partnered flight schools; (2) Cirrus Approach, our on-demand, online learning platform, for potential and existing customers of our SR2X Series and Vision Jet aircraft; and (3) Cirrus Embark, our complimentary program designed for customers who purchase pre-owned SR2X Series or Vision Jet aircraft. Our SR2X Series aircraft require a PPL to operate, and our Vision Jet aircraft requires a Type Rating certification that requires renewal on an annual basis. All of our flight training services are offered on a pay-per-course basis. In addition to attracting new customers to the personal aviation industry, our training programs foster loyalty among existing customers. As of the Latest Practicable Date, over 1,000 pilots have completed our Type Rating courses, as well as transitionary courses for licensed pilots who want to learn how to operate Cirrus aircraft. These courses generate a steady stream of recurring revenue. As of December 31, 2022, we had four FTCs in Tennessee, Arizona, Texas and Florida, as well as approximately 116 ATCs in 13 countries, of which 92 were in the United States and 16 were in Europe. Each of the operators of our ATCs were independent third parties as of the Latest Practicable Date.

In-Person Flight Simulation and Training

Our worldwide network of approximately 800 standardized instructor pilots are experts in CFT and have significant experience to guide customers in earning their PPL. At our Vision Center in Knoxville, Tennessee, which is one of our FTCs, we offer a premier, pilot-friendly training experience for both our SR2X Series and Vision Jet customers, including our proprietary, FAA-certified full-motion Level D flight simulator with two fixed base training devices. Level D simulators have the highest level of realism and simulation capabilities certified by aviation authorities. Having a Level D simulator at our Vision Center allows us to scale our training operations efficiently for both new and returning Vision Jet pilots, as we are not subject to weather or other constraints related to training in a real aircraft. In addition, training in a Level D simulator allows us to provide a thorough and high-quality training program, as we can simulate a wide range of failures and emergencies that cannot be simulated in a real aircraft. At our ATCs, we require our training partners to use our training materials when offering any courses related to our aircraft, which promotes standardization of our training and safety protocols.

Cirrus Approach

Cirrus Approach offers a total of seven categories of 57 on-demand video courses on a variety of topics, such as airframe parachute system training, instrument procedures, engine management, icing awareness, avionics and emergency procedures for our SR2X Series and Vision Jet aircraft. The courses are offered through interactive, bite-sized content for customers to learn at their own pace, with one of the program's main goals being to teach Cirrus pilots how to decide in advance when to use the CAPS and to create a culture in which pilots who pull the chute are applauded for their actions. As of the Latest Practicable Date, we had 38,437 Cirrus Approach users. Cirrus Approach was awarded the 2016 Joseph T. Nall Safety Award. See "— Awards and Recognition" for more information.

Cirrus Embark

Cirrus Embark is a complimentary program that provides one-on-one training at one of our partnered flight schools, as well as access to our Cirrus Approach platform, for customers who purchase pre-owned SR2X Series or Vision Jet aircraft. We categorize an aircraft as pre-owned if its delivery date to the original customer occurred more than 12 months ago. This safety-driven program is designed to address the operational differences between our aircraft and other aircraft models. With over 700 of our aircraft changing ownership each year during the Track Record Period, Cirrus Embark incentivizes individuals who have purchased pre-owned SR2X Series or Vision Jet aircraft, either directly through us or indirectly through a third party, to become a part of our Cirrus community, attracting new customers to our service offerings and increasing brand loyalty. As of December 31, 2022, we had held over 2,800 training events through our Cirrus Embark program, including more than 460 training events in 2022.

Aircraft Management

In 2020, we launched our exclusive VisionAir aircraft management program for our Vision Jet customers. VisionAir is a complete, turnkey ownership program that includes access to on-demand professional pilots and world class aircraft management that covers the dispatch, flight and maintenance of the aircraft for customers who do not have prior experience flying or a PPL. The program operates on a pre-paid, subscription basis and renews annually. A similar program for our SR2X Series customers called Cirrus One was launched in 2022.

Financing and Insurance Services

Established in 2003, Cirrus Finance and Cirrus Insurance offer financing and insurance solutions through their strong relationships with preferred third-party financing and insurance partners in the U.S. and abroad in more than 140 countries. Our third-party financing and insurance partners have dedicated employees to us who serve as brokers to help owners access financing and insurance at a competitive rate for the payment and operation of their aircraft and to attract new customers who may not have purchased an aircraft but for accessible financing options and insurance options. These providers have a deep understanding of both the general aviation industry and our products. We do not act as a lender for any of the financing solutions or an underwriter for any of our insurance solutions, as we connect our customers with our third-party financing and insurance solutions partners who act as lenders and underwriters to our customers. We conduct risk-based due diligence on our third-party financing and insurance partners and are provided with a flat commission fee upon successful referral of a client.

Services offered by our partners include domestic conventional lending, used aircraft financing, shared ownership financing, aircraft improvement loans and a range of insurance options. As of December 31, 2022, Cirrus Finance had provided financing solutions for over 3,000 purchases by our customers and was providing insurance solutions for 1,540 aircraft through Cirrus Insurance.

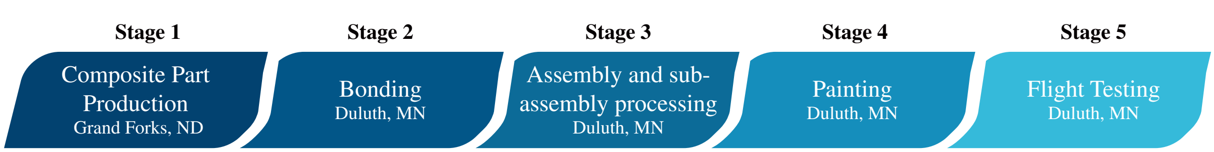
PRODUCTION

Production Process and Facilities

Production Process

Our manufacturing philosophy centers on product quality, continuous improvement, flexibility, advanced automation and high operating efficiency. We possess proprietary knowledge to manufacture an aircraft from the initial composite material to the final assembly and processing. Moreover, we are continuously optimizing our machining technique. Combining our proprietary knowledge and our machining technique supports our control over the components of our aircraft during the manufacturing process.

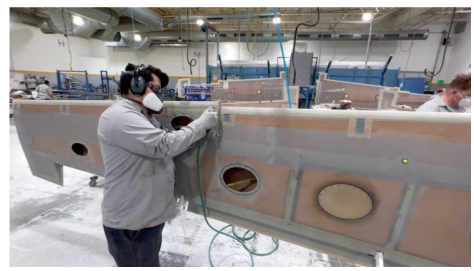
Our production cycle starts in our manufacturing facility in Grand Forks, North Dakota and finishes in our final aircraft assembly and production flight test campus in Duluth, Minnesota. The diagram below sets forth the key stages and sub-stages of the production cycle of our aircraft:



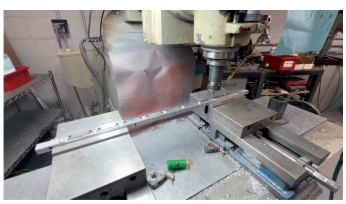
Stage One: Composite Materials — We source most of our two primary composite materials, pre-impregnated fiberglass and carbon fiber, from a supplier located in the United States. Composite materials are corrosive resistant, which permits us to form weight-efficient and aerodynamic airframes and lends to our competitive advantage, according to Frost & Sullivan. We produce all of our composite molds in-house.

The following images demonstrate various stages of aircraft production from composite lay-up, wing bonding, metal works, final assembly to painting:

Various stages of aircraft production from composite lay-up



Wing bonding



Metal works

Final assembly

Painting

A. *Ply-cut:* Once received, the composite materials must remain at a pre-specified, cold temperature to reach a certain level of pliability, which the production team tracks using a first-in, first-out method. Once the composite materials are prepared for cutting, they are nested to capture the most use out of the composite materials so as to reduce costs and minimize waste, and both automated and manual ply-cutting technologies are used. The ply-cutting process is monitored by strict quality control procedures to ensure that all quality control requirements are met.

B. *Lay-up:* Once the plys have been prepared, they are put into kits and transferred for mold lay-up sequencing. The production team carefully factors in daily and weekly production needs to determine which parts are molded first. The lay-up process involves the parts being pressed into exact locations at certain temperatures by use of heat guns.

C. *Bagging:* Once the parts have been layed-up into their molds, they are packaged with an airtight plastic film that exerts a vacuum to hold the plys together and to remove air.

D. *Oven Curing:* There are two types of curing: oven curing and autoclave curing. Autoclave curing involves curing the parts in a pressure vessel that exerts high pressure and temperature.

E. *De-tooling:* Once hardened, the plastic film is removed, and the parts undergo a de-tooling process by which the parts are removed and organized into their various functions.

F. *Trim and drill:* The parts undergo clean-ups through automated and manual trim and drill procedures.

G. *Clean and coat:* Once in final form, the parts are cleaned and the molds coated with a release agent in preparation for another cycle to produce the next part.

H. *Quality control:* Various quality control processes are in place, such as visual inspection, 12 axis ultrasonic testing, non-destructive inspection and more. Our quality control team members assess the finalized parts to eliminate possible defects such as voids, wrinkles, dimensions, porosity and more.

Stage Two: Bonding — The finalized parts are then shipped to our manufacturing facility in Duluth, Minnesota, where the parts undergo a composite bonding (adhesive gluing) process. In the bonding process, the composite part surfaces are carefully prepared to bond the parts together. After the part surfaces are prepared, the adhesive is applied and the parts are bonded together under heat and pressure. The assemblies are then body-worked to a smooth finish and primed with a first layer of primer.

Stage Three: Assembly — The assemblies, now aircraft, are processed on the assembly line at successive stations for major assembly attachment, wire harnesses installation, mechanical systems and components from metal works installation, avionics installation, propulsion installation and other processes.

Stage Four: Paint — Next, the aircraft goes through the painting process at our painting center in Duluth, Minnesota which is adjacent to the main manufacturing facility.

Stage Five: Flight Test and Certification — Once assembled and painted, the aircraft undergoes rigorous quality control inspections and production flight testing. The flight testing involves at least three cycles of flights before being approved for a certificate of airworthiness at our facility in Duluth, Minnesota.

The entire process requires approximately 51 days and 98 days for the SR2X Series and Vision Jet, respectively excluding optional upgrades and customization.

We purchase certain of our components (e.g., propulsion and avionics components) from our third-party suppliers, which we believe affords us with greater scalability and flexibility. However, we retain production of components in-house whenever we have an interest in preserving or developing technological know-how or whenever we believe that outsourcing would impair the efficiency and flexibility of our production process such as our composite parts, which we can manufacture for a lower cost and at a higher quality as compared to our competitors, according to Frost & Sullivan. During the Track Record Period, we purchased a supplier facility that specializes in metal fabrication to add to our Duluth, Minnesota campus to further vertically integrate key components for our aircraft. In addition, we further increased vertical integration of our manufacturing processes with another facility in our Duluth, Minnesota campus that makes sub-components/sub-assemblies that we sequence into the line for final assembly, such as flight controls. Integration of our production process gives us the flexibility to quickly implement incremental design modifications to enhance aircraft performance and simplify the manufacturing process.

Production Facilities

We own and operate two manufacturing facilities, including a composite parts manufacturing facility in Grand Forks, North Dakota and a final aircraft assembly and production flight test center in Duluth, Minnesota. See "— Property" for more information about our facilities.

The final aircraft assembly center is where all inputs from the production process are assembled to complete an aircraft for delivery. Given the highly specialized nature of aircraft manufacturing, certain parts of our respective production processes specialize in either the SR2X Series or the Vision Jet. In other areas of our operation, we can mix both products (the SR2X Series and the Vision Jet) together to achieve higher efficiency and lower cost.

Following assembly, completed aircraft are verified to meet regulatory and quality standards including production flight tests. During the Track Record Period, we produced approximately 1,635 aircraft for delivery. Current production operations are primarily conducted first shift supplemented by limited second shift and weekend operations in composites part fabrication in Grand Forks, North Dakota and paint and finishing in Duluth, Minnesota. We estimate that we are operating at approximately 65-75% of maximum capacity with the assumption that variable resources, expanded shift patterns, and limited rate tooling can be implemented with reasonable lead-time and expense to optimize production.

We do not believe the utilization rate and efficiency of our assembly lines for aircraft during the Track Record Period accurately reflects our production capability, primarily because of pandemic-related labor force anomalies, constrained regional labor (particularly in Grand Forks, North Dakota and Duluth, Minnesota), supply chain disruption, and currently available facility space. Our near-term measures have addressed processes where we have bottlenecks. For example, we have alleviated regional labor constraints with contract labor, and the planned transition of our Product Development group to our Innovation Center in Duluth, Minnesota, which is over 180,000 square feet, will allow for further production expansion.

To increase efficiency and assist in growth though reduced unit labor requirements, we have been developing our proprietary Cirrus Operating System ("COS") to establish and standardize operational methods, integrate our manufacturing systems, promote mixed model capability on the same production line and automate current work processes. Additional resources are also required to develop the supply chain and tighten supplier agreements to not only ensure growth support, but to increase predictability of delivery and costs.

Production Capacity

We are focused on expanding our production capacity by increasing our weekly output of deliverable aircraft of our existing series and expanding our production lines to accommodate newer models in the future. As of the Latest Practicable Date, we had a backlog of 1,461 aircraft. Since inception up to the Latest Practicable Date, we have delivered over 9,000 SR2X Series aircraft and over 400 Vision Jet aircraft.

Our production cycle follows a master production schedule that is reviewed by an executive committee comprised of individuals in the operations organization and is prepared to account for and mitigate the effects of seasonality, including any production delays that may arise as a result of fluctuations in cold weather at our facilities, particularly in Duluth, Minnesota and Grand Forks, North Dakota, which typically experiences a lot of snow, as well as other factors, such as shortages from suppliers and workforce availability and retention. Our production processes operate on a first-in, first-out method to ensure that we utilize our available inventory with efficiency. See "Risk Factors — Risks Relating to Our Business and Industry — Our financial results may vary significantly from period to period due to the seasonality of our business and fluctuations in our operating costs" for more information.

Suppliers and Procurement

Our five primary areas of procurement are (1) avionics and electrical, (2) fabrication, composites and raw material, (3) propulsion and landing gear, (4) interior/environmental control system/safety, and (5) indirect sourcing. We value our strong relationships with our suppliers who play an integral role in helping us deliver quality and safe aircraft to our customers, and we seek strategic collaborations with qualified suppliers to streamline our supply chain. See "— Top Customers and Suppliers" for more information about our top five largest suppliers.

We view the supply chain as a strategically critical area. Due to the limited volumes, high switching costs, and challenges in developing multiple supplier relationships, we depend on relationship development, market analysis, and long-term agreements to maintain a healthy supply base. We also engage with key suppliers on strategic product development to advance critical technologies and continuous improvement in reliability and quality. We are executing on a strategic sourcing plan that segments areas that are commodities for consistent market competition, segments to partner with such as Garmin, and segments to vertically integrate. We compliment this strategy with inventory control methods such as vendor managed inventory and just-in-time delivery of goods and materials.

We have stringent procedures and screening criteria for the selection of our suppliers, including, but not limited to technical performance, production capacity, timeliness of delivery, quality control, safety procedures and cost. All of our suppliers are required to comply with FAA rules and regulations, as well as our internal standards and policies, by which we conduct periodic reviews (including on-site evaluations) to assess quality and performance. We require our suppliers to be punctual in their deliveries and to meet our quality processes for the components they supply to us. See "Risk Factors — Risks Relating to Our Business and Industry — We face risks associated with our supply chain. If we experience any delay or interrupted supply, or if the quality of the supplies does not meet the required standards, our business, financial condition, results of operations and prospects could be materially and adversely affected" for more information. Other than as discussed in the section "Summary — Recent Developments and No Material Adverse Change — Recent Airworthiness Directive," we did not experience any significant delays from any of our third-party suppliers during the Track Record Period and as of the Latest Practicable Date.

We constantly seek to diversify our supply chain to mitigate the risks associated with potential dependence on individual suppliers or supply chain disruptions. Geopolitical events and economic conditions continue to interrupt the global supply chain, increasing lead times and increasing inflationary pressures on costs.

While the components that we purchase for our aircraft are generally commercially available, lead times for our various parts and components fluctuate significantly and are dependent on multiple factors, including contract terms, demand and the particular supplier involved. Given the intensely specialized nature of the manufacturing process, particular design parts are typically produced by single, qualified suppliers. We have multiple qualified third-party suppliers for our parachute design for our CAPS to mitigate risk of any disruptions to our supply chain. We regularly monitor for and maintain a list of alternative suppliers with commercially reasonable terms.

We enter into long-term agreements with suppliers for our engine, avionics and composite raw materials, with the key terms of our agreements including a detailed description of the specifications and quantity of the products to be received (and any ability to change such specifications), the purchase price, the delivery conditions and the consequences in the event of supplier's delay in delivery. Our major obligations as a purchaser under our long-term agreements are to make specification selections, to take timely delivery of the products from the suppliers and to make the required payments in accordance with the agreements. We also maintain supply agreements with suppliers providing license rights to use embedded technology in our aircraft.

Our agreements with suppliers typically include terms ranging from three to six years, with some containing automatic renewal provisions that range between two and three years, providing us with predictability and greater control of pricing. Our agreements with suppliers do not include minimum purchase commitments. Instead, we place orders with our suppliers from time to time according to our supply requirements and may, as applicable, provide our suppliers with non-binding, good faith quarterly forecasts for the quantities and delivery dates of the products estimated to be required during future periods from 12 to 18 months on average. We are generally obligated to pay our suppliers net 30 to 60 days after receipt of invoice in accordance with the pricing terms set out in our supply agreements. Most of our supply agreements contain price adjustment provisions that allow for the base prices of products to be adjusted on an annual basis. Product price adjustments are typically determined by the prevailing market and economic conditions and are subject to our review and feedback. Termination of supply agreements is generally permitted in instances of a default by either party. During the Track Record Period, we did not experience any breaches of our key supply agreements by our key third-party suppliers, nor did we breach any such terms.

Inventory Management

As a build-to-order manufacturer, we use a rolling, twelve-month forecast based on order history; product, service and warranty demands; backlog and anticipated product orders. We have inventory management policies and systems in place to monitor fluctuations in the supply chain and to ensure that we carry appropriate inventory to account for variations in demand and possible disruptions while reducing cost of ownership. For example, we hold inventory of our most costly items (e.g., propulsions and avionics systems) to cover demand for one to 1.5 weeks, whereas we hold inventory of low-cost items (e.g., small engine components) to cover demand for four to six weeks. We utilize a consignment approach with many of our suppliers, in which the parts received from our suppliers and held in our possession remain the property of our supplier and are not counted as our inventory until we open the boxes or consume the material in our manufacturing process. The suppliers for low-cost items are on a third-party logistics system in which we do not pay for the parts until we consume them. These suppliers regularly monitor and replenish our inventory as needed.

Airworthiness Directives, Quality Control and Assurance

We are required to comply with U.S. federal regulations as they relate to our quality system, oversight of suppliers, design control and control of tooling and software. Our quality control team is responsible for ensuring the quality and reliability of our aircraft through a team of over 100 employees as of December 31, 2022, that is independent from our production team. This quality control and assurance system is a basis for our production certificate from the FAA, which together with our FAA type certificates enables us to produce aircraft that receive FAA airworthiness certificates that support the sale and operation of an aircraft. This includes demonstrating compliance with federal regulations that dictate the quality system, the oversight of suppliers, the control of design, the control of tooling and the control of software. We have a process whereby we monitor and assess the impact of airworthiness directives that may apply to our aircraft. In the event our aircraft are impacted, we typically address any issues in our normal course of business. Save as disclosed in "Summary — Recent Developments and No Material Adverse Change — Recent Airworthiness Directive," during the Track Record Period and up to the Latest Practicable Date, the FAA had issued five other airworthiness directives that were applicable to our aircraft, which did not have a material adverse effect on our operations or financial performance.

We have adopted a uniform quality system, which enables our management to monitor our production activities through multiple key performance indicators and to take prompt corrective action whenever necessary. We believe that this approach facilitates the sharing of know-how and best practices across our products. At the same time, we have developed a comprehensive training system for our technicians that includes tailored manuals, procedures and operating instructions for each of our products to protect their distinctive characteristics. We track all technician and specialist training in a learning management system and require additional training for specialized processes, such as welding and non-destructive inspections.

In the event of any fatalities or serious injuries in connection with the use of our aircraft, we have an accident investigation team that will go to the accident site, if possible, and will work with authorities including the FAA to determine the cause of the accident. If the results are inconclusive or may involve an issue with the aircraft, we maintain adequate insurance levels to address litigation or other resolutions of disputes. See "— Insurance" for more information.

Cirrus Operating System

The Cirrus Operating System establishes and standardizes advanced manufacturing and supply chain processes. COS helps integrate our end-to-end business systems and processes and supports mixed model capability (i.e. the ability to produce parts and assemblies of various models simultaneously on the same production line). See "— Production — Production Process and Facilities." We will continue to introduce our Cirrus Operating System into our workflows to find additional opportunities to capitalize on improved efficiency including cost reduction and output growth. COS is designed to bring about cost efficiencies, including but not limited to the following benefits: (i) streamline our supply chain; (ii) standardize our manufacturing processes; (iii) improve our quality processes; (iv) enable flexibility to market changes; (v) optimize product and employee safety; (vi) optimize direct labor and manufacturing overhead employee productivity; and (vii) reduce unnecessary inventory.

SALES AND MARKETING

Our Sales Model

Our sales model is premised on maintaining a direct presence in strategic, geographical markets, and maximizing our market coverage through a solid and extensive partner network of ASCs and ATCs. As of December 31, 2022, we had established a sales presence in more than 36 countries around the world, enabling us to reach customers on a global scale. Each of our four geographic regions are managed by an individual executive director per region who oversees the sale of our SR2X Series and Vision Jet aircraft.

The following table sets forth geographical locations of customers in terms of number of aircraft during the Track Record Period:

	For the year ended December 31,					
	2020		2021		2022	
	Units	*%*	*Units*	*%*	*Units*	*%*
Aircraft						
North America	357	85.0	422	79.9	486	77.3
Europe	36	8.6	50	9.5	60	9.5
Other	27	6.4	56	10.6	83	13.2
Total	**420**	**100.0**	**528**	**100.0**	**629**	**100.0**

Note: Other refers to Africa, Asia, Australia, and Latin America.

Substantially all of our aircraft are delivered at our Knoxville, Tennessee facility.

The following table sets forth the breakdown of the number of aircraft purchased by customers under the two models during the Track Record Period:

	For the year ended December 31,					
	2020		2021		2022	
	Units	*%*	*Units*	*%*	*Units*	*%*
Aircraft						
Direct Sales Model	357	85.0	420	79.5	483	76.8
CSA Model	63	15.0	108	20.5	146	23.2
Total	**420**	**100.0**	**528**	**100.0**	**629**	**100.0**

As of December 31, 2022, our direct sales network consisted of our in-house sales team comprised of 26 employees. Our in-house sales team has extensive experience in sales and aviation. Sales team members are also demonstration pilots with commercial pilot certificates, responsible for both the customer business relationship and the flight demonstration experience, which promotes an enduring relationship with our customers and highlights the strength of our direct-to-customer model. In addition, we have extensive geographic sales coverage in our primary and secondary markets, ensuring quick response times to inquiries and provision of team members through flight demonstrations and informational sessions to prospective customers.

Direct-to-Customer Model

We build and operate our own sales and distribution infrastructure and sell our products directly to our users. We believe that our direct-to-customer model not only improves economic and operational efficiency significantly, but also provides our users with a superior purchasing experience consistent with our values and brand image.

We have deployed a direct-to-customer model in the United States from the outset. The main competitors in the piston segment have historically primarily relied on dealers to provide aircraft sales and service in the United States, according to Frost & Sullivan. Our direct-to-customer model allows us to engage directly with our customers without having to work through an intermediary. We endeavor to establish a personal relationship with each of our customers through our client relations manager system. Our system assigns a delivery experience advisor to accompany each customer throughout their personal aviation experience from flight demonstrations to the delivery of an aircraft and beyond to support a customer when they are interested in upgrading to a newer aircraft. Each of the direct sales teams and executive directors is supported by a sales demonstrator aircraft, and we maintain a rotating fleet of the latest aircraft models for live demonstrations to our customers. Further, the direct-to-customer model provides a competitive advantage by expediting the speed at which our sales team can schedule flight demonstrations with customers and reduces brand dilution that would occur as a result of third-party dealer involvement. It also helps to foster long-standing relationships with customers and help build the Cirrus community.

We provide overseas shipment services to our customers. For example, our Vision Center in Knoxville, Tennessee coordinates complex deliveries, including overnight disassembly and reassembly, equipment maintenance and refinement initiatives. As of the Latest Practicable Date, we have various authorized reassembly centers outside of the United States, including in Australia and China.

Our CSA Model

Our international sales efforts are primarily supported by a network of CSAs. Our CSA Model reduces barriers to entry in jurisdictions that we would otherwise find difficult to enter given costs associated with establishing brick-and-mortar locations and navigating various laws and regulations of foreign jurisdictions, such as differences in employment laws. By expediting and simplifying the purchase process for customers, our CSA Model bolsters our international presence and brand. Additionally, many of our CSAs provide post-sales services to customers (i.e., aircraft maintenance, parts sourcing, etc.), thereby helping to provide Cirrus aircraft owners outside the United States with the same ownership experience that our domestic customers enjoy.

Unlike our peers that use a dealership model in which each dealer may sell product lines from various brands at the same time, our CSA Model is advantageous in that our CSAs are generally required to sell Cirrus aircraft exclusively. The CSA Model thus aligns the motives and incentives of our CSAs with those of the Company better than other distribution channels. Our CSAs are remunerated by sales commission, which is based on a certain pre-agreed percentages of the relevant aircraft purchase contract value. For each of the years in the Track Record Period, CSA sales commission expense amounted to approximately US$4.9 million, US$8.3 million and US$12.6 million for December 31, 2020, 2021 and 2022, respectively. Each of our CSAs was an independent third party as of the Latest Practicable Date.

While the sales agents are not our employees, they source potential end customers and facilitate marketing activities including the eventual sale of our aircraft, for us. All sales agents must operate a demonstration aircraft that is either a SR22 or SR22T model, which must be purchased directly from us. Such demonstration aircraft must be no more than 12 months old and must be the latest available generation. Such demonstration aircraft may not be resold into the exclusive territory of another sales agent until they are at least 12 months old. We verify those sales agents who conduct demonstration flights to ensure that they are licensed pilots, consistent with our internal sales team. All sales made through our sales agents must be approved by us.

We usually have a principal-agent relationship with our CSAs and sign the purchase agreement directly with the end customer identified by the CSA. Once the CSA identifies a prospective end customer, the CSA will facilitate an initial deposit via wire transfer or credit card payment payable by the end customer directly to us, which is due at the time that an order is placed by the CSA for an aircraft. An additional deposit in the amount of 10% of the aircraft's expected total sales price is due 135 days before delivery of the aircraft, payment of which is facilitated by the CSA from the end customer via wire transfer or credit card payment directly to us. However, in certain limited circumstances, namely in logistical circumstances to assist an end customer with financing-related reasons or issues with timing of delivery, the contract will be entered into between the end customer and the CSA. Contracts entered into between the CSA and us carry identical terms to the contracts entered into between an end customer and us. In addition, long lead times for delivery of our aircraft prompted our CSAs to place orders for aircraft without a prospective end customer in place. If an end customer was contracted prior to delivery, the CSA would reclaim any deposit money by refund from the Company. If an end customer was not contracted prior to delivery, the CSA may either pay for the aircraft in full and store the aircraft as inventory or arrange for the aircraft's transfer to another CSA prior to delivery for a flat US$10,000 transfer fee, payable by the assignee. Identical to the arrangements between us and end customers, we do not accept returns on aircraft purchased by CSAs, and accordingly, we do not monitor whether the CSAs store the aircraft as inventory. As contracts between the CSA and us are only entered into in the limited circumstances described above and the CSA would typically source end customers prior to the delivery of the aircraft, we do not consider that the CSAs exhibit the risks typically associated with distributors.

The table below sets forth the changes in the number of CSAs during the Track Record Period:

	As of December 31,		
	2020	2021	2022
Number of CSAs at the beginning of the year	20	18	15
Number of new CSAs	0	0	0
Number of terminated CSAs[1]	2	3	0
Number of CSAs at the end of the year	18	15	15

(1) Termination of CSAs is typically tied to sales performance. There were no material disputes or legal proceedings with any terminated CSAs as of the Latest Practicable Date.

We enter into standard CSA agreements with our external sales agents. Key terms of our CSA agreements include:

- *Term:* Three years, renewable subject to the attainment of agreed targets.

- *Designated Geographic Area:* Sales agents are assigned a designated geographic area and are not permitted to promote or sell our products outside of that area.

- *Exclusivity:* Sales agents may be granted the exclusive right to sell our products in their designated geographic areas, though certain of our CSAs are not governed by an exclusivity provision. Notwithstanding any exclusivity rights, we retain the right to act directly in promoting and selling aircraft within the geographic area, though we generally do not sell in any areas in which our CSAs have an exclusive right to sell.

- *Sales Target:* We set annual quotas for our sales agents, which we use to monitor sales agent performance and market evolution and we provide a semi-annual, written review.

- *Flight Training:* We permit sales agents to arrange training services for prospective end customers for any new SR2X Series aircraft orders and will reimburse the sales agent for certain expenses incurred in connection with such flight training.

- *Price Management:* We set a manufacturer suggested retail price for each model; sales agents have discretion to sell the products at that price or a lower one. Any discounts provided by the sales agent will be subtracted from the sales agent's commission fee.

- *Credit Management:* The CSA will promptly forward to us any checks, drafts, instruments or other payments received directly in payment of accounts due to the Company and will cooperate with us fully in the collection of any outstanding unpaid accounts, including taking appropriate action to correct an end customer's payment procedures and furnishing to us any credit reports or other credit information pertaining to our end customers that we may reasonably request.

- *Commissions:* The commission fee is calculated for individual sales of aircraft as a fixed percentage of the relevant contract value that is generally payable 30 days upon settlement of the final payment and acceptance of the aircraft by the end customer. Sales agents are permitted to receive a commission on up to five SR2X Series aircraft sold as part of any fleet and special mission deal. Fleet commissions are generally not permitted for the Vision Jet aircraft.

- *Confidentiality:* Each of the parties undertakes not to disclose the other party's trade secrets or other business information to any third party.

- *Non-Compete:* During the term of the CSA agreement and for a period of three months thereafter, the CSA is not permitted to directly or indirectly sell our aircraft or any related products that compete with our aircraft.

- *Assignment:* Under the terms of the CSA agreement, the CSA may not subcontract any obligation under or the whole or part of the CSA agreement without the express prior consent of Cirrus.

- *Compliance with International and Local Laws:* The CSA shall perform all of its obligations under the CSA agreement in accordance with all applicable local and international laws and shall assist us in ensuring that sales of the aircraft are in conformity with local and international laws, including compliance with sanctions and anti-bribery laws (e.g., FCPA) and any local statute, regulation, directive or code of conduct where the CSA does business.

- *Insurance:* The CSA shall at all times maintain at its own cost comprehensive general liability insurance covering bodily injury, property damage, contractual liability, products liability and completed operations in such amounts as are reasonably necessary to insure against all risks to its operations, but in no event less than a minimum of: (i) US$3.0 million comprehensive general liability insurance; (ii) workers' compensation as required by local law and employer's liability insurance; and (iii) US$1.0 million automobile insurance. All insurance policies provided under the CSA agreement shall be "occurrence" policies (i.e., policies covering claims in which the injury or damage occurred during the policy period) and not "claims made" policies (i.e., policies that require claims to be made while the policy is in effect) and shall name the Company as an additional insured.

- *Termination:* The CSA agreement may be terminated given three months' written notice for a variety of factors, including, but not limited to: (i) by the non-defaulting party in the event of a material breach; (ii) by either party in the case of winding up, liquidation, bankruptcy or insolvency of the other party; or (iii) by us in the event of certain circumstances which may adversely affect the business and reputation of the sales agent. We do not permit the return of any aircraft previously purchased by CSAs in the event of termination.

Our Marketing Strategies

We focus our marketing efforts on first-time pilots and existing customers (i.e., those who have already purchased one of our aircraft), as well as other individuals with a PPL, institutional customers, and private flight schools. First-time pilots represent an important component of growing our customer base. To achieve our goal, we are executing the following marketing strategies:

1. *The Cirrus Life* — Our primary marketing philosophy is captured by our branded *The Cirrus Life* program, a premium lifestyle brand by which we strive to establish and maintain a lifetime relationship with our customers, both in terms of physical proximity and customer support. For example, during the Track Record Period, approximately 75% of our Vision Jet deliveries were made to owners who had already owned a Cirrus aircraft. We have established an inclusive community for our customers to enjoy a holistic experience of owning and enjoying our aircraft, which involves Cirrus-branded events, trips and unique training and social events. Our more than 800 Cirrus

standardized instructor pilots located in 13 countries, who are experts in CFT, help to guide customers in earning their PPL through our standardized CFT courseware. In addition, as of December 31, 2022, our global network included over 100 ATCs and 244 ASCs across the world.

2. *Digital Marketing* — We utilize integrated digital marketing tools through an omnichannel advertising strategy to attract potential customers by maintaining a presence on various social media platforms and leveraging targeted advertisements across such platforms and Google to enhance brand awareness.

3. *Cirrus Aircraft Referral Program* — We offer a competitive referral program for our retail customers to refer potential customers, instructor pilots, ASCs, ATCs or pre-owned sales partners in exchange for a tiered referral amount that can be applied to the purchase of Cirrus products and services including, but not limited to, orders placed with our Cirrus Direct program, maintenance and training services and store merchandise.

4. *Trade Shows* — We participate in trade shows of various premium industries that host our target audience, such as boat, golf and automobile trade shows. We also engage in professional air shows to promote our brand, such as the annual Experimental Aircraft Association, AirVenture Oshkosh and Cirrus Migration shows.

5. *Direct Mail Marketing* — We employ a direct mail marketing program that targets a wide array of potential customers, including existing pilots, non-pilots, flight instructors and our existing customer base. Our advertising campaigns include non-aviation and lifestyle publications to reach a target audience beyond the typical aviation enthusiast.

Pricing

The purchase price for our aircraft is comprised of the base price and the price of any optional upgrades, as well as sales tax and any other duties. The base price of the aircraft is based on the cost of raw materials, components and labor and is adjusted with reference to fluctuations in the market price of similar aircraft. During the Track Record Period, we primarily sourced our composite materials from the United States. We assess the base price of the SR2X Series and Vision Jet aircraft on an annual basis and adjust accordingly to keep prices competitive in the current market. The SR2X Series aircraft cover the single-engine piston aircraft market with a selling price of US$0.5 million to US$1.0 million. The base price for the SR2X Series aircraft is based on five performance obligations: (1) the aircraft that includes standard features, optional upgrades and the express limited warranty; (2) extended warranty; (3) maintenance services; (4) brokerage services; and (5) flight training services. The Vision Jet aircraft covers the single-engine turbine aircraft market with a selling price of approximately US$3.0 million. The base price for the Vision Jet aircraft is based on four performance obligations: (1) the aircraft that includes standard features, optional upgrades and the express limited warranty; (2) Type Rating training; (3) the JetStream package; and (4) brokerage services.

For the SR2X Series, customers pay based on pricing at time of estimated delivery to ensure all upgrades and customizations are included. For the Vision Jet, we have a limited number of prior contracts from inception of the product line that specify the price from the time of signing, indexed further for CPI, upgrades, substitutions and customizations. Our other Vision Jet orders/reservations follow the same pricing model as that of the SR2X Series. Each of the SR2X Series and Vision Jet aircraft undergo annual price increases correlated to model upgrades and generational changes, such as material changes to useful load, altitude limits and access to new airports due to improved certifications and in response to broader inflationary pressures. The above performance obligations do not take into account any discounts applied toward the base price.

Key Terms of Our Sales Contracts

Pursuant to our standard sales contracts, our customers are typically required to make a non-refundable deposit at the time of signing, followed by an initial installment payment within 30 days of the order date that, together with the initial deposit, amounts to 10% of the total expected sales price of the aircraft. Substantially all deposit and initial installment payments are made by credit card or wire transfer. The final installment payment occurs at the time of delivery, with substantially all such payments being made by certified check or wire transfer. All payments must be made in U.S. dollars.

We accommodate various payment arrangements for our customers to suit their financial arrangements. In certain circumstances, the registered owners of the aircraft will arrange for payment by other affiliates (such as a company owned by the individual registered owners or another company owned by the corporate registered owners) or designated parties (such as a financial institution financing the purchase or a trust or other individuals designated by the registered owners) which are made through U.S. financial institutions (the "Payment Arrangements"). According to Frost & Sullivan, such payment arrangements are common in the personal aviation industry in the United States and in other similar retail markets where the purchase amount is more sizeable. As advised by Hogan Lovells International LLP, (a) as we are not a "financial institution" for purposes of U.S. AML Law, we are not required to conduct KYC or otherwise ascertain the relationship between (or have a written contract between) us and third-party payors, (b) receiving payments from third parties through U.S. financial institutions complying with their obligations under the Bank Secrecy Act for legitimate transactions without involving money laundering activities does not violate U.S. AML Law; and (c) based on the information, there has been no non-compliance by us with U.S. AML Law. Notwithstanding the foregoing, we have internal control policies in this regard for our own risk management purposes, including customary and risk-based anti-money laundering policies.

Our customers must pay all amounts due prior to delivery of the aircraft. Pursuant to our standard sales contracts, in the event that a customer fails to pay an installment payment, seeks relief from debtors or within 10 days after our acceptance cancels an order, we have the contractual right to terminate the sales contract and retain the full deposit and interim payments as liquidated damages. If we are late in delivering an aircraft (other than for an excusable delay), we do not face any penalties except in special circumstances involving nominal fees for our fleet customers, but the customer has the right to terminate the contract and receive their full deposit if such delay extends for as much as 90 days after the window for delivery has passed. Such special circumstances involve non-material fees paid in the event of a delayed delivery to our fleet customers due to the potential impact on their flight training business. An excusable delay constitutes destruction or damage to the aircraft beyond economic repair or a force majeure event. Such delays were primarily attributable to production delays caused by our suppliers.

We provide normal warranty provisions for general repairs for two years on the Vision Jet and three years on the SR2X Series aircraft. The express limited warranty is a part of the base price of the aircraft and includes a basic warranty that the aircraft airframe will be free of material and workmanship defects under normal use and service for a period of 24 months from the time of purchase or 1,000 flight hours (whichever occurs first) for the Vision Jet aircraft and a period of 36 months from the time of purchase or 1,000 flight hours (whichever occurs first) for the SR2X Series aircraft. We also provide optional, extended warranty packages for the SR2X Series aircraft for three to five years from the time of purchase. While the current standard warranty for the SR2X Series aircraft is three years, there are some legacy warranties where extended warranty coverage began after two years, providing an aggregate warranty coverage of five years. To mitigate associated risks, certain components of the aircraft (i.e., engines, avionics) are warranted directly by their manufacturer to cover the period from years three through five. The price of extended warranty options is based on the relative sales value of the base price of the aircraft. Our sales contracts expressly disclaim implied warranty.

Aircraft Orders and Delivery

Upon placement of an order, we establish and notify the customer of the anticipated delivery date, and the customer has the option to schedule the pickup date, which must be within ten days of our estimated delivery date. Before taking ownership of the aircraft, the customer must complete a series of delivery acceptance forms and pay the balance of the purchase price. The formal commercial process culminates with a new aircraft delivery experience highlighted by the unique moment when the keys to the new airplane are handed over to the owner during a curated, personalized ceremony at our Vision Center in Knoxville, Tennessee. These events are performed at our 'dedicated' Delivery Center at the Vision Center campus multiple times per day. These special occasions are often attended by owners and their family members, close friends, colleagues and business partners along to share in the experience.

During the Track Record Period, we received orders for over 2,400 of our aircraft. Depending on region and configuration, in general, the lead time for delivery of an aircraft to the customer after an order is placed is approximately 18-24 months. As of the Latest Practicable Date, we had a backlog of 1,461 aircraft.

Due to our backlog, we take reservations from our customers to purchase a Vision Jet aircraft by making a fully refundable deposit of $50,000, which gives the customer a place in the queue. As of the Latest Practicable Date, our backlog included 253 reservations. Approximately 13 months prior to expected delivery, we contact the customer to configure their aircraft and set a purchase price and delivery date. The customer has 30 days to lock-in their configuration at which time their deposit typically becomes non-refundable or to request a refund of their deposit. The customer would provide non-refundable installment payments of 10% of the expected purchase price each at the time of the aircraft configuration and six months prior to the aircraft delivery date. The balance is due at the time of delivery when the customer arrives for pickup of their aircraft at our Knoxville, Tennessee location.

In the event that a customer fails to pay an installment payment, seeks relief from debtors or cancels an order, we have the contractual right to terminate the sales contract and retain all advance payments received. In all cases, we retain ownership of the aircraft and may sell the aircraft to another customer. During the Track Record Period, we did not experience any material delay in payments from customers or any cancellations by customers that we were unable to mitigate by re-selling the new aircraft. The cancellations that we did experience were primarily attributable to financial difficulties experienced by the end customer or order cancellation in favor of upgrading to a larger sized aircraft. Due to the nature of the premium aircraft industry and our existing backlog, we have not experienced in the past nor do we expect to experience in the future any material difficulty in reselling our aircraft to other customers. We therefore did not incur any actual loss in connection with order cancellations during the Track Record Period, as we were able to resell the aircraft to other customers. We do not accept returns on aircraft.

We provide our staff with comprehensive training to deliver high quality services to our customers and keep track of customers' feedback on our product and service quality. We have dedicated customer service personnel and an aircraft maintenance service and support number, among other channels, to ensure that customers have easy access to express their views on our products and services. We are committed to responding to customers' feedback and concerns in a timely manner, and taking measures in accordance with relevant procedures. We believe our customer service system helps improve customer satisfaction, build customer loyalty and trust, reduce similar complaints in the future, and maintain our brand image. During the Track Record Period, we have addressed any customer complaints received regarding certain aircraft issues appropriately in a timely manner. We did not receive any material claims or penalties as a result of these issues during the Track Record Period.

INTELLECTUAL PROPERTY

Our ability to protect the intellectual property that underpins our product portfolio and our technology and know-how is critical to our position as a market leader in the personal aviation industry and our competitiveness. We seek to protect our intellectual property against third-party infringement through the registration of trademarks, the filing of patents, as well as through other means, including licenses, confidentiality and non-disclosure agreements.

As of December 31, 2022, we had 121 registered trademarks, 15 trademark applications, 8 registered patents and 5 patent applications in the U.S., Europe, the United Kingdom and other regions. As of the same date, we have registered patents for or otherwise the rights to use all our core technologies. See "Appendix IV — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights of our Group" for more information.

The main trademarks that we currently use in our business are "Cirrus," "Cirrus Airframe Parachute System," "Cirrus IQ," "Cirrus Perception," "Diagonal Airplane Design," "Vision Center,"and "Vision Jet." While we have registered some of these trademarks in the jurisdictions that we believe to be relevant, others are currently the subject of applications or are not registrable because they lack a sufficiently distinctive character.

We seek to protect the inventions that we generate through our product development and innovation activities by means of patents. Due to the relatively mature state of technology in the general aviation industry, our product innovation activities do not yield a significant number of patents, although our ongoing efforts to diversify our product portfolio and extend existing technology to new applications may in the future generate new intellectual property rights for us. See "— Our Product Portfolio — Product Development and Innovation Capabilities" for more information.

Furthermore, we seek to protect our proprietary know-how and trade secrets by implementing procedures designed to safeguard the confidentiality of our internal processes and to restrict access to information related thereto, including by requiring our employees, suppliers and other contractors to sign non-disclosure agreements.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us with the exception of a small charter company in the United States infringing on Cirrus's federally registered trademarks. The outcome of the appeal we brought on our original claim against the company will have no material adverse financial impact for us.

CYBERSECURITY, DATA PRIVACY AND PERSONAL INFORMATION

We are fully committed to complying with cybersecurity and data privacy laws and protecting the security of our customers' data. When customers purchase our aircraft and use our services, we retain their names, aircraft identification numbers, postal addresses, phone numbers and email addresses. We have designed strict data protection policies to ensure that data is collected, used, stored, transmitted and disseminated in compliance with applicable laws and prevailing industry practices.

Certain of our product features and service offerings track our customers' data. We accumulate certain data related to origin and destination airports, departure and arrival times, aircraft registration number and distance. Our data privacy policy agreed by our users describes our data practices, and we do not use any data for any purpose other than those specified in the data privacy policy with our users.

We have adopted and implemented strict internal protocols to ensure the security of data that we collect, and we do not use, nor have we embedded, any open-source software in any of our core information technology ("IT") systems. With the level of connectivity and integration of our aircraft, we place strong emphasis on data security and protection. We have adopted and implemented a strict internal control system focusing on data security and personal information protection. The privacy policies with respect to the collection, use and disclosure of user data has been posted on our website and mobile applications that we operate, which inform the users of the purposes, methods and scope of collecting and using their personal information. We do not use users' data for any purpose that has not been consented by the users or is not necessary for our provision of services to the users. We have implemented procedures to regulate our employees' actions in relation to use data to protect user privacy and data security. For example, security awareness training is provided on an annual basis to all company employees, and our in-house IT team conducts monthly anti-phishing campaigns on our employees. In addition, we employ a variety of technical solutions to prevent and detect risks in user privacy and data security, such as encryption and two-factor authentication. Our in-house IT team, as well as external data security experts, constantly examine and test our data security system to ensure that any vulnerability identified is fixed immediately. Our user database can only be accessed by our designated and authorized personnel after approval, whose actions are recorded and monitored constantly by our in-house IT team. For example, we engage a third-party vendor to conduct annual penetration security testing of our internal and external company-owned and managed information technology systems. We have also developed an IT incident response policy, which sets out the requirements for identifying, reporting, classifying and responding to incidents related to our IT systems and operations. The policy describes classification of incidents, response times, resolution times, and targets to ensure that we appropriately identify such IT incidents and are equipped to determine their scope and risk, as well as respond appropriately both internally and externally to our stakeholders. The policy is applicable to all of our employees and any other individual or entity acting for or on our behalf and encompasses all Cirrus IT system, networks, databases, applications and information owned or entrusted to us or that passes through a network owned by us. Without due consent and authorization from users or going through compliance procedures, we will not provide personal data to our business partners. We strictly follow the terms of authorization and scope of usage set forth in the agreements with our users when processing and analyzing their personal data, and require all of our business partners to acknowledge and sign confidentiality agreements before they receive any user data from us. All data analyzed are encrypted and de-identified in accordance with applicable laws and regulations. If any of our business partners misuses or leaks user data provided by us or causes any damage to our users or us, we are entitled to terminate the agreements with such business partner and take protective measures, such as changing encrypted passwords and disconnecting the network, and may also pursue further legal proceedings against the business partner.

During the Track Record Period and of the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance with data privacy and security laws or regulations. During the Track Record Period and of the Latest Practicable Date, there have been no material breaches of any company data.

SEASONALITY

The delivery of our aircraft are subject to seasonal fluctuations. We usually experience fewer deliveries at the start of the year as we roll out and replenish updated demo and training aircraft, which reduces the number of aircraft available for delivery to customers. In addition, our production schedule may face slowdowns during the winter months due to the reduced daylight hours to perform flight testing and the reduced number of flying days for weather reasons.

COMPETITION

Factors that affect competition in our industry include price, reliability, safety, regulations, reputation, aircraft availability, equipment and quality, consistency and ease of service and investment requirements. We believe that our reputation for quality, innovation, safety, the performance and design of our aircraft, our brand image and our Cirrus Services offerings that promote long-lasting relationships with our customers, including through our ecosystem, make us competitive. According to Frost & Sullivan, in 2022, we were the top manufacturer in the Comparable and Obtainable Global Personal Aviation Market, which includes aircraft models manufactured by us and aircraft models of similar product features and functionalities as our aircraft manufactured by our comparable competitors (i.e., fixed tricycle gear certified piston aircraft and US$7 million and below single pilot pressurized turbine aircraft), in terms of deliveries.

We believe that we have competitive advantages over our peers in the personal aviation industry, including the quality of our broad product portfolio, our focus on innovation and integrating advanced technologies, our comprehensive global post-sale ownership and support ecosystem and our direct and CSA sales models, superior production capabilities and substantial investments in product development.

TOP CUSTOMERS AND SUPPLIERS

Top Customers

Our customers primarily consist of (i) retail customers and (ii) institutional operators, including for fleet and special mission purposes, such as college and university programs, professional pilot academies, and airline training centers for professional training (as opposed to recreational or private pilot training) and commercial operations.

During the Track Record Period, our products were sold to customers in 36 countries around the world. For the years ended December 31, 2020, 2021 and 2022, our sales to the five largest customers in aggregate accounted for 12.2%, 10.7% and 8.3% of our total revenue, respectively. During the same period, the sales to our largest customer accounted for approximately 6.9%, 5.6% and 2.4% of our total revenue, respectively.

During the Track Record Period, three of our five largest customers in 2022, two of our five largest customers in 2021 and one of our five largest customers in 2020, each of whom acted as our CSAs, were also our suppliers. For more details on our CSA Model, see "— Sales and Marketing — Our CSA Model." CAIGA Group (excluding our Group) is one of our five largest customers in each year during the Track Record Period, with three entities within the CAIGA Group (namely, AG Huanan, AG Zhejiang and AG Services) having transactions with the Group during the same period. AG Huanan, AG Zhejiang and AG Services are our connected persons. See "Connected Transactions" for additional information regarding our connected relationship and transactions with AG Huanan, AG Zhejiang and AG Services. For the years ended December 31, 2020, 2021 and 2022, our revenue from these connected persons amounted to US$40.3 million, US$41.1 million and US$21.8 million, accounting for 6.9%, 5.6% and 2.4% of our total revenue, respectively. Save for the aforementioned connected persons, to the best of our knowledge, all of our five largest customers during the Track Record Period were independent third parties, and none of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

Top Suppliers

Our suppliers primarily consist of manufacturers and developers of avionics systems, composite materials, propulsion, cabin and interior systems. For the years ended December 31, 2020, 2021 and 2022, purchases from our five largest suppliers in aggregate accounted for 49.8%, 51.0% and 51.5% of our total purchases, respectively.

Among our five largest suppliers during the Track Record Period, Continental is our connected person. With the exception of Continental, to the best of our knowledge, all of our five largest suppliers during the Track Record Period were independent third parties, and none of our Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers during the Track Record Period. See "Connected Transactions" for additional information regarding our connected relationship and transactions with Continental.

The following table sets forth details of our top five suppliers during the Track Record Period in terms of revenue:

Supplier	Length of business relationship	Major products purchased	Year ended December 31, 2020 Purchase amount	Year ended December 31, 2020 % of total purchases for year	Year ended December 31, 2021 Purchase amount	Year ended December 31, 2021 % of total purchases for year	Year ended December 31, 2022 Purchase amount	Year ended December 31, 2022 % of total purchases for year	Background and principal business
			(USD$'000)		*(USD$'000)*		*(USD$'000)*		
Garmin U.S.A., Inc.	1999	Navigation	54,275	21.1	73,610	21.4	76,019	19.0	Producer of GPS and avionics technology
Williams International	2011	Engine	27,766	10.8	39,560	11.5	54,457	13.6	Designer and manufacturer of general aviation engines
Continental Aerospace Technologies Inc..	1999	Engine	21,205	8.3	29,834	8.7	32,601	8.2	Designer and manufacturer of general aviation products
Fastenal Company	2000	Fasteners and Hardware	12,502	4.9	15,530	4.5	21,127	5.3	Industrial distributor of manufactured products
Toray Industries Inc.	1999	Air frame Composites	11,982	4.7	16,716	4.9	21,696	5.4	Producer of advanced composite materials

EMPLOYEES

As of December 31, 2022, we had a total of 2,353 employees, substantially all in the U.S. Among our 2,353 employees as of December 31, 2022, 2,291 were full-time and 62 were part-time employees. Each of these employees are employed through a professional employer organization. During the Track Record Period, our employee head count increased from 1,462 employees in 2020 to 2,353 employees in 2022.

The table below sets forth the numbers of our employees according to their functions as of December 31, 2022:

Function	Number of employees	% of total number of employees
Product Line Manufacturing[(1)]	1,365	58%
Product Development	330	14%
Cirrus Services	288	12%
General and Administrative	133	6%
Sales and Marketing	125	5%
Other	91	4%
Facilities Management	21	1%
Total	**2,353**	**100%**

(1) Within the Product Line Manufacturing function, we have 118 employees dedicated to quality control management.

All employees are expected to follow our employee handbook, which includes a code of conduct policy that is annually refreshed and is supported by an anonymous hotline. In compliance with applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, confidentiality obligations, non-competition and grounds for termination.

Remuneration packages for our salaried employees are mainly comprised of a base salary and a discretionary bonus element. We set performance targets for our employees based on their position and department and periodically review performance. The results of such performance reviews are used in their salary reviews, bonus awards and promotion appraisals. We have an annual goal setting process that starts with the executive team laying out our strategies and strategic pillars for the year that is distilled into annual goals assigned by functional and individual levels.

We place high value on recruiting, training and retaining qualified employees. We adopt the principle of merit-based recruitment, and our policies aim to provide equal employment opportunities regardless of gender, age, race, religion, disability or any other social or personal characteristics by encouraging employees to report discrimination and/or harassment through the anonymized hotline and embracing an anti-retaliation policy to prevent wrongful punishment or termination of any employee who brings a potential violation of the code of conduct to the attention of the Company. This policy applies to all employment practices and personnel actions.

In addition to salaried employees, we have hourly and temporary employees. Our hourly employees are primarily hired to support our production line and repair services. Temporary employees are used as a flexible workforce when we cannot otherwise meet staffing needs with our existing employees. Temporary workers are also paid on an hourly basis or set amounts for specific tasks but are not eligible for our employee benefit plans and insurance. Due to the high turnover rates of temporary employees, and very low unemployment rates in some of the areas we operate, including Duluth, Minnesota and Grand Forks, North Dakota, we have shifted focus to fill more positions with agency hourly employees. We use the labor dispatch services of some staffing agencies, where the agency employs staff under their own name and dispatches them to work for us. We sometimes hire and convert these staff to regular employees through a master services agreement we have with the agencies.

Our retention strategy is focused on ensuring competitive compensation packages, career and professional development, leadership coaching and other actions to improve overall engagement with our key employees. To remain competitive in the labor market, we make contributions to our employee benefit plans. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We have a flight training program, Cirrus Flight Club, by which we invite all of our employees to learn to fly our SR2X Series aircraft at a significantly subsidized rate to ensure that our employees have a deep understanding of our products and to cultivate our Cirrus community. We offer robust, multi-faceted training throughout our company. As an aircraft manufacturer that is highly regulated and overseen by the FAA and documents all technician and specialist training in a learning management system, we have a comprehensive training system. Our proprietary training program, Cirrus University, involves more than 100 courses based on developmental areas and gaps in training as assessed by our management and regular feedback surveys. We also have services essential training programs that are available for both internal and external facing employees.

In support of our growth, we regularly review our capabilities and make adjustments to our workforce to ensure we have the right mix of expertise to meet the demand for our services. We generally recruit employees through our internal talent acquisition team and occasionally leverage temporary staffing agencies for specialist positions. We conduct background checks on all potential employees in relation to their labor positions.

None of our employees are represented by union or collective bargaining agreements. We believe that we have good relationships with our employees. We are in compliance with all relevant laws and regulations and are timely in our payments related to our pension fund and social security insurance. We did not experience any material labor disputes during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain insurance of the types and in the amounts that we believe are commercially reasonable, adequate and are available to businesses in our industry, as we have in place all the mandatory insurance policies required by laws and regulations of the jurisdictions in which we operate and in accordance with the commercial practices in the industry in which we operate.

We retain self-insured exposure for product liability losses and defense costs up to maximum and aggregate limits on the entire product liability policy. We self-insure portions of our aviation products liability, completed operations and grounding liability exposures, premises and general liability, hangar keepers liability (ground and in-flight), aircraft liability, contingent aircraft liability, non-owned aircraft liability exposures and hull losses, through Superior Aerospace Insurance Company ("SAIC"), our wholly owned captive insurance subsidiary to enhance our risk financing strategies. According to Frost & Sullivan, it is industry practice to use captive insurance companies in the aviation industry. SAIC is subject to insurance regulations in Vermont, including those relating to its levels of liquidity. SAIC was in compliance with all such regulations as of the Latest Practicable Date.

As part of our self-insurance arrangements, SAIC issued an indemnity policy to us for 100% of the value of any losses incurred under our self-insured retention policy years, as well as a legal liability reinsurance policy for a portion of our product liability coverage, which is fully reinsured by third-party insurers. Under such arrangements, we incur up to a certain amount of any losses, settlement, and fees incurred for covered claims related to incidents occurring in a policy year. For the policy year 2022–2023, such amount was US$4.0 million. Once we have incurred the aggregate US$4.0 million of expenses, 44.5% of expenses are covered by the indemnity policy through reinsurance and the remaining expenses are covered by other insurers, up to an aggregate total of US$150.0 million. Our insurance policy covers the cost of punitive and exemplary damages only in certain jurisdictions, which does not include California.

The following table represents our aggregate exposure for these self-insured retention measures, in addition to the annual policy premium, indicating that we 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	**Aggregate Exposure**
	(US$'000)
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

Once the aggregate insurance loss exposure has been determined for any policy year, we recognize loss exposure if it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. We then calculate our total loss exposure consistent with our applicable retention for the policy year. Our loss reserve may be adjusted from time to time based on adjustments in the insurance company reserves. As of December 31, 2022, our accrued product liability was US$57.5 million and reinsurance recoverable was US$42.2 million. See "Financial Information — Discussion of Certain Key Statements of Financial Position Items — Reinsurance Recoverable" for more information.

We also maintain a comprehensive commercial and product liability and casualty liability damage insurance portfolio customary in the personal aviation industry covering liabilities or losses arising from general liability, property risks, director and officer liability, business interruption, special risk, workers compensation and employers liability and other insurance (such as car and cyber insurance). In particular, we maintain aviation commercial general liability and aviation hull and liability (including products and grounding liability) reinsurance and terrorism liability insurance to insure against some of the risks associated with our production process and business interruption insurance to protect us against lost profits in certain circumstances. Casualty insurance is required to be maintained at levels in excess of our anticipated net book value for the aircraft (or a maximum of US$3.0 million per aircraft), and liability policies are required to provide coverage at industry standard levels.

We generally renegotiate our insurance policies on an annual basis. The majority of our current insurance policies expire within the next 12 to 18 months. We cannot predict the levels of the premiums that we may be required to pay for subsequent insurance coverage, the level of any retention applicable thereto, the level of aggregate coverage available or the availability of coverage for specific risks. During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

For risks associated with product liability and insurance, see "Risk Factors — Risks Relating to Our Business and Industry — We could suffer losses and adverse publicity stemming from any accident involving our aircraft," "Risk Factors — Risks Relating to Our Business and Industry — The operation of aircraft is subject to various risks, and failure to maintain an acceptable safety record may have an adverse impact on our ability to obtain and retain customers," "Risk Factors — Risks Relating to Our Business and Industry — We are subject to potential warranty and product liability claims, which could cause material harm to our brand image and reputation and have a material adverse effect on our business, financial condition, results of operations and prospects," "Risk Factors — Risks Relating to Our Business and Industry — Our insurance may become too difficult or expensive to obtain. If we are unable to maintain sufficient insurance coverage, it may materially and adversely impact our business, financial condition and results of operations" for more information.

PROPERTY

As of December 31, 2022, we owned and leased certain properties in connection with our business operations in Duluth, Minnesota; Grand Forks, North Dakota; Knoxville, Tennessee; McKinney, Texas; Scottsdale, Arizona; Benton Harbor, Michigan; and Kissimmee, Florida. We possess valid title documents to all our owned properties. Our leases generally have a term ranging from one to 50 years, and we expect to renew the leases upon their expiration. All of the landlords for our leased properties are independent third parties.

The table below sets forth a summary of our properties which were considered material as of December 31, 2022:

Facility name	Location	Approximate floor area	Key processes
		(sq.m.)	*(sq.m.)*
Duluth[1]	Duluth, MN	707,874	Production, painting, flight testing, global parts distribution, engineering, administrative, experimental builds
Grand Forks[2]	Grand Forks, ND	179,983	Production, composite materials manufacturing
Knoxville[3]	Knoxville, TN	158,362	Aircraft training, maintenance, management, flight training, e-commerce and retail store, new aircraft delivery center
McKinney[4]	McKinney, TX	16,762	Aircraft training, maintenance, management
Scottsdale[4]	Scottsdale, AZ	6,804	Flight training
Benton Harbor[4]	Benton Harbor, MI	13,000	Painting
Kissimmee[4]	Kissimmee, FL	14,126	Aircraft training, maintenance, management

(1) Our Duluth, Minnesota location is comprised of 12 facilities, of which six facilities (approximately 532,177 sq. ft.) are owned and six facilities (approximately 175,697 sq. ft.) are leased.

(2) Our Grand Forks, North Dakota location is comprised of a single facility, which we own.

(3) Our Knoxville, Tennessee location is comprised of 9 facilities, all of which are leased.

(4) Each of these facilities are leased.

We continue to focus on in-house innovation through initiatives, such as our 189,000 square foot Innovation Center in Duluth, Minnesota that was announced in September 2022. The state-of-the-art center will feature flexible workspaces that promote an optimal collaborative workspace and break from the traditional office and lab environment to serve as a base for the development of the next generation of Cirrus aircraft.

As none of our properties had a carrying amount of 15% or more of our consolidated total assets as of December 31, 2022, we are not required to include a property valuation report in this Document according to Chapter 5 of the Listing Rules and Chapter 32L of the Laws of Hong Kong.

LICENSES, CERTIFICATES AND PERMITS

We are required to obtain various licenses, permits and approvals for our operations. We had obtained all material licenses, permits and certificates required by applicable U.S. laws to carry out our operations and such licenses, permits and certificates were valid and remain in effect as of the Latest Practicable Date.

The following table sets forth a list of our material licenses, approvals and certificates:

License/Permit	Holder	Issuing Authority	Purpose	Validity Period
Type Certificate No. A00021CH	Cirrus Design	FAA	Certifies the design of the SR10 aircraft model	November 17, 2022; effective indefinitely
Export License No. D1263947	AG Huanan	United States Department of Commerce, Bureau of Industry and Security	Authorizes the export and sale of the SR20 aircraft from Cirrus Design to AG Huanan	May 9, 2022 to May 31, 2026
Authorization ODA-834662-CE . . .	Cirrus Design	FAA	Type Certificate and Production Certificate Organization Designation	July 12, 2021 to July 17, 2023
Export License No. D1225542	AG Huanan	United States Department of Commerce, Bureau of Industry and Security	Authorizes the export and sale of the SR20 aircraft from Cirrus Design to AG Huanan	February 16, 2021 to February 28, 2025
Export License No. D1243320	AG Huanan	United States Department of Commerce, Bureau of Industry and Security	Authorizes the export and sale of the SR20 and SR22 aircraft from Cirrus Design to AG Huanan and/or other approved end users	September 22, 2021 to September 30, 2025

License/Permit	Holder	Issuing Authority	Purpose	Validity Period
Export License No. D1225896	AG Zhejiang	United States Department of Commerce, Bureau of Industry and Security	Authorizes the technology transfer of the SR10/AG100 from Cirrus Design to AG Zhejiang	February 9, 2021 to February 28, 2025
Supplemental Type Certificate No. SA04449CH.	Cirrus Design	FAA	Certifies the service life extension for the SR20 airframe life limit beyond 12,000 hours	March 3, 2020; effective indefinitely
SR22T Supplemental Type Certificate No. SA04440CH.	Hartzell Propeller	FAA	Certifies the installation of propeller on SR22T	January 6, 2020; effective indefinitely
Supplemental Type Certificate No. SA00378BO.	Cirrus Design	FAA	Certifies the installation of integrated wingtip exterior light assemblies on SR2X models	December 28, 2016; effective indefinitely
Type Certificate No. A00018CH	Cirrus Design	FAA	Certifies the design of the Vision Jet aircraft	October 28, 2016; effective indefinitely
Supplemental Type Certificate No. SA00269BO.	Avidyne Corporation	FAA	Certifies the installation of Avidyne Corporation TWX 670 Tactical Weather Detection System	April 8, 2008; effective indefinitely
Supplemental Type Certificate No. SA02013CH.	Avidyne Corporation	FAA	Certifies the installation of Avidyne Corporation Traffic Advisory System (TAS)	August 2, 2004, effective indefinitely

License/Permit	Holder	Issuing Authority	Purpose	Validity Period
Supplemental Type Certificate No. SA02217AK.	Garmin AT	FAA	Certifies the installation of Garmin AT Model GDL90 UAT Data Link System	June 8, 2004; effective indefinitely
Supplemental Type Certificate No. SA01708SE	Precise Flight	FAA	Certifies the installation of fixed oxygen system on SR22, SR22T	October 4, 2006; effective indefinitely
Supplemental Type Certificate No. SA01355WI-D	Cirrus Design	FAA	Certifies the installation of the Bendix/King KR 87 ADF and/or KN 62A DME on SR20 and SR22	October 4, 2005; effective indefinitely
Production Certificate No. 338CE	Cirrus Design	FAA	Authorizes the production of aircraft at various Cirrus facilities	Issued June 12, 2000; effective indefinitely
Type Certificate No. A00009CH	Cirrus Design	FAA	Certifies the design of the SR2X aircraft model	October 23, 1998; effective indefinitely
Repair Station Certificate No. CDCR140E	Cirrus Design	FAA	Certifies repair station in McKinney, Texas	December 6, 2022; effective indefinitely
Repair Station Certificate No. YD5R855Y	Cirrus Design	FAA	Certifies repair station in Duluth, Minnesota	January 26, 2001; effective indefinitely
Repair Station Certificate No. 9B0D988C.	Cirrus Factory Service Center	FAA	Certifies repair station in Kissimmee, Florida	February 14, 2023; effective indefinitely

License/Permit	Holder	Issuing Authority	Purpose	Validity Period
Repair Station Certificate No. 9B0R988C.	Cirrus Factory Service Center	FAA	Certifies repair station in Alcoa, Tennessee	March 5, 2021; effective indefinitely
Training Center Certificate No. 8TVX092K	Cirrus Design	FAA	Certifies training center in Alcoa, Tennessee	June 25, 2018; effective indefinitely
Dealer's Aircraft Registration Certificate No. D007235	Cirrus Design	FAA	Facilitates operating, demonstrating, and merchandising aircraft to prospective customers	February 28, 2023 to February 27, 2024
Statement of Qualification, Flight Simulation Training Device No. 1588 . . .	Cirrus Aircraft	FAA	Qualifies Level D Flight Simulation Training Device	Effective until November 30, 2024
Statement of Qualification, Flight Simulation Training Device No. 1602 . . .	Cirrus Aircraft	FAA	Qualifies Level 6 Flight Simulation Training Device	Effective until November 30, 2025
Statement of Qualification, Flight Simulation Training Device No. 1824 . . .	Cirrus Aircraft	FAA	Qualifies Level 6 Flight Simulation Training Device	Effective until November 30, 2023

We monitor the validity of, and make timely applications for the renewal of, relevant licenses, permits and certificates prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses, permits and certificates for our business operations during the Track Record Period and up to the Latest Practicable Date. See "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which we operate" and "Risk Factors — Risks Relating to Our Business and Industry — The modification, renewal and revocation of permits, approvals, authorizations and licenses may impose limitations that increase the costs or limit the availability of our products."

AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we received a number of awards and recognitions in connection with our business. Some of the significant awards and recognitions we have received are set forth below.

Year	Award/Recognition	Product Recognized by Award	Issuing Authority
2023	Gold Prize, Air Mobility	Vision Jet and CAPS	Edison Awards
2018	Innovation of the Year (Finalist)	SR2X Series	Flieger Magazine
	Aircraft of the Year	SR2X Series	Aerokurier Magazine
	Innovation Award	Vision Jet	Flying Magazine
	Plane of the Year	Vision Jet	Plane & Pilot Magazine
	Innovation Award	Vision Jet	Aerokurier Magazine
2017	Robert J Collier Trophy	Vision Jet	The National Aeronautic Association
	Plane of the Year	Vision Jet	Plane & Pilot Magazine
	Editor's Choice Awards	Vision Jet	Flying Magazine
	Bespoke List (listing)	Vision Jet	Robb Report
	Best of What's New	Vision Jet	Popular Science Magazine
2016	Joseph T. Nall Safety Award	Cirrus Approach	The Aircraft Owners & Pilots Association Air Safety Institute
2014	Joseph T. Nall Safety Award	Cirrus Aircraft SR Safety Design Team	The Aircraft Owners & Pilots Association Air Safety Institute

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE POLICY

Governance structure

Solid corporate governance forms the foundation of our operations. The Board has the overall responsibility for our sustainability strategy and reporting, and oversees sustainability issues related to our operations.

To ensure a better implementation system in place, we have established a committee which is focused on environmental, social and governance matters (the "ESG Committee"), and composed of members from the Customer Experience Team, led by the executive director of marketing. The committee is expected to expand to include representatives from different departments and roles across the organization to ensure that all aspects of our Group are represented. The ESG Committee reports up to the executive leadership level which includes the chief executive officer and the presidents of innovations and operations and customer experience respectively.

We monitor our ESG-related performance via monthly updates from the executive committee. The ESG Committee is responsible for drafting a comprehensive sustainability plan. The plan has currently received executive approval to move forward with its second phase, which involves surveying and analyzing our footprint to identify short-term objectives that can be implemented while the long-term plan is being developed. The ESG Committee meets twice monthly to discuss progress and extend plans for the second phase of the initiative. As part of this effort, the ESG Committee is being expanded to include inputs from all areas of our Group, which will bring local perspective to the larger effort and engender commitment at the local level. This commitment to sustainability and the establishment of the ESG Committee demonstrate our governance structure and our dedication to a sustainable future.

The Board will adopt the following approaches to identify, manage and review material ESG issues:

Identify: The Board will engage key stakeholders, including our major suppliers, management team, employees, and clients to identify material ESG issues and risks inherent in our business operations. The Board believes that open dialogue with stakeholders plays a crucial role in maintaining our business sustainability.

Assess: Apart from assessing the performance of our ESG measures through discussion with our stakeholders, the Board will engage an independent third party to identify and assess our performance in respect of environmental protection and climate change.

Review: The Board will review the progress made against ESG-related goals to guide us to achieve better ESG performance. Via our ESG policy, a set of systematic risk management practices have been put in place to ensure financial and operational functions, compliance control systems, material control, asset management and risk management all operate effectively.

Climate-related risk and opportunities

Climate change is a critical issue that has become increasingly relevant to the piston-engine aircraft industry in recent years. The industry is vulnerable to climate-related risks as extreme weather events, such as hurricanes, thunderstorms, and heatwaves, can disrupt aircraft operations, impact supply chains, and reduce consumer demand. Additionally, as the aviation industry is a significant contributor to greenhouse gas emissions, there is a growing need for aircraft manufacturers and operators to address the risks posed by climate change. These risks include decreased productivity and reputational damage.

Nonetheless, under the transition to a low-carbon economy, we can also seize opportunities such as developing innovative technologies and adopting sustainable practices to reduce our carbon footprint and improve our environmental performance. Overall, it is crucial for us to prioritize climate change and take action to mitigate risks and capitalize on opportunities to ensure our long term success. We have identified the following climate-related risks and opportunities that can potentially impact our business.

Physical risks

In recent decades, climate change has caused a range of events that can affect regions worldwide, including more frequent and severe extreme weather events and rising sea levels. These events pose two types of physical risks: acute and chronic. Acute physical risks refer to the immediate consequences of extreme weather events, such as typhoons, storm surges, and rainstorms. These risks can disrupt supply chains and production, damage facilities, and ultimately impact revenue. Chronic risks refer to the longer-term impact of climate change, such as rising sea levels and changing precipitation patterns.

As an aviation company, we rely on a complex global supply chain, which may be disrupted by climate change. Climate change impacts various entities and functional levels in supply chains, and the ripple effect of climate change leads to risk of propagation along the supply chain network. Unusual weather events and natural disasters may directly or indirectly affect multiple entities within supply chain networks such as physical infrastructure and assets, natural resources and workforce. This could lead to delays, increased costs, and reduced reliability for our business operation.

How to mitigate physical risks

We acknowledge the significant risk that extreme weather poses to our fixed assets, particularly our manufacturing facilities. Nonetheless, our facilities' geographical locations in North Dakota and Minnesota are not susceptible to hurricanes and flooding and we are at a lower risk of experiencing property damages and revenue loss from extreme weather. To further mitigate the potential physical risk, we have purchased production plant insurance to safeguard our property assets. In addition, our supply chain team actively monitors impending weather and takes proactive measures, such as rerouting logistics and shipping products early, to minimize disruptions to our production line. Looking forward, we are considering making such measures a requirement for potential suppliers or business partners seeking to do business with us. Furthermore, we will factor in all climate risks and locations when establishing new plants or considering mergers and acquisitions.

Transition risk

Transition risk refers to the financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate policy, technological changes, or a change in market sentiment.

Technology

Traditional aviation fuel is derived from petroleum, which is a contributor to greenhouse gas emissions. Switching to alternative aviation fuels, such as biofuels and synthetic fuels, shall require new technologies and infrastructure. Aviation companies may need to invest significant resources in research and development to stay competitive in a lower-carbon economy.

Legal and policy

As a consequence of the U.S. government's stated objective to achieve 100% clean electricity goal by 2035, the use of renewable energy in electricity generation will substantially increase. Electricity generated from renewable sources has a relatively higher price, the transition to which may substantially increase the operation costs. Furthermore, the US government has taken additional steps to address climate-related issues in the transportation and aviation sectors. In November 2021, the EPA implemented a new greenhouse gas emission standard for commercial airplanes and large business jets. The same year, the FAA published the United States Aviation Climate Action Plan, which outlines a government-wide approach to help the aviation sector achieve net-zero emissions by 2050. Additionally, the U.S. government is also pushing for ambitious new international CO_2 standards at the upcoming round of International Civil Aviation Organization negotiations and has announced a series of actions aimed at promoting sustainable aviation fuel ("SAF") development. It is anticipated that new regulations or emission standards may also affect piston-engine aircraft companies in the future.

Reputation

As climate change becomes an increasingly pressing issue, consumers and investors are paying more attention to the environmental impact of companies. Aviation companies that are seen as laggards in terms of reducing their carbon footprint may face reputational damage and loss of business. We are dedicated to operating in a sustainable manner to ensure the long-term viability of the business.

How to mitigate transition risks

We are actively exploring alternative aviation fuels and gradually eliminating leaded aviation fuels. Responding to the rising demand for sustainable products and the switch to a low-carbon economy, our latest aircraft model — The Vision Jet, is designed and certified to burn SAF that has been labeled to meet the American Society for Testing and Material International D1655 Standard Specification for Aviation Turbine Fuels. Through the incorporation of SAF in the Vision Jet, we are able to achieve a minimum of a 50% reduction in lifecycle greenhouse gases ("GHG") compared to conventional fuel. We are continuing to test new SAF fuels to further reduce the GHG and emissions in our single-engine jet aircraft. In addition, we actively monitor climate-related risks and review our policies when necessary.

Opportunities

We have also identified opportunities stemming from the transition to a low-carbon economy. In February 2022, leaders from the aviation and petroleum industries, along with the FAA, announced the Eliminate Aviation Gasoline Lead Emissions ("EAGLE") program, aimed at eliminating the use of leaded aviation fuel by the end of 2030, without adversely affecting the existing piston-engine fleet. As part of this initiative, we have committed to testing alternate fuels to reduce our carbon footprint by 2030. This transition has motivated us to explore new technologies and further enhance our sustainability performance. Under these measures, we have the potential to expand our market to include environmentally conscious customers.

Environmental policy

Environmental protection

Our activities in the U.S. are subject to U.S. federal, state, and municipal laws governing the release of pollutants into the water, air, and soil. These laws affect how we receive, handle, store, market, label, and sell our products, and how our consumers use and dispose of our products. See" Regulatory Overview — Environmental Laws and Regulations" for details.

We are committed to reducing our impact on the environment by reviewing and implementing potential projects and activities that will further reduce our impacts on the environment for the future. Our commitment to the environment extends to our customers, our employees and the community in which we operate. We are committed to:

- Comply with all applicable environmental regulations;

- Prevent pollution whenever possible;
- Train our employees on our environmental program and empower them to contribute and participate;
- Communicate our environmental commitment and efforts to our customers, employees and our community; and
- Continually improve over time by researching and implementing environmental controls when necessary.

We recognize that our operations have the potential to negatively impact the environment, and therefore we have established internal policies at our assembly campus in Duluth, Minnesota to minimize our impact. These policies include:

- Hazardous Waste Storage and Disposal
- Above Ground Storage Tanks Management
- Stormwater Pollution Prevention Plan

Additionally, to minimize the risk of hazardous material spills, we have implemented a Spill Prevention, Control, and Countermeasure Policy at our assembly campus in Duluth, Minnesota and our Vision Center in Knoxville, Tennessee. This policy outlines the steps to be taken in the event of a spill or release, and clearly defines the responsibilities of responding personnel. We have assigned teams to manage, monitor, modify, and ensure compliance with each of the internal policies. This is to strengthen the implementation of these policies and ensure that we continue to minimize our impact on the environment.

Use of resources

We are committed to responsible resource use and conservation of natural resources. To achieve this, we have implemented internal policies to ensure efficient use of materials and natural resources in production processes, responsible management of energy and water resources, effective implementation of energy and water management measures, reduction of waste production, and sustainable sourcing of materials.

We consume energy primarily in production facilities and service centers and are actively developing energy initiatives to reduce consumption during the manufacturing process. In addition, we have taken measures to improve energy efficiency in our buildings by installing shades on south and west facing windows, adding drop ceilings in high bay areas, upgrading hot water heaters and replacing HVAC units with high-efficiency models, and adopting a Building Management System to monitor maintenance and improve air compressor efficiency in paint booths.

Furthermore, we have partnered with Minnesota Power to utilize rebates in order to support energy-saving initiatives such as replacing inefficient lighting with high-efficiency LED lighting and investing in a new high-efficiency Variable Refrigerant Flow mechanical system for our Innovation Center building.

Through these policies and energy-saving measures, we believe we have demonstrated our commitment to conserving energy and promoting responsible resource use.

Environmental performance and metrics

We adhere to all relevant regulations outlined by the Minnesota Pollution Control Agency and the EPA, including Hazardous Waste, Air Permitting, Stormwater Permitting, and Wastewater Permitting, which we believe demonstrates our commitment to environmental stewardship.

Air emissions

We have obtained a Title V air permit for our operation, which is a requirement outlined by the Clean Air Act of 1970. This permit requires us to conduct regular monitoring of our air emissions, such as nitrogen oxides, sulphur dioxide, particulate matter, and Volatile Organic Compound ("VOC"), and to comply with recordkeeping obligations.

We are actively exploring the application of SAF in our aircraft to further reduce our air pollution. Furthermore, we are improving equipment performance by utilizing state-of-the-art paint booths, enhancing filter capabilities, and enhancing the efficiency of our painting processes to reduce VOC emission.

GHG emissions

The following table presents our greenhouse gas emissions for the years ended December 31, 2022 and December 31, 2021:

Scope of Greenhouse gas emissions	Emission Sources	Unit	2022	2021
Scope 1 emission(1) . .	Combustion of natural gas	tCO_2e	8,089	6,163
Scope 2 emission(2) . .	Purchased electricity	tCO_2e	9,541	8,335
Total		tCO_2e	17,630	14,498
Intensity		tCO_2e/million USD revenue	0.020	0.020

(1) As pursuant to Appendix 2 of "How to Prepare an ESG Report" set out by the Stock Exchange, Scope 1 greenhouse gas emissions refer to direct emissions from equipment and operations that are owned or controlled by our Group (thus emissions from aircrafts that are sold to customers are not included).

(2) As pursuant to Appendix 2 of "How to Prepare an ESG Report" set out by the Stock Exchange, Scope 2 greenhouse gas emissions refer to energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling, and steam consumed within our Group.

As seen above, there is an increase in our Scope 1 and Scope 2 emissions for the year ended December 31, 2022, when compared to the year ended December 31, 2021, which is mainly due to the increase in aircraft sales. However, the GHG intensity remained unchanged, reflecting the increase in Scope 1 and Scope 2 emissions are directly proportional to the increase in total revenue.

Resource Consumption

As an aircraft manufacturer and retailer, we mainly consume natural gas, electricity, and water in the course of our operation. Natural gas is used in building heating operations and manufacturing equipment for processes requiring heat. At our manufacturing facility in Grand Forks, North Dakota, our assembly campus in Duluth, Minnesota, and our Vision Center in Knoxville, Tennessee, natural gas is the primary source of heat for all buildings. In Grand Forks, North Dakota, natural gas is also used to heat composite layup parts in the ovens. In Duluth, Minnesota, the ovens and paint booths are used for composite bonding and paint finishing, with the exception of the electricity section noted below. In Knoxville, Tennessee, natural gas is used in the paint booth.

Electricity is used for general power, air movement, air conditioning, lighting, and IT infrastructure in all buildings. Manufacturing, engineering, and service at all campuses use electric derived compressed air, vacuum, and paint finish booth air movement. Electricity is also used to power all general direct wired equipment. In Duluth, Minnesota, electricity powers the Jet composite and small bonding fixtures, and in Knoxville, Tennessee, it powers the Full Flight (Motion) Simulator.

The following table presents our key energy consumption data for the years ended December 31, 2022, and December 31, 2021:

Energy Source	Unit	2022	2021
Natural Gas	CCF	1,334,768.82	1,017,014.83
Electricity	MWh	20,008.98	17,478.50
Total energy consumption	MWh	20,400.20	17,776.59
Total energy consumption intensity	MWh/million USD revenue	0.023	0.024

In addition to energy consumption, we also utilize water in our operations. The following table outlines our water usage for the years ended December 31, 2022 and December 31, 2021.

Consumption	Unit	2022	2021
Water	CCF	11,257.67	8,559.08
Intensity	CCF/million USD revenue	0.013	0.012

Targets

We recognized the importance of environmental protection and sustainability. To promote environmental responsibility and reduce our environmental footprint, we have established environmental targets that are aligned with our overall business strategy and objectives. These targets are regularly reviewed and updated to ensure continuous improvement in sustainability practices. By setting these targets, we believe we are demonstrating our commitment to environmental protection by taking proactive measures to minimize our impact on the environment.

Category	Targets for the next 10 years
GHG emission	To reduce the intensity of carbon emissions by 10%, compared to 2022 level
Energy efficiency	To reduce the energy consumption intensity by 10%, compared to 2022 level

Approaches to Achieving Environmental Targets

We are actively investigating various methods to meet our new environmental targets. At present, we plan to implement a number of measures, as outlined in the table below.

Reducing GHG emission	• Actively improve energy efficiency to reduce GHG emissions from fuel combustion; and • Actively consider the use of renewable energy for daily operation to reduce our carbon footprint
Energy efficiency	• Allocate more resources to R&D to develop innovative solutions; • Actively improve aviation fuel efficiency to reduce energy consumption; • Actively consider the use of renewable energy for daily operations; • Develop stringent internal management and examination systems throughout the whole production process; and • Upgrade production equipment periodically to energy-efficient alternatives

Significant Impacts on the environment and natural resources

According to the U.S. Aviation Climate Action Plan, the combustion of jet fuel in both domestic and international aviation is responsible for over 97% of CO2 emissions in the U.S. aviation sector. The remaining emissions are generated by airport operations and the use of aviation gasoline by piston engines. As a manufacturer of piston-engine aircraft, our operations and products are not considered to have a significant impact on the environment. Nevertheless, we recognize the importance of environmental protection and endeavors to reduce our impact on the environment.

Our operations and manufacturing processes require a notable amount of natural gas and electricity consumption, which contributes to the consumption of natural resources. For a comprehensive breakdown of our natural resource usage, please refer to "Resource Consumption" section. In an effort to reduce our energy consumption, we have implemented various energy-saving measures throughout our office centers and other facilities. See "Environmental policy — Environmental Protection" for details.

Aside from our business operation, we are also aware of the sustainability performance of our products and their potential impacts on the environment and natural resources. We have been actively participating in the Piston Aviation Fuel Initiative and EAGLE programs to identify alternative solutions for the 100 low-lead ("100LL") aviation gasoline. As a signatory on the public-private partnership to identify a lead-free fuel replacement by 2030, we are dedicated to finding alternative solutions for the piston-engine aircraft industry.

The planned phase-out of 100LL in the European Union by 2025 and the United States' target of a phase-out by 2030 has further escalated the demand for an alternative solution. In November 2022, we acquired General Aviation Modification Inc. ("GAMI") G100UL avgas fuel and began flight tests on a Cirrus G3 SR22T piston aircraft. With FAA approval of GAMI fuel for two supplemental type certificates, we believe we are demonstrating our commitment to sustainability and environmental performance by identifying alternative solutions for the aviation industry.

Social

Human resources

We adhere to the relevant laws and regulations to ensure employees' interests are protected. For details, please see "Regulatory Overview — Labor and Employment Laws."

In addition to the compliance with laws and regulations, we have adopted measures relevant to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

- Each employee receives and signs an employment offer letter specifying job details, including pay rate and work hours.

- Annual Total Rewards statements are distributed through our HR System, UKG, confirming job/Fair Labor Standards Act of 1938 status, compensation, and current benefits enrollment.

- Employee Handbook outlines policies on internal transfers, job postings, rest periods, equal opportunity, diversity, and anti-discrimination. We have put in place an equal Employment Opportunity Policy is established to promote the diversity and cohesiveness within our Group.

- Termination letter and the Consolidated Omnibus Budget Reconciliation Act ("COBRA") information/enrollment form are sent to employees when their employment is terminated.

- Annual employee performance reviews are conducted, providing opportunities for supervisors and employees to review past work and set performance goals and development plans for the new year.

- Tuition Assistance program for eligible/approved employees to support career growth through postsecondary classes. Departments allocate budget for continuing education opportunities such as professional certifications, training, and seminars for job-specific training.

- Our proprietary training program, Cirrus University, is made accessible to all our employees and provides various online classes from job-specific training to soft skills enhancement.

Occupational safety and health

Health and safety for employees remains our number one priority. We strive to provide and maintain a safe and healthy working environment whilst complying with all applicable laws and regulations. These include, but are not limited to the following:

- Occupation Safety and Health Administration ("OSHA") Standard of the United States

- Minnesota OSHA Standards

Furthermore, we (1) have applicable Environment, Health and Safety policies, including Right to Know, A Workplace Accident and Injury Reduction, Personal Protective Equipment, general safety rules and regulations, hearing conservation, respiratory protection, accident reporting, bloodborne pathogens, and emergency response; and (2) conduct industrial hygiene monitoring surveys with our insurance carrier as needed based on employee concerns or any hazard.

To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material accidents or received any administrative penalties as a result of the violation of laws and regulations relating to occupational health and work safety.

Labor Standard

We adhere to U.S. laws and regulations, such as the Fair Labor Standards Act of 1938, to manage their labor practices. Screening and background checks are performed when hiring new employees and we do not hire any children under 14 years old, following Part 570 of the Fair Labor Standards Act of 1938. In addition, we strictly follow the Tariff Act of 1930 and prohibits any forced labor, as stated in Section 307 of the Tariff Act.

No child labor, forced, or compulsory labor was reported and/or identified within any of our sites during the Track Record Period and up to the Latest Practicable Date. If any incidents of non-compliance are discovered within our operation sites, we shall immediately suspend the relevant person's employment and carry out an internal investigation.

Product Responsibility

Ensuring product responsibility is a fundamental aspect of our business operations. To us, safety is of utmost importance, and we prioritize it through the integration of numerous robust safety measures in every aircraft. To uphold high standards, we have established a quality system that adheres to Title 14 of the Code of Federal Regulations Part 21 — Certification Procedures for Product and Articles. For further information on our quality assurance processes, see "Business — Airworthiness Directives, Quality Control and Assurance."

We have implemented a standard procedure in our Quality Assurance Manual ("QAM") to ensure that any nonconforming products are promptly identified, documented, segregated, and corrected in accordance with our policy. In the event of a potential nonconforming product, it shall be clearly identified as nonconforming until the record of non-conformance ("NCR") has been completed. The NCR should contain description of the requirement that is not met and the actual condition of the product. We will also follow specific steps to conduct a thorough investigation, including identifying any physical or electronic issues, segregating the product to prevent unauthorized or unintended use, implementing a containment process if necessary, determining the disposition type in accordance with the QAM, and conducting analysis per the requirements of the QAM. Corrective actions will be taken when the product is confirmed to be nonconforming and prevent actions shall be taken to eliminate the cause of potential nonconformities.

Anti-corruption

We strive to have a high degree of integrity in all our business activities. As part of our dedication to integrity, we are committed to complying with all applicable anti-bribery and anti-corruption laws, rules, and regulations. See "— Internal Controls Related to Trade, Sanctions and Anti-Bribery Policies" for more information.

We do not tolerate any forms of bribery or corruption, and we strongly encourage our employees to report any violations of anti-corruption and anti-bribery laws to our Legal Department. Any kind of retaliation against anyone who makes a report or complaint in good faith with a reasonable basis for believing that a violation of our anti-corruption policy or other illegal, unethical or inappropriate conduct has occurred are strictly prohibited.

During the Track Record Period and up to the Latest Practicable Date, we had not aided, abetted, assisted, or colluded with an individual who has committed, or conspired to commit any unlawful activities. No non-compliance with relevant laws and regulations that have a significant impact on us relating to corruption, bribery, fraud and money laundering had been identified during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT

Risk Management Overview

Our active risk management approach and internal control policies are vital to our strategy and culture. Our risk management team assesses and monitors the credit risk of our customers using a credit evaluation process and applying internal guidelines on customer, country and regional diversification. We adopt a portfolio management approach to monitoring and mitigating risk, driving decision-making in our core activities, including our sales and marketing efforts. See "Risk Factors — Risks Relating to Our Business and Industry" for more information on the various key risks and uncertainties that we face with respect to our business operations, the aircraft manufacturing industry and conducting business in the U.S. and other regions.

We assess and monitor key risks within our portfolio, including market risks related to liquidity, price, credit and interest rates, as well as other risks related to: labor and talent, supply chain and manufacturing, the geopolitical environment, regulations/FAA, and the economy and inflation. See "Financial Information — Financial Risk Factors" for a detailed discussion of our key financial and market risks. Our Directors evaluate and determine our strategies in managing each of these key risks:

- **Liquidity Risk.** We manage risks of funding shortage based on expected maturity dates of our financial instruments. We strive to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and long-term leases.

- **Price Risk.** We manage this risk primarily by negotiating pricing agreements with significant suppliers, competitive bidding and identifying opportunities for cost reductions.

- **Credit Risk.** We adhere by our Credit Policy to support customers' needs while maintaining a high quality of receivables by only extending credit to creditworthy counterparties. We evaluate the creditworthiness of prospective customers based on their audited financial statements, credit agency rating as well as bank and trade references. We also assess and monitor the creditworthiness of significant business partners and third parties, such as financial institutions, insurance companies and other vendors which may expose us to counterparty risk.

- **Interest Rate Risk.** Management frequently monitors our exposure to the risk of changes in market interest rates, primarily as it relates to our long-term debt obligations with floating interest rates.

- **Supply Chain or Manufacturing Interruption Risk:** We manage this risk through greater investment in our manufacturing process, supply chain process, and an increased focus on our key suppliers. Starting with our supply chain, we have determined that focusing on a smaller, but higher quality and consistent supplier pool results in less interruptions across our supply chain and lowers cost. From a manufacturing perspective, we increased investment in our manufacturing line, including through the ongoing roll-out of COS, to create a more flexible and cross trained workforce, a demand driven production line, and a standardized work process that is repeatable. These implementations result in a higher quality control over the product and increased efficiencies in direct labor and manufacturing overhead.

- **Geopolitical Risk:** We actively engage with legislators at the local, state and federal levels to educate as to the contributions in investment and employment the Company provides to their constituents and to collaborate with the legislators on incentives for current and future operations and investments.

- **Regulatory/FAA Risk:** We are subject to regulation by the FAA and similar regulatory authorities. To this end, we have two teams that monitor our products and ensure compliance with FAA rules and regulations, the "product integrity group" and "airworthiness organization." The product integrity group is a cross-function of teams within our Company, ranging from air-worthiness, quality, customer and legal teams. This group reviews all information provided by the airfield and makes assessments and determinations on which information needs to be communicated to our customers. The product integrity group then reports the specific issue to the FAA within 24 hours. Our airworthiness organization has four principal functions: (1) FAA certification; (2) ODA supervision; (3) continued safety operation management; and (4) export compliance or technology export compliance.

- **Economy and Inflation Risk:** Our current backlog has left us with strong manufacturing demand that stretches through periods of economic downturn that could result in a decrease in new customer orders. Additionally, we have an aircraft pricing process as a part of our budgeting process to determine if aircraft require a pricing increase to combat inflation. As the market leader for our product line, we have pricing discretion for our aircraft.

Internal Controls Related to Trade, Sanctions and Anti-Bribery Policies

As part of its dedication to integrity, our Company and its subsidiaries and affiliates are committed to complying with all applicable anti-bribery and anti-corruption laws, rules and regulations, including the FCPA and the UK Bribery Act. Under the Company's Employee Handbook, if any director, officer, employee, representative or agent of the Company knows or believes that any improper payment has been or will be made, or any violation of the FCPA, UK Bribery Act or other applicable anti-corruption or anti-bribery law has occurred or will occur, such person must immediately notify the Company's legal department. Our Company does not permit retaliation of any kind against anyone who makes a report or complaint in good faith with a reasonable basis for believing that a violation of this policy or other illegal, unethical or inappropriate conduct has occurred. If the act involves the conduct of an agent acting on behalf of our Company, we immediately suspend our relationship with the agent pending an investigation of the matter.

As a matter of standard procedure, we screen against lists from OFAC, the U.S. State Department, and more than 100 export control lists from the United States, the United Nations, the United Kingdom, the European Union (including many of its member states), and other countries for our business engagements. These export control lists cover money-laundering, fraud, corruption, terrorist activities and financing, and breach of International Sanctions. Any existing and/or potential business dealings that become suspected of sanctions risk exposure are required to be reported to our legal team responsible for compliance with sanctions policies immediately. If any counterparties appear to be subject to economic sanctions, we will investigate and consult outside legal advisers with the necessary expertise and experience in International Sanctions law matters and take appropriate actions. When encountering red flags related to our business, we conduct assessments of potential counterparties, including prospective customers as part of our transaction due diligence, to identify potential risks related to export controls, geopolitics, business reputation (including fraud) and military end users listed on the Military End-User List by the BIS. These assessments are conducted using private and public data sources. Implementation of our "Know Your Customer" policy contributes to improving the risk profile of our portfolio, as well as protecting our integrity by ensuring that we transact with reputable counterparties maintaining high ethical standards.

The Company has implemented an Export Management Compliance Policy tailored to our risk profile. In addition to the policy, our Company has a full-time Global Trade and Export Compliance Manager ("Compliance Manager") whose work entails a customized, risk-based approach comprising of management commitment, risk assessments and analysis, internal controls, testing and auditing, and training. Our Compliance Manager, who reports directly to the Company's Deputy General Counsel, will periodically engage in informal discussions with our fleet sales manager and other sales managers, regularly performs site visits to Company facilities, and performs audits and writes reports that involve export compliance, sanctions, restricted trade practices and anti-bribery laws. Depending on the nature of the report and its sensitivities, the report and/or findings may be shared with front line personnel, business unit managers, the Deputy General Counsel and other senior management personnel.

Our Company is of the view that the above measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to sanctions and anti-bribery laws and that we have implemented and maintain policies and procedures that are designed to monitor and ensure compliance by us and our Directors, officers and employees with International Sanctions and other applicable laws and regulations. We have undertaken to the Stock Exchange that (i) we will not use the **[REDACTED]** from the **[REDACTED]** or other funds raised through the Stock Exchange, (a) to finance or facilitate, directly or indirectly, any projects or businesses in countries/regions which are subject to sanctions (as of the Latest Practicable Date, Iran, Syria, Sudan, Cuba, North Korea and the territories of Crimea, Zaporizhzhia and Kherson, the self-proclaimed Luhansk People's Republic region and the self-proclaimed Donetsk People's Republic region) or with persons located in other countries who are subject to sanctions or (b) to pay any damages for terminating or transferring contracts relating to sanctioned countries or persons subject to sanctions (if any), to the extent that the Company is party to such contracts in the future (whether by reason of a change in sanctions law or otherwise); (ii) we will not enter into any transaction that, at the time of entry into such transaction, is prohibited by applicable sanctions law; and (iii) if we believe that the transactions we have entered into will put us and our **[REDACTED]** and shareholders at risk of violating sanctions, we will disclose on the Stock Exchange's website, on our website and in our annual and interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in sanctioned countries and our business intention relating to such sanctioned countries. If we are in breach of such undertaking to the Stock Exchange, we risk the possible **[REDACTED]** of the shares from the Stock Exchange.

OVERVIEW

Immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), CAIGA Hong Kong will directly hold approximately **[REDACTED]**% of the total issued share capital of our Company. The entire issued share capital of CAIGA Hong Kong is held by CAIGA, which is owned as to 70% by AVIC. Therefore, AVIC, CAIGA and CAIGA Hong Kong are considered as a group of Controlling Shareholders of our Company under the Listing Rules.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

AVIC is wholly-owned by the SASAC with a number of listed companies under its control. AVIC's business spans across segments including defense, transport aircraft, helicopter, avionics systems, general aviation, aviation research and testing, aviation supply chain, automotive parts, assets management, finance and engineering and construction.

CAIGA is owned as to 70% by AVIC, and is principally engaged in the research and development, operation and service of general aviation, designing and manufacturing of aviation parts and accessories. CAIGA has various types of aircraft products including business jet, light sport aircraft, trainer aircraft, amphibious aircraft, multifunctional aircraft and special purpose aircraft.

CAIGA Hong Kong is an investment holding company wholly-owned by CAIGA.

BUSINESS DELINEATION AND COMPETITION

We are a pioneer and a global market leader in the personal aviation industry, according to Frost & Sullivan. We design, develop, manufacture, and sell single-engine piston and jet aircraft, delivering a comfortable, convenient, and premium aviation experience that is the pinnacle of innovation, quality and safety. We currently offer two aircraft product lines: (i) the SR2X Series, our single-engine piston aircraft primarily for retail customers which is comprised of three models: the SR20, the SR22 and the SR22T with specialized configurations for fleet and special mission applications; and (ii) the Vision Jet, our single-engine jet aircraft primarily for retail customers and to a lesser extent charter operational use. Through Cirrus Services, our customer-centric business unit, we also provide lifestyle-based solutions for flight training, aircraft maintenance and management and financing for individual aircraft owners and operators with a wide range of flight needs. For further details of our business, please refer to the section headed "Business" in this Document.

General aviation refers to all aviation other than military and scheduled commercial airlines, which is the largest aviation market in the world. General aviation encompasses both personal and professional aviation. Personal aviation refers to the non-commercial operation of fixed-wing general aviation aircraft, including activities such as owner-flown and flight instruction. The main types of aircraft used in personal aviation include piston engine aircraft and turbine aircraft. Turbine aircraft include turboprop aircraft and jet. Professional aviation involves a range of activities, including corporate services, charter services, agricultural operations, fire protection, disaster relief and environmental conservation.

Among the extensive product portfolio of our Controlling Shareholders (excluding our Group) for the general aviation business, AG100 is the only product that has potential similarities with our products to a certain extent, according to Frost & Sullivan. Nonetheless, as explained below, AG100 does not compete, and is not likely to compete, directly or indirectly, with our products. Our Controlling Shareholders confirmed that, as of the Latest Practicable Date, they did not have any product which competes or is likely to compete, directly or indirectly, with our products.

AG100

AG Zhejiang, which is a wholly-owned subsidiary of CAIGA and principally engaged in the design, research and development, manufacturing, sales, technology development, technology consulting, technology services of civil aircraft, and sales of general mechanical equipment and electronic equipment. AG Zhejiang has been in collaboration with our Group to develop a light-weight general aviation training aircraft with one configuration but two type certificates (the "AG100/SR10 Program"). We are responsible for providing program management, administrative support, supplier management, design, development, certification, and test support for the AG100/SR10 Program. The trainer aircraft developed by AG Zhejiang and to be certified by CAAC for the PRC market is named AG100, while the trainer aircraft developed by us and to be certified by FAA for our responsible markets is named SR10. For details of the AG100/SR10 Program, please refer to the section headed "Connected Transactions — One-off Connected Transaction — 1. Aircraft Development Program Agreement" in this Document. AG100 or SR10 is smaller in size and of lower specifications as compared to our other aircraft and its price will be substantially lower than that of our other aircraft. As of the Latest Practicable Date, the AG100/SR10 Program had not been completed and neither AG Zhejiang nor our Group generated any sales from AG100 or SR10.

Upon commercialization, AG100 will be manufactured by AG Zhejiang in the PRC and sold in the PRC market. We have the right, but not the obligation, to manufacture and sell SR10. If we decide to do so, SR10 will be manufactured by our Group in the U.S. and sold in the North America, South America, Europe, Australia, and South Africa markets. For all other countries or markets other than the aforementioned territories, AG Zhejiang and our Group will decide the respective responsibility on a case-by-case basis. Neither AG Zhejiang or our Group is permitted to sell AG100 or SR10 in the other party's responsible market(s) without the other party's written consent. In light of such clear geographic delineation, there is no competition between AG100 and SR10. Further, while we will continue to expand our production capacity and formulate our production plan to make the best use of our production capacity, our present intention is to focus our manufacturing capacity on our other products which are of higher prices and profitability.

Our Controlling Shareholders have no present intention to inject AG100 into our Group prior to or in the near future after the **[REDACTED]**, and our Controlling Shareholders will continue to assess such injection in the future based on their overall strategic planning. If our Company is aware of any change in our Controlling Shareholders' intention in this regard, our Company will make an announcement in accordance with Rule 8.10(1)(a)(iv) of the Listing Rules. The injection of AG100 into our Group in the future, if any, will be subject to compliance with the relevant requirements of the Listing Rules, including without limitation Rule 8.10(1)(b) and Chapter 14A of the Listing Rules.

Based on the foregoing, our Directors are of the view that the business of our Controlling Shareholders are clearly delineated from our principal business and thus there is no competition between the business of our Group and that of our Controlling Shareholders. Our Controlling Shareholders further confirmed that, as of the Latest Practicable Date, they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our current businesses, and requires disclosure under Rule 8.10 of the Listing Rules.

Furthermore, our Controlling Shareholders executed a non-competition undertaking in favor of our Company on [•], 2023, pursuant to which they undertook that they would not, and would procure their subsidiaries (other than members of our Group) not to, directly or indirectly, engage in any principal business activity that competes or is likely to compete with our principal business. For details, see "— Non-Competition Undertaking" below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied, on the basis of the following factors, that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after the **[REDACTED]**.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the **[REDACTED]**, our Board will consist of nine Directors comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. For more information, see "Directors and Senior Management."

Save as disclosed below and the section headed "Directors and Senior Management" in this Document, none of our Directors or members of our senior management holds any directorship or senior management position in any of the companies in which our Controlling Shareholders are interested in other than those within our Group:

Name	Position with our Company	Position(s) held with our Controlling Shareholders or their close associates
Mr. Lei YANG (楊雷) . . .	Non-executive Director and Chairman of the Board of Directors	Director and general manager (總經理) of CAIGA
Mr. Hui WANG (王暉) . .	Executive Director and vice Chairman of the Board of Directors	Senior Specialist (高級專務) of CAIGA Director of China Guizhou Aviation Industry (Group) Co., Ltd.* (中國貴州航空工業(集團)有限責任公司) Director of AVIC Heavy Machinery Co., Ltd.* (中航重機股份有限公司)
Mr. Qingchun SONG (宋慶春)	Non-executive Director	Director and general manager (總經理) of Zhejiang General Aircraft Brumby Aircraft Manufacturing Co., Ltd.* (浙江通飛野馬飛機製造有限責任公司) Chairman of the board of directors of Zhuhai General Aircraft NextGen Flight Vehicle Co., Ltd.* (珠海通飛未來飛行器有限公司)

Name	Position with our Company	Position(s) held with our Controlling Shareholders or their close associates
Mr. Liang LIU (劉亮) . . .	Non-executive Director	Head (部長) of financial operation department of CAIGA
		Executive director of CAIGA Hong Kong
		Director of AG Huanan
		Director of AVIC Heavy Machinery Co., Ltd.* (中航重機股份有限公司)
		Director of Advance Treasure Limited (豪科有限公司)
Mr. Yihui LI (李屹暉). . .	Non-executive Director	Deputy dean (副院長) of AVIC General Aircraft Research Institute* (中航通飛研究院有限公司)
		Chairman of the board of directors of Zhejiang General Aircraft Brumby Aircraft Manufacturing Co., Ltd.* (浙江通飛野馬飛機製造有限責任公司)
		Director of Cessna-AVIC Aircraft (Zhuhai) Co., Ltd.* (珠海中航賽斯納飛機有限公司)
		Director of Cessna-AVIC Aircraft (Shijiazhuang) Co., Ltd.* (石家莊中航賽斯納飛機有限公司)
		Director of Harbin Tongfei Aviation Technology Development Co. Ltd.* (哈爾濱通用飛機工業有限責任公司)

Notwithstanding the overlapping Directors mentioned above, we believe that our Directors and senior management are able to perform their roles in our Company independently and our Company is capable of managing its business independently from our Controlling Shareholders and their respective close associates for the following reasons:

(i) Mr. Hui WANG (王暉), as one of our executive Directors, devotes substantially all his time to discharge his duties of his positions at our Group. Other than his positions held in our Group, he is not involved in the day-to-day operations of the entities as mentioned above;

(ii) Mr. Lei YANG (楊雷), Mr. Qingchun SONG (宋慶春), Mr. Liang LIU (劉亮) and Mr. Yihui LI (李屹暉) are our non-executive Directors and do not participate in the day-to-day management and operations of our business. Although they are not involved in the daily operation and business decision making process of our Group, they would keep up-to-date with our business affairs and assist in supervising and scrutinizing our business performance to fulfill their obligation as a Director through providing professional advice and attending business update meetings;

(iii) our daily management and operations are carried out by our senior management team, who do not hold any position in our Controlling Shareholders or their close associates (excluding members of our Group) and are independent and have the adequate relevant experience to ensure the normal operation of the day-to-day business and management of our Group;

(iv) as of the Latest Practicable Date, none of our Directors or members of our senior management team holds any equity interest in our Controlling Shareholders or their close associates (excluding members of our Group);

(v) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow his personal interest to interfere with our Company's best interests;

(vi) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any resolutions of our Board of Directors approving any contract, arrangement or any other proposal in which he or any of his close associates has a material interest and shall not be counted in the quorum present at the relevant meeting of the Board of Directors meeting;

(vii) we have appointed three independent non-executive Directors, comprising one-third of our Board of Directors, to provide a balance of the number of our Board of Directors and with a view to ensuring the decisions of our Board of Directors are made only after due consideration of independent and impartial opinions and promoting the interests of our Company and our Shareholders as a whole. We believe our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to provide professional and experienced advice to our Company. Our Directors are of the view that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interests of our Company and our Shareholders as a whole; and

(viii) we have adopted or will establish corporate governance measures and sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, which would support our independent management. Please see "— Corporate Governance Measures" in this section for further details.

Based on the above, our Directors are of the view that our Board of Directors, together with our senior management team, are able to perform their managerial roles in our Group independently from our Controlling Shareholders and their respective close associates.

Operational Independence

Our Group is operationally independent of our Controlling Shareholders and their respective close associates. We can make decisions and carry out our own business operations independently. We have sufficient capital, facilities, technology and employees to operate our business independently. We hold or enjoy the benefits of all relevant licenses and intellectual properties necessary to operate our business. We own or have the right to use all the operational facilities relating to our business. We have our own organizational structure made up of individual functional departments, each with specific areas of responsibilities. We have not shared any operational resources such as sales and marketing, risk management and general administration resources with our Controlling Shareholders or their respective close associates. We have also established a set of internal control procedures to facilitate the effective operation of our business. We independently manage and have independent access to our customers and suppliers.

During the Track Record Period, we conducted certain transactions with the close associates of our Controlling Shareholders which are expected to continue after the **[REDACTED]** and will constitute continuing connected transactions of our Company under the Listing Rules. See "Connected Transactions" for more details. Such transactions are entered into in the ordinary and usual course of our business and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favorable to our

Company than terms offered by independent third parties. Our Directors believe that the continuing connected transactions between our Company and the close associates of our Controlling Shareholders do not indicate any undue reliance by our Company on our Controlling Shareholders and are beneficial to our Company and our Shareholders as a whole.

Based on the above, our Directors are of the view that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have our own internal control and accounting systems and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function. Neither our Controlling Shareholders nor their respective close associates intervene with our use of funds. We have adequate internal resources and credit profile to support our daily operations, and we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates. As of the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from our Controlling Shareholders or any of their respective close associates.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders executed a non-competition undertaking in favor of our Company on [•], 2023 (the "Non-Competition Undertaking") which is effective in the Relevant Period (as defined below). Pursuant to the Non-Competition Undertaking, the Controlling Shareholders have confirmed that, as of the date of the Non-Competition Undertaking, the principal businesses of the Controlling Shareholders and their respective subsidiaries (other than members of our Group) do not compete and are not likely to compete with our principal business of the design, development, manufacturing and sales of two aircraft product lines: the (i) SR2X Series and (ii) Vision Jet ("our Principal Business Activity"). The Controlling Shareholders have also made unconditional and irrevocable covenants to our Company that during the Relevant Period (as defined below), the Controlling Shareholders will not and will procure that their subsidiaries (other than members of our Group) will not:

(i) solely or jointly with a third party, engage or participate, either directly or indirectly, in any business or activity (whether as a director or shareholder (other than as director or shareholder of our Group), partner, agent or otherwise, and whether for profit, reward or interest otherwise) of any form (including but not limited to investment, merger, acquisition, joint venture, cooperation, partnership, contracting or leasing operation, purchase of shares of listed companies or equity participation) which competes or is likely to compete with our Principal Business Activity; and

(ii) either directly or indirectly, hold any interest or obtain any control in any other form (whether as a director or shareholder (other than being a director or shareholder of our Group), partner, agent or otherwise, and whether for profit, reward or interest otherwise) in any operating entity, institution or economic organization which competes or is likely to compete with our Principal Business Activity.

The above restrictions are not applicable to circumstances where the shareholding interest held by the Controlling Shareholders and/or their respective subsidiaries (other than members of our Group) as financial investments is less than 10% of the relevant class of issued share capital of such company or 10% of the total share capital of such company, and none of the Controlling Shareholders and/or their subsidiaries (other than members of our Group) has the right to appoint a majority of the directors of such company and are not directly or indirectly involved in the management or daily operation of such company.

Options for New Opportunity

Pursuant to the Non-Competition Undertaking, each of the Controlling Shareholders undertakes that, during the Relevant Period (as defined below), if any of the Controlling Shareholders or their respective subsidiaries (other than members of our Group) (the "Offeror") is granted or offered or has identified any business investment or business opportunity that competes or is likely to compete, either directly or indirectly, with our Principal Business Activity (the "New Opportunity"), then, subject to the satisfaction of the relevant regulations of the State-owned Assets Supervision and Administration and to the extent practicable, such Controlling Shareholder will, and will procure its subsidiaries (other than members of our Group) to, first refer the New Opportunity to us in the following manner as soon as practicable: (i) such Controlling Shareholder will, and will procure its subsidiaries (other than members of our Group) to, refer or procure referrals of the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary (including but not limited to the nature and details of the costs of investment or acquisition of the New Opportunity) (the "Offer Notice") for us to consider (a) whether the New Opportunity competes with our Principal Business Activity; and (b) whether utilizing the New Opportunity is in the interests of our Group; and only if (a) the Offeror has received notice from us of our rejection of the New Opportunity, or (b) the Offeror has not received notice from us within 10 business days (for the purpose of the Non-Competition Undertaking, a "business day" means a day on which the Stock Exchange generally conducts securities trading business in Hong Kong) from the date on which we receive the Offer Notice, then the Offeror has the right to take advantage of the New Opportunity. We will comply with the requirements under the Listing Rules (as applicable) when deciding whether to exercise our option for any New Opportunity.

If there is any material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the revised New Opportunity to us in the manner set out above. Each of the Controlling Shareholders undertakes to procure its subsidiaries (other than members of our Group) to offer our Group with options for any New Opportunity in accordance with the requirements as stated above.

Right of First Refusal

Where the Controlling Shareholders and/or their respective subsidiaries (other than members of our Group) have, pursuant to "— Options for New Opportunity" above, acquired any business and intend to make a transfer of such business, the Controlling Shareholders will, or procure their respective subsidiaries (other than members of our Group) to, provide us with a right of first refusal (the "Right of First Refusal") to acquire such business or such investment or such interest in the same circumstances, subject to the satisfaction of the relevant regulations of the State-owned Assets Supervision and Administration. If we decide not to exercise the Right of First Refusal or fail to respond in writing within 10 business days of receipt of the Offer Notice, then the Controlling Shareholders may, or may procure their respective subsidiaries (other than members of our Group) to, offer to sell such business to other third parties on terms no better than those offered to our Group. We will comply with the provisions under the Listing Rules (as applicable) when deciding on whether to exercise our Right of First Refusal. Each of the Controlling Shareholders undertakes that it will procure its subsidiaries (other than members of our Group) to grant our Group with Right of First Refusal in accordance with the Non-Competition Undertaking.

Further Undertaking from the Controlling Shareholders

Each of the Controlling Shareholders further confirms and agrees that our Company may be required to disclose information relevant to the Non-Competition Undertaking, the New Opportunity or the Right of First Refusal in accordance with the relevant laws, regulations, the Listing Rules and the rules of the Hong Kong securities regulatory authorities, including but not limited to the compliance of our Controlling Shareholders with the Non-Competition Undertaking in our announcements, annual and/or interim reports. We will make the relevant disclosures to the extent reasonably necessary to comply with any such requirements.

We will adopt the following measures to ensure that the undertakings under the Non-Competition Undertaking are observed:

(i) we will provide the independent non-executive Directors with notices on offering or transferring the New Opportunity or Right of First Refusal provided by the Controlling Shareholders (as the case may be), within seven days upon receipt of such notices;

(ii) the independent non-executive Directors will report in our annual reports (a) the results of their review on the Controlling Shareholders' compliance with the Non-Competition Undertaking and (b) any decisions on our Company's options for New Opportunity and Right of First Refusal and basis for the decisions; and

(iii) our Directors consider that the independent non-executive Directors have sufficient experience in assessing whether or not to take up the New Opportunity or exercise the Right of First Refusal. Under appropriate or necessary circumstances, our independent non-executive Directors may appoint financial advisors or experts to provide advice on whether the options or Right of First Refusal under the Non-Competition Undertaking shall be exercised and any fees incurred as a result of such shall be borne by us.

The Non-Competition Undertaking will take effect from the date of this undertaking until the occurrence of one of the following events, whichever is earlier, (the "Relevant Period"):

(i) when each of the Controlling Shareholders and its subsidiaries (other than members of our Group), individually or taken as a whole, ceases to be the Controlling Shareholders or controlling beneficial owners of our Company; or

(ii) our Shares cease to be **[REDACTED]** on the Stock Exchange except for suspension of trading of our Shares due to any reasons.

In view of (i) the Controlling Shareholders' undertaking that they will support the development of our business on a priority basis; (ii) the legally binding obligations of the Controlling Shareholders under the Non-Competition Undertaking and the options for New Opportunity and the Right of First Refusal granted to us thereunder; and (iii) the mechanisms in place as described above to monitor the compliance with the Non-Competition Undertaking by the Controlling Shareholders, our Directors are of the view that our Company has taken all appropriate and practicable measures to ensure that each of the Controlling Shareholders will comply with its obligations under the Non-Competition Undertaking.

CORPORATE GOVERNANCE MEASURES

We have adopted or will adopt the following corporate governance measures to manage any potential conflicts of interest and to further safeguard the interests of our minority Shareholders:

- our Company has appointed independent non-executive Directors to ensure the effective exercise of independent judgments on the decision-making process of our Board of Directors and provide independent advice to our Shareholders;

- our independent non-executive Directors will review, on an annual basis, the compliance by our Controlling Shareholders of their undertakings under the Non-Competition Undertaking;

- our Controlling Shareholders will provide all information requested by our Company which is necessary for the performance of the Non-Competition Undertaking, including an annual review by the independent non-executive Directors;

- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Undertaking in our annual reports or by way of announcement to the public in compliance with the requirements of the Listing Rules;

- our Controlling Shareholders will provide an annual confirmation that they are in compliance with their undertakings under the Non-Competition Undertaking for disclosure in our annual report;

- we are committed that our Board of Directors shall have a sufficiently balanced composition of executive Directors, non-executive Directors and independent non-executive Directors that can facilitate the exercise of independent judgment. We believe that the independent non-executive Directors have the necessary expertise to form and exercise independent judgment in the event of any conflict of interest between our Company and our Controlling Shareholders;

- the independent non-executive Directors will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost in respect of matters relating to the Non-Competition Undertaking;

- any proposed transaction between us and connected persons will be subject to Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent Shareholders' approval requirements of such rules;

- in the event of any potential conflict of interests, our Director(s) with an interest in the relevant transaction(s) shall abstain from voting at the relevant Board of Directors meeting and shall not be counted towards the quorum in respect of the relevant resolution(s) at such meeting;

- in the event of any potential conflict of interests at the Shareholders' level, our Controlling Shareholders shall abstain from voting at the Shareholders' meeting of our Company with respect to the relevant resolutions; and

- we have appointed Altus Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and corporate governance.

In our ordinary and usual course of business, we have entered into certain agreements with our connected persons. After the **[REDACTED]**, the transactions disclosed in this section will constitute connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon the **[REDACTED]**:

Name of our connected persons	Connected relationship
AG Huanan	a wholly-owned subsidiary of CAIGA, our Controlling Shareholder, and therefore an associate of our Controlling Shareholders and a connected person of our Company
AG Services	a wholly-owned subsidiary of CAIGA, our Controlling Shareholder, and therefore an associate of our Controlling Shareholders and a connected person of our Company
AG Zhejiang	a wholly-owned subsidiary of CAIGA, our Controlling Shareholder, and therefore an associate of our Controlling Shareholders and a connected person of our Company
Continental	a wholly-owned subsidiary of Continental Aerospace Technologies Holding Limited (大陸航空科技控股有限公司), which as of the Latest Practicable Date was indirectly held as to approximately 46.40% by AVIC, our Controlling Shareholder, and therefore an associate of AVIC and a connected person of our Company

SUMMARY OF OUR CONNECTED TRANSACTIONS

The following table sets forth a summary of our one-off connected transaction and continuing connected transactions:

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical transaction amounts	Proposed annual caps
One-off Connected Transaction				
Aircraft Development Program Agreement . .	N/A	N/A	2020: US$17.9 million 2021: US$19.9 million 2022: US$5.5 million	N/A

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical transaction amounts	Proposed annual caps
Non-Exempt Continuing Connected Transactions that are subject to Reporting, Annual Review and Announcement Requirements				
AG100 Aircraft Service Framework Agreement.	14A.35, 14A.76(2), and 14A.105	Announcement requirement	2020: Nil 2021: US$381,000 2022: US$953,000	2023: US$2,218,000 2024: US$3,127,000 2025: US$4,644,000
Authorized Service Center Agreement. . . .	14A.35, 14A.76(2), and 14A.105	Announcement requirement	2020: US$1.4 million 2021: US$3.7 million 2022: US$1.8 million	2023: US$3.0 million 2024: US$4.0 million 2025: US$5.0 million
Aircraft Kits Sale and Program Services Framework Agreement.	14A.35, 14A.76(2), and 14A.105	Announcement requirement	2020: US$21.0 million 2021: US$17.2 million 2022: US$13.6 million	2023: US$4.0 million 2024: US$7.2 million 2025: US$7.4 million
Non-Exempt Continuing Connected Transactions that are subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements				
Purchase of Engines and Parts Framework Agreement	14A.35, 14A.36, 14A.46 and 14A.105	Announcement, circular and independent shareholders' approval requirements	2020: US$21.2 million 2021: US$29.8 million 2022: US$32.6 million	2023: US$44.9 million 2024: US$50.4 million 2025: US$54.2 million

ONE-OFF CONNECTED TRANSACTION

1. Aircraft Development Program Agreement

Background and principal terms

On October 15, 2019, Cirrus Design entered into an aircraft program agreement with AG Zhejiang, as amended by an amendment agreement between Cirrus Design and AG Zhejiang dated October 18, 2022 (collectively, the "Aircraft Development Program Agreement"), pursuant to which we collaborate with AG Zhejiang to develop a light-weight general aviation training aircraft with one configuration but two type certificates (the "AG100/SR10 Program"). We are responsible for providing program management, administrative support, supplier management, design, development, certification, and test support for the AG100/SR10 Program. The trainer aircraft developed by AG Zhejiang and to be certified by CAAC for the PRC market is named AG100, while the trainer aircraft developed by us and to be certified by FAA for our responsible markets is named SR10. The AG100/SR10 Program is expected to be completed in 2024 following the issuance of production certificate by the FAA for the SR10 aircraft, subject to our submission of a project close-out report to AG Zhejiang after such issuance. The issuance of the production certificate is subject to program timing risks and external factors such as delays in regulatory review.

AG Zhejiang was listed on the Military End-User List in December 2020. The Military End-User List is a list of names maintained by the BIS that identifies foreign parties that are prohibited from receiving items described in the Export Administration Regulations ("EAR") in supplement no. 2 to part 744 unless the exporter secures a license. In this connection, we obtained an export license from the BIS on February 9, 2021, which is effective up to February 28, 2025, authorizing the export, reexport and transfer of certain items subject to the EAR to AG Zhejiang relating to the AG100/SR10 Program. We temporarily suspended the export, reexport and transfer of items subject to the EAR to AG Zhejiang after AG Zhejiang was listed on the Military End-User List and prior to obtaining the export license. We currently expect the AG100/SR10 Program to be completed before the expiry of the export license, i.e., in 2024 following the issuance of production certificate by the FAA for the SR10 aircraft (subject to our submission of a project close-out report to AG Zhejiang after such issuance, and the issuance of the production certificate is subject to program timing risks and external factors such as delays in regulatory review). In the unlikely event that the AG100/SR10 Program may only be completed after the expiry of the export license, we will renew our export license in a timely manner before it expires. Subject to the strict compliance with the export license we obtained from the BIS, Hogan Lovells International LLP is of the view that our transactions with AG Zhejiang in relation to the AG100/SR10 Program did not implicate export controls applicable to AG Zhejiang.

Reasons for the transaction

Under the Aircraft Development Program Agreement, our Group would develop a new configuration model to expand our product offering and at the same time receive a development fee from AG Zhejiang. Upon commercialization, AG100 will be manufactured by AG Zhejiang in the PRC and sold in the PRC market. We have the right, but not the obligation, to manufacture and sell SR10. If we decide to do so, SR10 will be manufactured by our Group in the U.S. and sold in the North America, South America, Europe, Australia, and South Africa markets. For all other countries or markets other than the aforementioned territories, AG Zhejiang and our Group will decide the respective responsibility on a case-by-case basis. Neither AG Zhejiang or our Group is permitted to sell AG100 or SR10 in the other party's responsible market(s) without the other party's written consent. Nonetheless, while we will continue to expand our production capacity and formulate our production plan to make the best use of our production capacity, our present intention is to focus our manufacturing capacity on our other products which are of higher prices and profitability.

Pricing policy

The terms of the Aircraft Development Program Agreement were determined on normal commercial terms after arm's length negotiations between AG Zhejiang and us. AG Zhejiang shall pay us a fixed development fee for the AG100/SR10 Program, which was determined with reference to the time and materials or research and development costs expected to be incurred by us.

Historical transaction amounts

For the years ended December 31, 2020, 2021 and 2022, the total transaction amounts in respect of the AG100/SR10 Program are set out as follows:

	For the year ended December 31,		
	2020	**2021**	**2022**
		(US$ million)	
Development fee from AG Zhejiang(1)	17.9	19.9	5.5

(1) The fluctuation in development fee from AG Zhejiang during the Track Record Period was due to the fluctuation in our time and materials or research and development costs incurred by us for the AG100/SR10 Program according to the relevant statements of work agreed between AG Zhejiang and us.

The remaining development fee of US$4.2 million as agreed under the Aircraft Development Program Agreement is expected to be paid by AG Zhejiang to us before the **[REDACTED]**.

Implications under the Listing Rules

The transaction under the Aircraft Development Program Agreement is regarded as a one-off connected transaction of our Company entered into before the **[REDACTED]** for the purposes of the Listing Rules. Such transaction will not, following the **[REDACTED]**, constitute a continuing connected transaction of our Group under Chapter 14A of the Listing Rules, and will not be subject to further requirements under the Listing Rules. Our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms of the Aircraft Development Program Agreement or in the event we enter into any other connected transactions in relation thereto after the **[REDACTED]**.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS THAT ARE SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

2. AG100 Aircraft Service Framework Agreement

Background and principal terms

On [•], 2023, our Company, Cirrus Design and AG Zhejiang entered into an aircraft service framework agreement (the "AG100 Aircraft Service Framework Agreement"), pursuant to which AG Zhejiang may from time to time purchase from us (i) procurement support in the forms of supply of materials, and/or procurement of materials from other suppliers, for the certification and production of the AG100 aircraft, and (ii) technical support for the AG100 aircraft in the forms of supplementary testing, technical consultation on the certification process for type certificate, design optimization support after receiving type certificate, and/or continuous airworthiness support after receiving type certificate for the AG100 Aircraft. See "— One-off Connected Transaction — 1. Aircraft Development Program Agreement" above for details of the AG100 aircraft that is being developed under the AG100/SR10 Program.

We may enter into individual agreements and/or statements of work with AG Zhejiang or its subsidiaries with respect to the transactions contemplated under the AG100 Aircraft Service Framework Agreement in accordance with the terms and conditions as set forth in the AG100 Aircraft Service Framework Agreement. The term of the AG100 Aircraft Service Framework Agreement is three years, commencing on the **[REDACTED]**. The AG100 Aircraft Service Framework Agreement can be renewed by the agreement among our Company, Cirrus Design and AG Zhejiang subject to compliance with the requirements under applicable laws, regulations and rules (including but not limited to the Listing Rules).

As disclosed under the subsection headed "— One-off Connected Transaction — 1. Aircraft Development Program Agreement" above, AG Zhejiang was listed on the Military End-User List in December 2020, and we have obtained an export license from the BIS on February 9, 2021, which is effective up to February 28, 2025, authorizing the export, reexport and transfer of certain items subject to the EAR to AG Zhejiang relating to the AG100/SR10 Program. The export license also authorizes the export, reexport and transfer of certain items subject to the EAR to AG Zhejiang for transactions contemplated under the AG100 Aircraft Service Framework Agreement. We temporarily suspended the export, reexport and transfer of items subject to the EAR to AG Zhejiang after AG Zhejiang was listed on the Military End-User List and prior to obtaining the export license. In the event that there is any transaction under the AG100 Aircraft Service Framework Agreement that may occur after the expiry of the export license, we will renew our export license in a timely manner before it expires. Subject to the strict compliance with the export license we obtained from the BIS, Hogan Lovells International LLP is of the view that our transactions with AG Zhejiang transactions contemplated under the AG100 Aircraft Service Framework Agreement did not implicate export controls applicable to AG Zhejiang.

Reasons for the transactions

The transactions contemplated under the AG100 Aircraft Service Framework Agreement are the ongoing procurement support and technical support we expect to provide to AG Zhejiang in relation to the AG100 aircraft, which are ancillary to the AG100/SR10 Program.

Pricing policy

The terms of the AG100 Aircraft Service Framework Agreement were determined on normal commercial terms after arm's length negotiations between AG Zhejiang and us. The price of the procurement support and technical support provided to AG Zhejiang under the AG100 Aircraft Service Framework Agreement shall be fair and reasonable and reflect normal commercial terms, with reference to our cost, including raw materials and labor, as adjusted by inflation plus a reasonable margin.

Historical transaction amounts

For the years ended December 31, 2020, 2021 and 2022, the total transaction amounts in respect of our provision of procurement support and technical support to AG Zhejiang relating to the AG100 aircraft as contemplated under the AG100 Aircraft Service Framework Agreement are set out as follows:

	For the year ended December 31,		
	2020	**2021**	**2022**
		(US$)	
Provision of procurement support and technical support to AG Zhejiang relating to the AG100 aircraft.	Nil	381,000	953,000

Annual caps and basis

The proposed annual caps in respect of the transactions contemplated under the AG100 Aircraft Service Framework Agreement for the years ending December 31, 2023, 2024 and 2025 are as follows:

	For the year ending December 31,		
	2023	**2024**	**2025**
		(US$)	
Provision of procurement support and technical support to AG Zhejiang relating to the AG100 aircraft.	2,218,000	3,127,000	4,644,000

The above proposed annual caps are based on (i) the historical transaction amounts in respect of similar procurement support and technical support provided to AG Zhejiang, (ii) the expected transaction volume with AG Zhejiang taking into account the expected demand from AG Zhejiang for the development and production of the AG100 aircraft upon commercialization and (iii) expected inflation.

Implications under the Listing Rules

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the AG100 Aircraft Service Framework Agreement will be more than 0.1% but less than 5%, such transactions will be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Authorized Service Center Agreement

Background and principal terms

On July 6, 2020, Cirrus Design and AG Services entered into an ASC agreement, as amended by a supplemental agreement dated [•], 2023 (the "Authorized Service Center Agreement"), pursuant to which we authorized AG Services to operate as our ASC in the PRC for our SR series aircraft on a non-exclusive basis. AG Services shall provide prompt and efficient maintenance and services at reasonable prices and terms on our SR series aircraft for aircraft owners in the PRC, and provide warranty and other services on our SR series aircraft without charge to the aircraft owners subject to our policies and procedures and the warranty and other service terms applicable to the particular aircraft. In addition, we shall sell to AG Services aircraft parts, kits, tooling, test equipment and technical publications which are required for AG Services to perform services on our SR series aircraft, as well as aircraft parts manufactured or approved by us for the purposes of inventory or resale. AG Services or its subsidiaries may place individual purchase orders separately with us which provide for specific terms and conditions including product description, quantity, price, requested delivery dates and shipping instructions and other terms in accordance with the Authorized Service Center Agreement. The term of the Authorized Service Center Agreement is three years, commencing from the **[REDACTED]**. The Authorized Service Center Agreement can be renewed by the agreement between Cirrus Design and AG Services subject to compliance with the requirements under applicable laws, regulations and rules (including but not limited to the Listing Rules).

Reasons for the transactions

Our Directors are of the view that the Authorized Service Center Agreement is to the benefit of our Company because (i) we currently do not have any self-operated service center in the PRC, (ii) AG Services has been authorized to operate as our ASC in the PRC for our SR series aircraft since 2015, (iii) through AG Services, end users of our SR series aircraft in the PRC could enjoy warranty, maintenance and other services in a more efficient manner without our Group incurring additional costs in operating a self-owned service center in the PRC, and (iv) we consider that it is not easy to find a substitute for provision of relevant services in the PRC market with similar quality, capacity, cultivated trust and understanding.

Pricing policy

The terms of the Authorized Service Center Agreement were determined on normal commercial terms after arm's length negotiations between AG Services and us. The sales price of the aircraft products supplied to AG Services under the Authorized Service Center Agreement shall be fair and reasonable and reflect normal commercial terms. The sales price of aircraft products we offer to our ASCs are determined with reference to our cost, including raw materials and labor, as adjusted by inflation plus a reasonable margin, and the product specifications required by our ASCs.

Historical transaction amounts

For the years ended December 31, 2020, 2021 and 2022, the total transaction amounts in respect of our provision of aircraft products to AG Services are set out as follows:

	For the year ended December 31,		
	2020	**2021**	**2022**
		(US$ million)	
Provision of aircraft products to AG Services	1.4	3.7	1.8

The transaction amount in respect of our provision of aircraft products to AG Services in 2021 was higher than that in 2020 and 2022, primarily due to the larger amount of aircraft products that AG Services procured from us for the maintenance of the aircraft assembled from the larger amount of aircraft kits we sold in the PRC in 2020 as compared to 2021 and 2022 (see "— 4. Aircraft Kits Sale and Program Services Framework Agreement — Historical transaction amounts" below for details).

Annual caps and basis

The proposed annual caps in respect of our provision of aircraft products to AG Services contemplated under the Authorized Service Center Agreement for the years ending December 31, 2023, 2024 and 2025 are as follows:

	For the year ending December 31,		
	2023	**2024**	**2025**
		(US$ million)	
Provision of aircraft products to AG Services	3.0	4.0	5.0

The above proposed annual caps are based on (i) the historical transaction amounts in respect of our provision of aircraft products to AG Services, (ii) the historical sales volume of our SR series aircraft in the PRC, (iii) the expected sales volume of our SR series aircraft in the PRC, (iv) the expected volume of aircraft products to be supplied to AG Services and (v) the expected adjustment to the price applicable to our ASCs. Notwithstanding the fluctuation in transaction amounts in respect of our provision of aircraft products to AG Services during the Track Record Period as explained above, the transaction amounts are expected to increase in 2023, 2024 and 2025, primarily due to the expected increase in demand for our aircraft products to perform services on our aircraft in the PRC from the expected increase in number of our aircraft in operation in the PRC, and the expected increase in average operating time of our aircraft in the PRC in light of the alleviation of the negative impact of the COVID-19 pandemic.

Implications under the Listing Rules

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Authorized Service Center Agreement will be more than 0.1% but less than 5%, such transactions will be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Aircraft Kits Sale and Program Services Framework Agreement

Background and principal terms

On [•], 2023, our Company, Cirrus Design, AG Huanan and AG Services entered into an aircraft kits sale and program services framework agreement (the "Aircraft Kits Sale and Program Services Framework Agreement"), pursuant to which AG Huanan and/or AG Services may from time to time (i) procure from us aircraft kits for TRAC20 model aircraft, a purpose-built configuration of the SR20 model aircraft, and (ii) procure program services from us to assist AG Huanan in the assembly of the aircraft kits. The Aircraft Kits Sale and Program Services Framework Agreement also provided that AG Services shall serve as our non-exclusive authorized reseller of our TRAC20 model and TRAC22 model aircraft in the PRC. To the best knowledge of our Directors, the TRAC20 model aircraft assembled from the aircraft kits by AG Huanan (as the manufacturing arm of CAIGA) will be resold by AG Services (as the sales and marketing arm of CAIGA) to civil end users in the PRC.

We may enter into individual agreements separately with AG Huanan and/or AG Services, or their respective subsidiaries, with respect to the transactions contemplated under the Aircraft Kits Sale and Program Services Framework Agreement which provide for specific terms and conditions including scope of work, product description, quantity, price, requested delivery dates and shipping instructions and other terms in accordance with the Aircraft Kits Sale and Program Services Framework Agreement. The term of the Aircraft Kits Sale and Program Services Framework Agreement is three years, commencing on the **[REDACTED]**. The Aircraft Kits Sale and Program Services Framework Agreement can be renewed by the agreement among our Company, Cirrus Design, AG Huanan and AG Services subject to compliance with the requirements under applicable laws, regulations and rules (including but not limited to the Listing Rules).

In support of the aircraft kits sale transactions under the Aircraft Kits Sale and Program Services Framework Agreement, we have granted a limited license (the "TC License") to AG Huanan to use a FAA type certificate and corresponding approved data to manufacture SR20, SR22 and SR22T models of aircraft (covering also TRAC20, TRAC22 and TRAC22T models of aircraft) with limitations and under the oversight of a CAAC production certificate, to enable AG Huanan to perform its manufacturing or assembly function at its manufacturing facilities in the PRC by assembling the aircraft kits for further resale to civil end users in the PRC.

AG Huanan was listed on the Military End-User List in December 2020. In this connection, we obtained various export licenses from the BIS in respect of our sales of SR20 aircraft kits to AG Huanan for its resale to specific civil end users, and we further obtained an export license from the BIS on May 9, 2022, which is effective up to May 31, 2026, authorizing our export and reexport to AG Huanan of items relating to the SR20 aircraft that are subject to the EAR. In respect of the TC License, we had obtained three export licenses from BIS which are effective up to February 28, 2025, September 30, 2025 and May 31, 2026, respectively, authorizing our export, reexport and transfer to AG Huanan of certain items relating to the TC License that are subject to the EAR. Subject to the strict compliance with the export licenses we obtained from the BIS, Hogan Lovells International LLP is of the view that our transactions with AG Huanan in respect of our sales of SR20 aircraft kits and related program services to AG Huanan and in respect of the TC License did not implicate export controls applicable to AG Huanan.

Save for the transactions with (i) AG Zhejiang as described in "— One-off connected transaction — 1. Aircraft Development Program Agreement" and "— Non-exempt continuing connected transactions that are subject to reporting, annual review and announcement requirements — 2. AG100 Aircraft Service Framework Agreement," and (ii) AG Huanan as described in "— Non-exempt continuing connected transactions that are subject to reporting, annual review and announcement requirements — 4. Aircraft Kits Sale and Program Services Framework Agreement," our Group has not entered into any transaction that would require an export license from the BIS under the EAR.

Reasons for the transactions

Our Directors are of the view that the Aircraft Kits Sale and Program Services Framework Agreement is to the benefit of our Company because (i) our principal business is the design, development, manufacturing and sales of single-engine piston and jet aircraft and it is in our ordinary and usual course of business to sell aircraft kits and provide relevant program services, (ii) we have been selling aircraft kits and providing relevant program services to AG Huanan and/or AG Services for years, (iii) we consider that AG Huanan and AG Services have a wide and developed sales network and the quality, capacity, cultivated trust and understanding with us which we could benefit from, and (iv) we currently do not have our own facilities in the PRC and it is not easy and costly for us to perform as efficiently the roles currently undertaken by AG Huanan and AG Services due to our unfamiliarity with the local regulatory and industry environments.

Pricing policy

The terms of the Aircraft Kits Sale and Program Services Framework Agreement were determined on normal commercial terms after arm's length negotiations among AG Huanan, AG Services and us. The price to be determined in respect of the aircraft kits and program services shall be fair and reasonable and reflect normal commercial terms, with reference to our cost, including raw materials and labor, as adjusted by inflation plus a reasonable margin.

Historical transaction amounts

For the years ended December 31, 2020, 2021 and 2022, the total transaction amounts in respect of the transactions contemplated under the Aircraft Kits Sale and Program Services Framework Agreement are set out as follows:

	For the year ended December 31,		
	2020	**2021**	**2022**
		(US$ million)	
Aircraft kits sale	20.8	14.8	11.3
Program services	0.2	2.4	2.3
Total(1)	21.0	17.2	13.6

(1) The total transaction amount in respect of the transactions contemplated under the Aircraft Kits Sale and Program Services Framework Agreement in 2020 was higher than that in 2021 and 2022, primarily because of the higher demand from flight schools in the PRC in 2020 for our aircraft kits and related program services to replace their old model trainer aircraft and to serve their increased number of learners in 2020. The transaction amount in respect of program services in 2021 was higher than that in 2020, primarily because the program services in relation to the aircraft kits purchased in 2020 were mainly provided in 2021.

Annual caps and basis

The proposed annual caps in respect of the transactions contemplated under the Aircraft Kits Sale and Program Services Framework Agreement for the years ending December 31, 2023, 2024 and 2025 are as follows:

	For the year ending December 31,		
	2023	2024	2025
		(US$ million)	
Aircraft kits sale	3.1	6.2	6.4
Program services	0.9	1.0	1.0
Total	4.0	7.2	7.4

The above proposed annual caps are based on (i) the historical transaction amounts in respect of similar aircraft kits sale and program services transactions with AG Huanan and/or AG Services, (ii) the expected transaction volume with AG Huanan and/or AG Services taking into account the expected demand from AG Huanan and/or AG Services and our business development plans and strategies and (iii) expected inflation.

Implications under the Listing Rules

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Aircraft Kits Sale and Program Services Framework Agreement will be more than 0.1% but less than 5%, such transactions will be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS THAT ARE SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

5. Purchase of Engines and Parts Framework Agreement

Background and principal terms

On July 1, 2022, Cirrus Design and Continental entered into a master supply agreement, as amended by a supplemental agreement dated [•], 2023 (the "Purchase of Engines and Parts Framework Agreement"), pursuant to which our Group may from time to time procure engines and aircraft parts from Continental. We may place individual purchase orders separately with

Continental which provide for specific terms and conditions including product description, quantity, price, requested delivery dates and shipping instructions and other terms in accordance with the Purchase of Engines and Parts Framework Agreement. The term of the Purchase of Engines and Parts Framework Agreement commenced on July 1, 2022 and will end on June 30, 2025. The Purchase of Engines and Parts Framework Agreement can be renewed by the agreement between the Continental and us subject to compliance with the requirements under applicable laws, regulations and rules (including but not limited to the Listing Rules).

Reasons for the transactions

We have procurement needs for engines and parts for producing our aircraft in our ordinary course of business. Being one of largest general aviation aircraft piston engine manufacturers in the industry according to Frost & Sullivan, Continental became our production supplier in 1999, and is mainly supplying engines for our SR22 model and SR22T model aircraft. Therefore, Continental has acquired a deep understanding of our business and operational requirements, and we benefit from Continental's customized services and our long-term stable business relationship with Continental, which has enhanced our market competitiveness. While our Directors consider that there are alternative suppliers of engines at a comparable price in the market, procuring from Continental instead of switching to other suppliers can avoid unnecessary disruption to our business and extra costs given design changes to our SR22 model and SR22T model aircraft and a new certification process will be involved.

Pricing policy

The terms of the Purchase of Engines and Parts Framework Agreement were determined on normal commercial terms after arm's length negotiations between Continental and us. The sales price of the engines and parts will be based on the product specifications required by us, as adjusted by inflation.

Historical transaction amounts

For the years ended December 31, 2020, 2021 and 2022, the total transaction amounts in respect of our purchase of engines and parts from Continental are set out as follows:

	For the year ended December 31,		
	2020	**2021**	**2022**
		(US$ million)	
Purchase of engines and parts from Continental	21.2	29.8	32.6

Annual caps and basis

The proposed annual caps in respect of the transactions contemplated under the Purchase of Engines and Parts Framework Agreement for the years ending December 31, 2023, 2024 and 2025 are as follows:

	For the year ending December 31,		
	2023	**2024**	**2025**
		(US$ million)	
Purchase of engines and parts from Continental	44.9	50.4	54.2

The above proposed annual caps are based on (i) the historical transaction amounts in respect of our purchase of engines and parts from Continental, (ii) the historical sales volume of our SR22 model and SR22T model aircraft, (iii) the expected sales volume of our SR22 model and SR22T model aircraft taking into account our business development plans and strategies, (iv) the expected volume of engines and parts to be purchased from Continental and (v) expected inflation.

Implications under the Listing Rules

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Purchase of Engines and Parts Framework Agreement will be more than 5%, such transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVERS

The transactions described under the subsection headed "— Non-exempt Continuing Connected Transactions that are subject to Reporting, Annual Review and Announcement Requirements" and the subsection headed "— Non-Exempt Continuing Connected Transactions that are subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" above will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the **[REDACTED]**.

As such non-exempt continuing connected transactions are expected to be carried out on a recurring and continuing basis and to extend over a period of time, and their material terms have been disclosed in this Document, our Directors are of the view that strict compliance with the aforementioned announcement, circular and independent shareholders' approval requirements (as the case may be) under the Listing Rules would be impracticable and unduly burdensome and would impose unnecessary administrative costs upon our Company.

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted,] a waiver exempting us from strict compliance with (i) the announcement requirement under the Listing Rules in respect of the continuing connected transactions as disclosed in "— Non-exempt Continuing Connected Transactions that are subject to Reporting, Annual Review and Announcement Requirements"; and (ii) the announcement, circular and independent shareholders' approval requirements under the Listing Rules in respect of the continuing connected transactions as disclosed in "— Non-exempt Continuing Connected Transactions that are subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps as stated above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this Document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

INTERNAL CONTROL MEASURES

We have adopted the following internal control procedures to ensure that the continuing connected transactions are fair and reasonable and on normal commercial terms or better, and comply with applicable laws and regulations (including the Listing Rules):

- we have adopted and implemented a management system on connected transactions. Under such system, our Board of Directors and various internal departments of our Group will be responsible for the control and daily management in respect of the continuing connected transactions;

- our Board of Directors and various internal departments of our Group (including but not limited to the finance department and legal department) will be jointly responsible for evaluating the terms under the relevant agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;

- our Board of Directors and the finance department of our Group will regularly monitor the continuing connected transactions (including but not limited to transaction amounts and annual caps under the relevant agreements) and our management will regularly review the pricing policies to ensure continuing connected transactions are performed in accordance with the relevant agreements;

- when considering pricing for connected transactions, our Group will routinely research prevailing market conditions and practices and make reference to the pricing and terms between our Group and independent third parties for similar transactions, to ensure that the pricing and terms offered by or to our connected persons are fair, reasonable and no less favorable than those to be offered by or to independent third parties;

- the Audit Committee shall conduct periodic examination of the overall situation of the continuing connected transactions, and report the review opinions to our Board of Directors;

- our independent non-executive Directors will conduct annual reviews of the continuing connected transactions to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable, and conducted according to the terms of the relevant agreements;

- the auditor of our Company shall issue a letter to our Board of Directors to express opinions on the continuing connected transactions on an annual basis. We shall allow our auditor to review and check the relevant accounts to facilitate them to express opinions; and

- when considering any renewal or revisions to the framework agreements after the **[REDACTED]**, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings and shareholders' meetings (as the case may be).

We have adopted the following internal control procedures with respect to export control to ensure we comply with applicable laws and regulations:

- we have adopted and implemented an export management compliance policy which sets out the internal procedures for the Company to ensure our compliance with the EAR, including procedures for reporting and internal review, training and recordkeeping. We will review and update the manual regularly to ensure our compliance with the EAR;

- we regularly review and monitor the status of our export licenses to ensure that we have obtained effective and valid export licenses before conducting the relevant transactions, and that our export licenses are renewed in a timely manner before they expire;

- we have a dedicated export compliance manager who is responsible for, among others, performing risk assessments and analysis for risks associated with export control, testing and auditing our export management and compliance system, and providing relevant training to our employees on export control compliance;

- we have established a process where we screen and identify the names of potential customers or suppliers against lists including but not limited to the Military End-User List. If the names of the potential customers or suppliers match any hits on our lists, we will work with our legal department and/or external counsel to determine and analyze whether to transact with these parties; and

- we require our customers and suppliers to provide certifications in respect of U.S. export control laws and set out export control compliance clauses in relevant contracts.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions have been and will continue to be carried out in the ordinary and usual course of business of our Company and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Based on due diligence findings, including but not limited to information provided by the Company, the Sole Sponsor is of the view that the non-exempt continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of our Company and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

The Board of Directors consists of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election upon retirement. The following table sets forth certain information regarding the Directors.

Name	Age	Date of joining our Group	Date of appointment as a Director	Position	Responsibilities	Relationship with other Directors and senior management
Mr. Lei YANG (楊雷)	55	June 2023	June 2023	Non-executive Director and Chairman of the Board of Directors	Responsible for taking charge of the meetings of the Board of Directors and Shareholders, formulating agendas, high-level supervision of the Board of Directors, strategic planning sign-off and supervision of execution	None
Mr. Hui WANG (王暉)	55	January 2023	June 2023	Executive Director and vice Chairman of the Board of Directors	Responsible for the high-level supervision of the Board of Directors, strategic planning sign-off and supervision of execution to ensure effective governance, and facilitation of communication between the Board of Directors and the management	None
Mr. Qingchun SONG (宋慶春)	40	December 2019	December 2019	Non-executive Director	Providing strategic advice in the formulation of business plans and major decisions of the Group	None

Name	Age	Date of joining our Group	Date of appointment as a Director	Position	Responsibilities	Relationship with other Directors and senior management
Mr. Liang LIU (劉亮)	38	August 2020	April 2021	Non-executive Director	Providing strategic advice in the formulation of business plans and major decisions of the Group	None
Mr. Yihui LI (李屹暉)	56	January 2023	June 2023	Non-executive Director	Providing strategic advice in the formulation of business plans and major decisions of the Group	None
Mr. Zean Hoffmeister Vang NIELSEN	45	June 2019	April 2021	Executive Director and chief executive officer	Responsible for the Group's daily management operations, the full profit and loss, driving the Group's development and success, leading the implementation of the strategic plan and business strategy, and overseeing overall business activities of the Group	None
Mr. Ian H CHANG (張仁燐)	69	June 2023	**[REDACTED]**	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	None
Mr. Chung Man Louis LAU (劉仲文)	64	June 2023	**[REDACTED]**	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	None
Ms. Ferheen MAHOMED (*alias:* 馬穎欣)	58	June 2023	**[REDACTED]**	Independent non-executive Director	Supervising and providing independent advice on the operation and management of our Group	None

Mr. Lei YANG (楊雷), aged 55, has been a non-executive Director and chairman of the board of Directors since June 2023. He is primarily responsible for taking charge of the meetings of the Board of Directors and Shareholders, formulating agendas, high-level supervision of the Board of Directors, strategic planning sign-off and supervision of execution.

Mr. Yang has been serving as a director and general manager of CAIGA since December 2016. From April 2013 to December 2016, Mr. Yang was a director and general manager of AVIC SAC Commercial Aircraft Company Ltd.* (中航瀋飛民用飛機有限責任公司) ("SAC Commercial Aircraft"), a company mainly engages in the design, manufacture, testing, production, sales and related business and import and export trade of civil aircraft and its components, He was the deputy general manager of SAC Commercial Aircraft, where he was mainly responsible for product development and manufacturing, product quality and project management and international cooperation, from December 2007 to April 2013. Mr. Yang also undertook several positions at Shenyang Aircraft Industry (Group) Co., Ltd.* (瀋陽飛機工業(集團)有限公司, which was acquired by AVIC Shenyang Aircraft Company Limited* (中航瀋飛股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600760)), from August 1989 to December 2007, including a deputy director (副主任) of the technology division of the Boeing 737 development research center and head (部長) of manufacture engineering department.

Mr. Yang obtained his bachelor's degree in mechanical manufacturing control and inspection and his master's degree in aeronautical engineering from Beihang University (北京航空航天大學) in July 1989 and December 2003, respectively. He was granted the special government allowance (政府特殊津貼) by the State Council in January 2015.

Mr. Hui WANG (王暉), aged 55, has been an executive Director since June 2023. He has been a director of each of Cirrus Industries, Dakota Aircraft and Cirrus Design since January 2023. Mr. Wang is primarily responsible for the high-level supervision of the Board of Directors, strategic planning sign-off and supervision of execution to ensure effective governance, and facilitation of communication between the Board of Directors and the management.

Mr. Wang has been serving as a senior specialist (高級專務) of CAIGA since May 2020. From May 2010 to January 2017, he held various positions at CAIGA, including board secretary, general manager assistant and head of planning and development department. Mr. Wang has been (i) a director of AVIC Heavy Machinery Co., Ltd.* (中航重機股份有限公司, "AVIC Heavy Machinery"), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600765), since September 2022, and (ii) a director of China Guizhou Aviation Industry (Group) Co., Ltd.* (中國貴州航空工業(集團)有限責任公司, "Guizhou Aviation") since September 2021.

Mr. Wang was (i) the chairman of the board of directors of Zhuhai AVIC General Technology Assets Co., Ltd* (珠海中航通飛科技資本有限公司) from June 2021 to May 2023; (ii) the chairman of the board of directors of Shenzhen Guihang Industry Co., Ltd* (深圳貴航實業有限公司"Shenzhen Guihang") from May 2020 to May 2023; (iii) a director and general manager of Zhonghang Sanxin Co., Ltd.* (中航三鑫股份有限公司) (currently known as Hainan Development Holdings Nanhai Co., Ltd.* (海控南海發展股份有限公司), "Zhonghang Sanxin," a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002163), from January 2017 to May 2020; (iv) the head of automotives and automotives parts department, the deputy chief engineer (副總工程師) and head of general planning and management department of Guizhou Aviation from March 2007 to May 2010 and (v) deputy general manager of Guizhou Guihang Automotive Components Hongyang Seal Co., Ltd.* (貴州貴航汽車零部件股份有限公司紅陽密封件公司) from February 2000 to March 2007, where he was responsible for the R&D and quality control system management. From January 1994 to February 2000, Mr. Wang undertook several roles at Guizhou Hongyang Machinery Group Ltd.* (貴州紅陽機械(集團)公司) (currently known as Guizhou Hongyang Machinery Ltd.* (貴州紅陽機械有限責任公司), with his last position as the deputy general manager.

Mr. Wang obtained his associate degree in science and technology archival management in July 1986, and bachelor's degree in accounting through long distance learning in July 2001 from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in the PRC. He received his master's degree in project management in November 2004 from Université du Québec à Chicoutimi in Canada through a long-distance learning program which is jointly operated with Guizhou University (貴州大學) in the PRC.

Mr. Wang was granted the special government allowance (政府特殊津貼) by the State Council in January 2015.

Mr. Qingchun SONG (宋慶春), aged 40, has been a Director since December 2019 and was redesignated as a non-executive Director in June 2023. Mr. Song also has been serving as a director of each of Legacy Cirrus Industries (the appointment of which was carried forward to Cirrus Industries as its surviving corporation), Dakota Aircraft and Cirrus Design since December 2019. He is primarily responsible for providing strategic advice in the formulation of business plans and major decisions of the Group.

Mr. Song has been the chairman of the board of directors of Zhuhai General Aircraft NextGen Flight Vehicle Co., Ltd.* (珠海通飛未來飛行器有限公司) since April 2022 and a director and general manager of Zhejiang General Aircraft Brumby Aircraft Manufacturing Co., Ltd.* (浙江通飛野馬飛機製造有限責任公司) since December 2021.

From November 2014 to May 2023, Mr. Song served various director and/or supervisor positions in the following companies: (i) an executive director of CAIGA Hong Kong from December 2019 to May 2023, (ii) a director of Zhonghang Sanxin from April 2017 to June 2020, (iii) a supervisor of Hanzhong Hanhang Electromechanical Co., Ltd.* (漢中漢航機電有限公司) from July 2017 to April 2020, (iv) a director of Guangdong AVIC Special Glass Technology Co. Ltd.* (廣東中航特種玻璃技術有限公司) (currently known as Guangdong Haikong Special Glass Technology Co., Ltd.* (廣東海控特種玻璃技術有限公司)) between November 2014 and December 2019 and its chairman of the board of directors from September 2017 to December 2019, (v) a director of AG Huanan and a director of AVIC General Aircraft Research Institute* (中航通飛研究院有限公司)（"AVIC General Aircraft Research Institute"） from April 2018 to November 2019, (vi) a director of Hanzhong Aviation Industry (Group) Co., Ltd.* (漢中航空工業(集團)有限公司, "Hanzhong Aviation") from February 2017 to November 2019, (vii) a director of Shenzhen Guihang from February 2015 to November 2019, and (viii) as a director of Guizhou Gaike Aviation Electromechanical Co., Ltd.* (貴州蓋克航空機電有限責任公司) between May 2017 to December 2018.

Mr. Song was the deputy manager of AVIC General Aircraft Research Institute from October 2020 to April 2022. From January 2011 to October 2020, he served several roles at CAIGA, including the deputy head of business management department, deputy head of strategy and capital department, head of enterprise operation and management innovation department, head of comprehensive management department, a deputy office director (副主任) of Tonghang R&D center (通航研發中心). From July 2010 to January 2011, Mr. Song was the deputy head of manufacturing department of Zhonghang Electronic Measuring Instruments Co., Ltd (中航電測儀器股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300114). He worked at Hanzhong Aviation between July 2004 to July 2010.

Mr. Song obtained his bachelor's degree in aircraft design and engineering (aerospace) and his master's degree in project management from Beihang University (北京航空航天大學) in the PRC in July 2004 and June 2017, respectively. Mr. Song received the Certificate for the Training of Senior Management of Listed Companies (上市公司高級管理人員培訓證書) from Shenzhen Supervision Bureau of the CSRC (中國證監會深圳監管局) in January 2018.

Mr. Liang LIU (劉亮), aged 38, has been a Director since April 2021 and was re-designated as a non-executive Director of our Company in June 2023. He has also been serving as a director of each of Legacy Cirrus Industries (the appointment of which was carried forward to Cirrus Industries as its surviving corporation), Dakota Aircraft and Cirrus Design since October 2020. He is primarily responsible for providing strategic advice in the formulation of business plans and major decisions of the Group.

Mr. Liu joined CAIGA in October 2013, in which he has served as deputy head (副部長) of financial management department, with his current position as the head (部長) of financial operation department. Since June 2019, Mr. Liu has been serving as a director of AG Huanan. He also has been serving as a director of AVIC Heavy Machinery since November 2018, and an executive director of CAIGA Hong Kong since May 2023. From September 2009 to October 2013, Mr. Liu served as the finance supervisor of Shenzhen CK Telecom Limited* (深圳市西可德信通信技術設備有限公司). He was the finance supervisor of Beijing Taide Times Investment Management Co., Ltd.* (北京泰德時代投資管理有限公司) from July 2006 to September 2009.

Mr. Liu obtained his bachelor's degree in financial management from Hubei Minzu University (湖北民族大學) in the PRC in July 2006. He also obtained the qualification of intermediate accountant (中級會計師) from the Ministry of Human Resources and Social Security of the PRC （中華人民共和國人力資源和社會保障部) and the Ministry of Finance of the PRC (中華人民共和國財政部) in September 2018.

Mr. Yihui LI (李屹暉), aged 56, has been a Director since January 2023 and was re-designated as a non-executive Director in June 2023. Mr. Li also has been serving as a director of each of Cirrus Industries, Dakota Aircraft and Cirrus Design since January 2023. He is primarily responsible for providing strategic advice in the formulation of business plans and major decisions of the Group.

Mr. Li has been serving as (i) the chairman of the board of directors of Zhejiang General Aircraft Brumby Aircraft Manufacturing Co., Ltd.* (浙江通飛野馬飛機製造有限責任公司) since December 2020, (ii) deputy administrator (副院長) of AVIC General Aircraft Research Institute since October 2019, (iii) a director of both Cessna-AVIC Aircraft (Zhuhai) Co., Ltd.* (珠海中航賽斯納飛機有限公司) and Cessna-AVIC Aircraft (Shijiazhuang) Co., Ltd.* (石家莊珠海中航賽斯納飛機有限公司) since April 2019 and (iv) a director of Harbin Tongfei Aviation Technology Development Co. Ltd.* (哈爾濱通用飛機工業有限責任公司) since November 2018. Mr. Li was an executive director of AG Zhejiang from March 2018 to May 2019, and the head of aviation project department of CAIGA from September 2009 to October 2019. From April 2000 to September 2009 and September 1993 to September 1997, respectively, he served as a deputy director (副處長) and general officer (主管) of AVIC.

Mr. Li obtained his master's degree in aerospace science and technology from Beihang University in the PRC in March 2000.

Mr. Zean Hoffmeister Vang NIELSEN, aged 45, is our chief executive officer, primarily responsible for the Group's daily management operations, the full profit and loss, driving the Group's development and success, leading the implementation of the strategic plan and business strategy, and overseeing overall business activities of the Group.

He has been a Director since April 2021 and was re-designated as an executive Director of the Company in June 2023. Since June 2019, Mr. Nielsen has been a director of each of Legacy Cirrus Industries (the appointment of which was carried forward to Cirrus Industries as its surviving corporation), Dakota Aircraft and Cirrus Design. Apart from his responsibilities in the Group, he has been a board member of GAMA since 2019.

Prior to joining the Group, from August 2017 to December 2018, Mr. Nielsen was the executive vice president, North America Sales of James Hardie Industries plc., a leading industrial building materials provider whose shares are dually listed on the Australian Securities Exchange (stock code: JHX) and the New York Stock Exchange (stock code: JHX), where he was mainly responsible for the overall management of sales in the North American region, which represented approximately 80% of its total global revenue in 2017. From February 2014 to August 2017, Mr. Nielsen served as the vice president of global sales operations division of Tesla Motors, Inc. (currently known as Tesla, Inc.), a leading electric vehicles, solar energy generation systems and energy storage products manufacturer listed on the NASDAQ (stock code: TSLA), where he was responsible for management of global sales operations.

Mr. Nielsen joined Bang & Olufsen, a luxury consumer electronics products designer and manufacturer whose shares are listed on Nasdaq Copenhagen (stock code: BO), in Struer, Denmark, in August 1997 in the International Distribution Development Division. He was relocated to Bang & Olufsen America LLC ("BOA") in Illinois, the U.S. in August 1999 until he left BOA in March 2014. During his tenure at BOA, he served various positions including a director of retail, sales and marketing, with his last position as the president where he was mainly responsible for the general management of the North and South American markets.

Mr. Nielsen graduated from Herning School of Business in Denmark with a business degree in April 1997. Mr. Nielsen completed the Finance Module for Senior Executives program provided by the University of Chicago Booth School of Business in March 2019.

Mr. Ian H CHANG (張仁爀), aged 69, has been appointed as an independent non-executive Director on June 2023, with his appointment taking effect upon **[REDACTED]**. He is responsible for supervising and providing independent advice on the operation and management of our Group.

Since June 2022, Mr. Chang has been serving as an independent non-executive director of FACC AG, a leading company in designing, developing and manufacturing advanced aircraft components and systems whose shares are listed on the Vienna Stock Exchange (stock code: FACC), where he serves as a member of the strategy committee and the audit committee. Mr. Chang has also been serving as a director of Xizi Clean Energy Equipment Manufacturing Co., Ltd.* (西子清潔能源裝備製造股份有限公司), a leading waste heat recovery boilers manufacturer in China whose shares are listed on the Shenzhen Stock Exchange (stock code: 002534), since April 2023.

Mr. Chang has been a visiting professor at the Civil Aviation University of China (中國民航大學).

Mr. Chang worked at various entities of The Boeing Company, a leading aerospace company that develops, manufactures and services commercial airplanes, defense products and space systems whose shares are listed on the New York Stock Exchange (stock code: BA), from September 1984 until his retirement in October 2020, with his last position as the vice president of Boeing Commercial Airplanes where he was primarily responsible for the company's supplier management, operations and business development in China. His other previous positions within The Boeing Company group include (i) the chairman of the board of directors and the general manager of Boeing Tianjin Composites Co., Ltd.* (天津波音複合材料有限責任公司), (ii) a director of Commercial Avionics Systems, a company which designs and manufactures commercial electronics for The Boeing Company, (iii) the chairman of the board of directors of Aerospace Composites Malaysia, (iv) a supervisor of Boeing Shanghai Aviation Services* (上海波音航空改裝維修工程有限公司) and (v) a director of Boeing (Zhoushan) Delivery Center Limited Company* (舟山波音交付中心有限公司), respectively.

Mr. Chang obtained his bachelor's degree in chemical engineering from University of Washington in the U.S. in June 1983. He completed the AEP (Advanced Executive Program) from Kellogg School of Management of Northwestern University in the U.S. in July 2006.

Mr. Chung Man Louis LAU (劉仲文), aged 64, has been appointed as an independent non-executive Director on June 2023, with his appointment taking effect upon **[REDACTED]**. He is responsible for supervising and providing independent advice on the operation and management of our Group.

Mr. Lau has extensive experiences serving as director and member of the senior management in companies listed on the Stock Exchange. From June 2005 to June 2021 and from May 2005 to June 2021, respectively, Mr. Lau served as an executive director and the chief financial officer at Sing Tao News Corporation Limited (星島新聞集團有限公司), a media service provider serving global Chinese communities whose shares are listed on the Stock Exchange (stock code: 1105), where he was primarily responsible for overseeing the finance and overall operations. From August 2006 to June 2018, Mr. Lau served as an independent non-executive director of AviChina Industry & Technology Company Limited* (中國航空科技工業股份有限公司), a company principally engaged in the research, development, manufacture and sales of vehicles and civilian aircraft whose shares are listed on the Stock Exchange (stock code: 2357).

From April 1998 to May 2005 and September 2002 to May 2005, respectively, he was an executive director and the chief financial officer of China Everbright Limited (中國光大控股有限公司), a banking, securities and financial company with alternative asset management as its core business whose shares are listed on the Stock Exchange (stock code: 165). From May 1992 to January 1998, he served as the financial controller and company secretary of Goldlion Holdings Limited (金利來集團有限公司), a company mainly engaged in the production, operation and sale of clothing whose share are listed on the Stock Exchange (stock code: 533). From October 1987 to April 1992, he undertook several positions, including financial accountant, treasurer, and manager of financial systems of Tower Limited, an insurance and financial group company whose shares are dually listed on both New Zealand's Exchange (stock code: TWR.NZ) and Australian Stock Exchange (stock code: TWR.AX), where he was primarily responsible for financial-related affairs, and from March 1986 to October 1987, Mr. Lau was a audit senior of the audit department of KPMG Peat Marwick, where he was primarily responsible for audit planning and supervision of various audit assignments.

Mr. Lau obtained his bachelor's degree in commerce and administration from the Wellington School of Business and Government at the Victoria University of Wellington in New Zealand in May 1985. He is currently a member of the New Zealand Institute of Chartered Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Ms. Ferheen MAHOMED (*alias:* 馬穎欣), aged 58, has been appointed as an independent non-executive Director on June 2023, with her appointment taking effect upon **[REDACTED]**. She is primarily responsible for supervising and providing independent advice on the operation and management of our Group.

Ms. Mahomed founded C&TM Limited, a company primarily engages in providing consulting services, in December 2020 and has since then been serving as its chief executive officer. She has also been a consultant of MinterEllison LLP since January 2021. From February 2017 to December 2020, she was the group general counsel of the Stock Exchange. From June 2014 to February 2017, she was an executive vice president of Pacific Century Group, a private investment company which is mainly engaged in technology, media and telecommunications, financial services and property industries. From 2010 to 2014, she was the group general counsel of CLSA Limited. From 1997 to 2010, she had served in various positions in the Société Générale Group, a leading bank providing financial services whose shares are listed on the OTC Markets of the U.S. (stock code: SCGLY), including the general counsel of Asia Pacific. From October 1992 to November 1996, she was a practicing solicitor of Slaughter and May, an international law firm.

Ms. Mahomed obtained her bachelor's degree in laws and a postgraduate certificate in laws from University of Hong Kong in November 1987 and June 1988, respectively. She obtained her bachelor of civil law degree from St. John's College of University of Oxford in the United Kingdom in July 1990. She was admitted as a solicitor by the Supreme Court of Hong Kong and Supreme Court of England and Wales in October 1992 and March 1995, respectively.

SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management of our Group.

Name	Age	Date of joining our Group	Date of appointment as a senior management member	Position	Responsibility	Relationship with other Directors and senior management
Mr. Zean Hoffmeister Vang NIELSEN.	45	June 2019	June 2019	Chief executive officer	Responsible for the Group's daily management operations, the full profit and loss, driving the Group's development and success, leading the implementation of the strategic plan and business strategy, and overseeing overall business activities of the Group	None
Mr. Patrick Christopher WADDICK	57	May 1988	March 2013	President of innovation and operation	Providing primary corporate influence and direction on all product strategies and plans, idea generation and capture, research and development, new product introduction systems, and operational excellence	None

Name	Age	Date of joining our Group	Date of appointment as a senior management member	Position	Responsibility	Relationship with other Directors and senior management
Mr. William Todd SIMMONS	54	April 2008	July 2015	President of customer experience	Leading and implementing all corporate and customer strategies including sales, marketing, personalization, delivery, service and support, flight training, flight operations and the opening of the Vision Center in Knoxville, Tennessee	None
Mr. George James LETTEN IV.	46	July 2021	April 2022	Chief financial officer and executive vice president	Organizing the formulation of financial strategies according to the Company's development strategies, establishing sound financial accounting and internal control system, formulating annual operating budgets, and responsible for the Company's risk management	None

For biographical details of Mr. Zean Hoffmeister Vang NIELSEN, see "— Board of Directors."

Mr. Patrick Christopher WADDICK, aged 57, is our president of innovation and operations, primarily responsible for providing primary corporate influence and direction on all product strategies and plans, idea generation and capture, research and development, new product introduction systems, and operational excellence.

He joined our Group in May 1988 and has undertaken several senior roles, including the executive vice president of operations department and chief operating officer consecutively, and has been serving as the president of innovation and operations since July 2015.

Mr. Waddick obtained his bachelor of science degree in engineering mechanics from the school of engineering in University of Wisconsin in the U.S. in May 1989. He obtained his master's in business administration from Northwestern University Kellog School of Management in the U.S. in June 2017.

He was awarded the Hap Arnold Award for Excellence in Program Management from the American Institute of Aeronautics and Astronautics (AIAA) in September 2004. He is currently serving on the board of advisors for STARBASE Minnesota, a youth science, technology, engineering and mathematics program organization, and also as a board of trustee member and secretary for the United States National Aviation Hall of Fame. He is currently a member of the Aircraft Owners and Pilots Association and the Experimental Aircraft Association, as well as a licensed instrument-rated private pilot with a Vision Type Rating by the Federal Aviation Administration.

Mr. William Todd SIMMONS, aged 54, is our president of customer experience, primarily responsible for leading and implementing all corporate and customer strategies including sales, marketing, personalization, delivery, service and support, flight training, flight operations and the opening of the Vision Center in Knoxville, Tennessee.

Mr. Simmons joined our Group as the vice president of marketing in early 2008. He has undertaken various roles in our Group since then until his promotion to his current position, including the executive vice president of sales, marketing and customer support, as well as the executive vice president of sales and marketing.

Mr. Simmons has more than 25 years of business leadership experience, undertaking various positions in marketing development, international marketing communications, revenue management and sales team leadership. Between April 2005 and March 2008, Mr. Simmons worked at CubCrafters, a global aviation brand and lean manufacturer of leading-edge light utility and sport airplanes, with his last position as the president and chief executive officer, where he was responsible for all aspects of the company. Mr. Simmons founded The Mission Chair, Ltd., the custom architectural furniture design gallery, in Atlanta in the U.S. in September 1997 and served as its director until May 2008. From 1995 to 1998, he served as a manager at Delta Air Lines, one of the major airlines of the U.S. whose shares are listed on the New York Stock Exchange (stock code: DAL).

Mr. Simmons obtained his bachelor's degree in industrial and systems engineering from Georgia Institute of Technology in the U.S. in June 1991. He obtained his master's degree in business administration from the Booth School of Business at the University of Chicago in June 1995. Mr. Simmons is currently a member of the Young Presidents Organization and serves as a board member of the Recreational Aviation Foundation, the Aerospace & Defense Advisory Board and the advisory council of National Business Aviation Association.

Mr. George James LETTEN IV, aged 46, is our chief financial officer and executive vice president, primarily responsible for organizing the formulation of financial strategies according to the Company's development strategies, establishing sound financial accounting and internal control system, formulating annual operating budgets, and responsible for the Company's risk management.

Mr. Letten joined the Group in July 2021 as our vice president of finance and was promoted to his current position in April 2022.

Prior to joining the Group, Mr. Letten has spent more than ten years at Navistar International Corporation ("Navistar") from May 2010 to August 2020, a company principally engages in the manufacturing and sales of commercial trucks, diesel engines, school and commercial buses, and service parts for trucks and diesel engines worldwide. During his tenure at Navistar, he has undertaken senior leadership roles, including the position of vice president of strategy and planning, where he was responsible for commercial vehicle space related matters.

Mr. Letten obtained his bachelor of arts degree in accounting from St. Norbert College in the U.S. in May 1999. He was admitted as a Certified Public Accountant in Illinois in the U.S. in January 2007.

JOINT COMPANY SECRETARIES

Mr. Wei PI (皮巍), aged 40, has been appointed as one of our joint company secretaries since June 2023. He is primarily responsible for investor relations maintenance, daily operation of the office of the board and the company secretarial matters of the Group.

Mr. Pi joined our Group in June 2023. He served as the finance director and deputy general manager of AVIC General Fuel Co., Ltd.* (中航通用油料有限公司) from December 2020 to May 2021 and May 2021 to May 2023, respectively. From January 2014 to December 2020, he worked at CAIGA with his last position as the manager of shared service center.

Mr. Pi was a capital manager of finance department of Zhuhai Hongta Renheng packaging Limited by Share Ltd.* (珠海紅塔仁恒紙業有限公司) from March 2011 to January 2014. From August 2006 to November 2010, he worked at Zhuhai Zhongfu Enterprise Co., Ltd.* (珠海中富實業股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000659), with his last position as the head of the finance department.

Mr. Pi obtained his bachelor's degree in finance in June 2006 from Lanzhou University of Finance and Economics (蘭州財經大學) (formerly known as Lanzhou Commercial College (蘭州商學院)) in the PRC. He was accredited as an intermediate accountant (中級會計師) by Guangdong Bureau of Human Resources and Social Security (廣東省人力資源和社會保障廳) in October 2013.

Ms. Hoi Ting WONG (黃凱婷), has been appointed as one of our joint company secretaries since June 2023.

Ms. Wong is an assistant manager of the listing services department of TMF Hong Kong Limited, responsible for providing corporate secretarial and compliance services to listed companies. She has approximately 10 years of experience in the corporate secretarial field. Ms. Wong is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Wong holds a bachelor degree in social sciences from Lingnan University in Hong Kong in October 2009 and a master of science degree in professional accounting and corporate governance from City University of Hong Kong in Hong Kong in July 2014.

BOARD COMMITTEES

Our Company has established three committees under the Board of Directors, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee consists of three Directors, namely Mr. Liang LIU (劉亮), Mr. Chung Man Louis LAU (劉仲文) and Ms. Ferheen MAHOMED (*alias:* 馬穎欣) with Mr. Chung Man Louis LAU, who has the appropriate professional qualification and experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules, currently serving as the chairman. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of our Group.

Remuneration Committee

The Remuneration Committee consists of five Directors, namely Mr. Liang LIU (劉亮), Mr. Qingchun SONG (宋慶春), Mr. Ian H CHANG (張仁໿嫦), Mr. Chung Man Louis LAU (劉仲文) and Ms. Ferheen MAHOMED (*alias:* 馬穎欣), with Mr. Chang currently serving as the chairman. The Remuneration Committee is mainly responsible for evaluating the remuneration polices for Directors and senior management of our Group and making recommendations thereon to the Board of Directors.

Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. Lei YANG (楊雷), Mr. Ian H CHANG (張仁໿嫦) and Mr. Chung Man Louis LAU (劉仲文), with Mr. Yang currently serving as the chairman. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board of Directors qualified candidates to serve as the Directors and monitoring the procedures for evaluating the performance of our Board of Directors.

BOARD DIVERSITY POLICY

The Board of Directors has adopted a board diversity policy (the "Board Diversity Policy") in order to enhance the effectiveness of our Board of Directors and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board of Directors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board of Directors.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, aircraft design, finance and legal knowledge. They obtained degrees in diversified majors including finance, aircraft design, law, chemical engineering and aerospace science and technology. The Board of Directors is of the view that our Board of Directors satisfies the Board Diversity Policy. In addition, our Board of Directors has a wide range of age, ranging from 38 years old to 69 years old. One of our Directors are female. While we recognize that the gender diversity at our Board of Directors level can be improved given the majority of our Directors are male, we will continue to apply the appointment criteria based on competence and with reference to the overall diversity policy. Our Board of Directors will also ensure that appropriate balance of gender diversity is achieved with reference to investors' expectation, and international and local recommended best practices.

To further ensure gender diversity of our Board of Directors in the long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become members of our Board of Directors, which will be reviewed by our Nomination Committee periodically in order to develop a pipeline of potential successors to our Board of Directors to promote gender diversity. In addition to the Board of Directors level, we are also committed in promoting gender diversity at the senior management and all other levels of our Group by providing career development opportunities for female staff, making available to them knowledge and skills training in support of succession planning and ensuring future gender diversity can be achieved on the Board of Directors.

The Nomination Committee is responsible for reviewing the diversity of the Board of Directors. After **[REDACTED]**, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

INTEREST OF DIRECTORS AND SENIOR MANAGEMENT

Except as disclosed in this section, each of the Directors and senior management (1) had no other relationship with any of the Directors and senior management as of the Latest Practicable Date; and (2) did not hold any other directorship's position in listed companies in the three years prior to the Latest Practicable Date. Save as disclosed, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date. For the Directors' interests in the Shares within the meaning of Part XV of the SFO, see "Appendix VI — Statutory and General Information" to this Document.

None of the Directors is interested in any business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business under Rule 8.10(2) of the Listing Rules.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The compensation and remuneration of our Directors and members of the senior management of our Company are determined by the Shareholders' meetings and our Board of Directors as appropriate in the form of salaries and bonuses. Our Company also reimburses them for expenses which are necessary and reasonably incurred in providing services to our Company or discharging their duties in relation to the operations of our Company. When reviewing and determining the specific remuneration packages for our Directors and members of the senior management of our Company, the Shareholders' meetings and the Board of Directors take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration.

Our Company offers executive Directors and senior management members, compensation in the form of salaries and bonuses. Our non-executive Directors do not receive any fees, salaries, allowances, discretionary bonus, pension schemes contribution or other benefits in kind. The independent non-executive Directors receive compensation based on their responsibilities.

The aggregate amounts of remuneration (including fees, salaries, contribution to pension schemes, housing allowances, other allowances and benefits-in-kind and discretionary bonuses) paid to our Directors for the three years ended December 31, 2020, 2021 and 2022, were approximately US$3.0 million, US$4.2 million and US$3.3 million, respectively.

The five highest paid individuals of our Group for each of the years ended December 31, 2020, 2021 and 2022 included one Director, whose remuneration is included in the aggregate amounts of remuneration paid to the relevant Directors as set out above. For each of the years ended December 31, 2020, 2021 and 2022, the aggregate amounts of remuneration (including fees, salaries, contribution to pension schemes, housing allowances, other allowances and benefits-in-kind and discretionary bonuses) paid to the remaining four individuals were approximately US$5.1 million, US$5.6 million and US$4.7 million, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period are set out in the Accountant's Report in Appendix I to this Document.

It is estimated that remuneration and benefits in kind equivalent to approximately US$7.8 million in aggregate will be paid to our Directors by us for the year ending December 31, 2023, based on the arrangements in force as of the date of this Document.

No remuneration was paid by our Company to our Directors or the five highest paid individuals as inducement to join or upon joining our Company during the Track Record Period. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. Furthermore, none of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

MANAGEMENT INCENTIVE PLAN

Pursuant to a management incentive plan (the "Management Incentive Plan") adopted by the board of Cirrus Industries (which is the holding company for all of our operating subsidiaries), a special cash bonus (the "Special Cash Bonus") in an aggregate amount no less than 0.5% of the market capitalization of the Company immediately upon **[REDACTED]**, will be paid to our key employees in recognition of the value they have helped to create prior to the **[REDACTED]**. Based on the size of the **[REDACTED]** as disclosed in this Document, the estimated aggregate amount of the Special Cash Bonus under the Management Incentive Plan is no less than US$**[REDACTED]** (equivalent to HK$**[REDACTED]**, based on the mid-point of our indicative price range for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised). The Special Cash Bonus will be paid after the **[REDACTED]**.

The chief executive officer will submit and the board of Cirrus Industries will approve specific terms and conditions concerning the Special Cash Bonus at an opportune timing, including but not limited to the scope of key employees, eligibility criteria and payment schedule. The terms and conditions of the Special Cash Bonus will be determined after taking into account the overall cash flow of our Company to ensure that it could maintain a positive cash flow after the use of working capital and investment of fixed assets. Separate board meetings will be held to determine the specific terms and conditions of the Special Cash Bonus under the Management Incentive Plan.

Apart from base salaries and short-term incentive (STI)/long-term incentive (LTI) bonuses, we will consider offering select key employees formal market competitive equity incentive/retention plans after the **[REDACTED]** to align our interest with theirs in the future, subject to compliance with the applicable laws and regulations. The plans will bring adjustments that are supplementary to what is in place today to drive near-term performance, and may consist of part cash/equity/stock options. The plans under contemplation are being designed. However as of the Latest Practicable Date, no equity incentive plan had been formulated nor implemented.

COMPLIANCE ADVISOR

Our Company appointed Altus Capital Limited as the compliance advisor pursuant to Rules 3A.19 of the Listing Rules, and the compliance advisor will advise our Company:

- in relation to those announcements, circulars or financial reports to be issued in accordance with the requirements of the Listing Rules or any regulations;
- in relation to any transactions contemplated under Chapters 14 and 14A of the Listing Rules which may constitute as notifiable transaction or connected transaction, including issue of new shares and share buy-back;
- in the event that the actual use of **[REDACTED]** from the **[REDACTED]** is different from the disclosure made in the section headed "Future Plans and Use of **[REDACTED]**" of this Document, or the business, operations and financial performance is different from the profit forecast or estimate mentioned in this Document; and
- in the event that the Stock Exchange makes enquiries under Rule 13.10 of the Listing Rules; and
- any other consultation on our Company's responsibilities or obligations required by the Listing Rules, the Stock Exchange or the SFC.

The terms of the appointment of the compliance advisor will commence on the **[REDACTED]** and end on the date when our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the following persons will have, or be deemed, or taken to have an interest and/or short position in the Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
Name of Shareholder	**Nature of interest**	**Number**	**Approximate percentage in the total issued share capital**	**Number**	**Approximate percentage in the total issued share capital**
CAIGA Hong Kong(1) . . .	Beneficial owner	155,481,659	100%	**[REDACTED]**	**[REDACTED]**
CAIGA(1)	Interest in controlled corporation	155,481,659	100%	**[REDACTED]**	**[REDACTED]**
AVIC(1)	Interest in controlled corporations	155,481,659	100%	**[REDACTED]**	**[REDACTED]**

(1) CAIGA Hong Kong is wholly-owned by CAIGA, which is in turn owned by AVIC as to 70%. Under the SFO, each of CAIGA and AVIC is deemed to be interested in the **[REDACTED]**Shares held by CAIGA Hong Kong.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized shares and shares of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the **[REDACTED]**:

	Nominal value
	(US$)
Authorized share capital as of the date of this Document	
250,000,000 ordinary shares of US$1.00 each	250,000,000
Issued share capital as of the date of this Document	
155,481,659 ordinary shares of US$1.00 each	155,481,659
Shares to be issued under the [REDACTED] assuming the [REDACTED] is not exercised	
[REDACTED] ordinary shares of US$1.00 each	**[REDACTED]**
Issued share capital immediately after the [REDACTED] assuming the [REDACTED] is not exercised	
[REDACTED] ordinary shares of US$1.00 each	**[REDACTED]**

ASSUMPTIONS

The above table assumes that the **[REDACTED]** becomes unconditional and the Shares are issued pursuant to the **[REDACTED]**. The above does not take into account any Shares which (i) may be **[REDACTED]** and issued pursuant to the exercise of the **[REDACTED]**; or (ii) may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors as described below.

RANKING

The **[REDACTED]** are ordinary shares in our share capital and rank equally with all Ordinary Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which the Shareholders' general meeting and class Shareholders' meeting are required, please refer to "Variation of Rights of Existing Shares or Classes of Shares" and "Annual General Meetings and Extraordinary General Meetings" under "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" to this Document.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the three financial years ended December 31, 2020, 2021 and 2022 included in the Accountant's Report set out in Appendix I to this Document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

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

OVERVIEW

We are a pioneer and a global market leader in the personal aviation industry, according to Frost & Sullivan. We design, develop, manufacture, and sell premium aircraft recognized across the industry, driving innovations in safety, technology, connectivity, performance, and comfort. Our two aircraft product lines, the SR2X Series and the Vision Jet, have successfully set the industry standard for owner-piloted aircraft and are currently certified and validated in more than 60 countries. The SR2X Series aircraft has been the best-selling single-engine piston model for the last 21 consecutive years, according to GAMA. The SR2X Series aircraft represented 46.3% of the market share in the fixed tricycle gear certified piston aircraft segment based on delivered units in 2022, according to Frost & Sullivan. First delivered in 2016, the Vision Jet has been the best-selling jet under US$7.0 million for five consecutive years, according to GAMA. The Vision Jet accounted for 25.8% of the market share in the US$7 million and below single pilot pressurized turbine aircraft segment based on delivered units in 2022, according to Frost & Sullivan. In order to make owning and operating an aircraft accessible, convenient, productive, and enjoyable for everyone, we aim to cultivate a distinctive "The Cirrus Life" experience for our customers through our compelling products and the comprehensive service associated with them, which includes maintenance, upgrades, training, and Cirrus-branded social events.

By leveraging our market leadership and continuous product innovation, we have achieved a remarkable financial track record. For the years ended December 31, 2020, 2021 and 2022, we recorded revenue of US$586.5 million, US$738.1 million and US$894.1 million, respectively, representing a CAGR of 23.5%, and profit for the year of US$36.1 million, US$72.4 million and US$88.1 million, respectively, representing a CAGR of 56.2%. For the year ended December 31, 2022, we achieved a return of equity and EBITDA margin (non-IFRS measure) of 25.6% and 16.3%, respectively. As of December 31, 2022, our gearing ratio was 0.2. As of the Latest Practicable Date, we had a backlog of 1,461 aircraft.

BASIS OF PREPARATION

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Market Acceptance and Growth of the Global Personal Aviation Industry

The overall growth of the personal aviation industry significantly impacts our revenue growth. According to Frost & Sullivan, the personal aviation industry has seen a growth in terms of market size during the Track Record Period, due in part to the increasing demand and consumption preferences of consumers to seek enhanced and premium travel options and the stimulating effects of the COVID-19 pandemic. Global personal aircraft deliveries increased from 1,806 units in 2020 to 2,124 units in 2022. In addition, an increase in the number of qualified pilots can help to expand the personal aviation market. According to Frost & Sullivan, the number of licensed pilots in the United States reached approximately 757,000 in 2022. This has contributed to a certain extent to favorably changing the traditional customer perception and significantly increased the market desire for personal aircraft, further stimulating industry growth.

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

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

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

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

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

Expansion of Production Capacity and Improvement of Production Efficiency

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

Our Ability to Attract Orders

Our orders and backlog, as well as our ability to convert our order intake and backlog into revenue, have impacted and will continue to impact the growth of our revenue. As of the Latest Practicable Date, we had a backlog of 1,461 aircraft. Our ecosystem and direct-to-customer model have been integral to cultivating a lifestyle associated with ownership of our aircraft, which contributes to our progression through our product portfolio and referrals. During the Track Record Period, approximately 75% of our Vision Jet deliveries were made to owners who had already owned a Cirrus aircraft. We believe our unparalleled advantage in product attractiveness and the comprehensive services we provide will continue to contribute to our growth in new customers and orders in addition to our ability to service existing customers within our ecosystem to grow repeat purchases and referrals.

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

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

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

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Significant Accounting Policies

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

Accrued Warranty Costs

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

Property, Plant and Equipment

Property, plant and equipment are recognized as costs, net of accumulated depreciation and impairment losses, if any, including any replacement and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, we depreciate them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. Depreciation on plant and equipment is calculated on a straight-line method over the estimated useful lives of the assets, as follows:

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

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

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

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

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

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

Goodwill and intangible assets with indefinite useful life

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

Intangible Assets

Trademark acquired in a business combination is recognized at fair value at the acquisition date. The trademark has an indefinite useful life and carried at cost less accumulated impairment losses. Impairment assessment is undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

Contractual customer relationship acquired in a business combination is recognized at fair value at the acquisition date. The contractual customer relationship has a finite useful life and is subsequently carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship of seven years.

Aircraft type certificates represents the certificates and development efforts for the aircraft and is acquired in a business combination is recognized at fair value at the acquisition date. The aircraft type certificates has a finite useful life and is subsequently carried at cost less accumulated amortization. We select units of production method for amortizing the aircraft type certificates.

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

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

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use or sale. The costs capitalized in connection with the intangible asset includes costs of materials and services used or consumed and employee costs incurred in the creation of the asset. Development expenditures not satisfying the above recognition criteria are recognized in the consolidated statements of profit or loss as incurred.

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

Inventories

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

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

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

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

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

Leases

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

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease if the lease term reflects the lessee's exercise of that option.

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

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

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

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

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

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

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

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

Critical Accounting Estimates and Judgments

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

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

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

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

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

Estimated Impairment of Goodwill and Indefinite Useful Life Intangible Assets

We test annually whether goodwill and indefinite useful life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.8 to the Accountant's Report in Appendix I to this Document. The recoverable amounts of cash generating units have been determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. These calculations require the use of estimates.

Current and Deferred Income Tax

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

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

Net Realizable Value of Inventories

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

Accrued Product Liability

We estimate accrued product liability by reviewing the loss estimates of our lead products underwriter as a basis to determine loss exposure for us related to our self-insured retentions. The lead underwriter determines estimated total loss exposure by examining field-related accidents, establishing an estimate of potential liability exposure based on the facts of the accident and possible theories of liability, jurisdiction, and other factors; and the determination of legal and other fees that may be incurred. This estimate of overall loss exposure for all cases is updated periodically, in conjunction with third-party estimates, giving consideration for new developments in each case. Once the aggregate insurance loss exposure has been determined for any policy year, we recognize our loss exposure if it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. We then calculate our total loss exposure consistent with our applicable retention for the policy year.

Accrued Warranty

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

RESULTS OF OPERATIONS

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

	For the year ended December 31,					
	2020		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
REVENUE	**586,463**	**100.0**	**738,130**	**100.0**	**894,082**	**100.0**
Cost of sales	(401,131)	(68.4)	(495,855)	(67.2)	(595,952)	(66.7)
GROSS PROFIT	**185,332**	**31.6**	**242,275**	**32.8**	**298,130**	**33.3**
Selling and marketing expenses	(55,738)	(9.5)	(66,391)	(9.0)	(88,290)	(9.9)
General and administrative expenses	(77,965)	(13.3)	(93,661)	(12.7)	(102,486)	(11.5)
OPERATING PROFIT BEFORE OTHER INCOME	**51,629**	**8.8**	**82,223**	**11.1**	**107,354**	**12.0**
Other income	1,147	0.2	7,486	1.0	4,779	0.5
OPERATING PROFIT	52,776	9.0	89,709	12.2	112,133	12.5
Finance costs	(6,172)	(1.1)	(3,509)	(0.5)	(3,199)	(0.4)
PROFIT BEFORE INCOME TAX	**46,604**	**7.9**	**86,200**	**11.7**	**108,934**	**12.2**
Income tax expenses	(10,488)	(1.8)	(13,797)	(1.9)	(20,858)	(2.3)
PROFIT FOR THE YEAR	**36,116**	**6.2**	**72,403**	**9.8**	**88,076**	**9.9**

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue

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

During the years ended December 31, 2020, 2021 and 2022, we generated revenue of US$586.5 million, US$738.1 million, and US$894.1 million, respectively.

Revenue by Revenue Stream

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

	For the year ended December 31,					
	2020		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Revenue						
Aircraft	488,290	83.3	619,612	83.9	759,740	85.0
SR2X Series	290,468	49.6	384,638	52.1	492,825	55.1
Vision Jet	197,822	33.7	234,974	31.8	266,915	29.9
Cirrus Services and Other	98,173	16.7	118,518	16.1	134,342	15.0
Total	**586,463**	**100.0**	**738,130**	**100.0**	**894,082**	**100.0**

The following table sets forth the number of aircraft we delivered to customers during the Track Record Period:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Aircraft						
SR2X Series	347	82.6	442	83.7	539	85.7
Vision Jet	73	17.4	86	16.3	90	14.3
Total	**420**	**100.0**	**528**	**100.0**	**629**	**100.0**

Cost of Sales

We include material, labor and overhead and other costs including the amortization of intangibles as we realize research and development projects, warranty costs and other minor variances in the cost of sales for Aircraft. We include costs related to Cirrus Services such as after market parts, material and labor costs and other costs in our cost of sales for Cirrus Services and Other. For the years ended December 31, 2020, 2021 and 2022, our cost of sales were US$401.1 million, US$495.9 million and US$596.0 million, respectively.

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

	For the year ended December 31,					
	2020		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Cost of sales						
Aircraft	323,502	80.6	400,065	80.7	501,522	84.2
Cirrus Services and Other	77,629	19.4	95,790	19.3	94,430	15.8
Total	**401,131**	**100.0**	**495,855**	**100.0**	**595,952**	**100.0**

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

	For the year ended December 31,					
	2020		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Aircraft						
Material	236,153	73.0	287,965	72.0	354,549	70.7
Labor and Overhead	51,240	15.8	77,931	19.5	98,938	19.7
Other	36,109	11.2	34,169	8.5	48,035	9.6
Total	323,502	100.0	400,065	100.0	501,522	100.0
Cirrus Services and Other						
Cirrus Services	32,950	42.4	43,072	45.0	54,984	58.2
Other	44,679	57.6	52,718	55.0	39,446	41.8
Total	77,629	100.0	95,790	100.0	94,430	100.0

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2020, 2021 and 2022, we generated gross profit of US$185.3 million, US$242.3 million and US$298.1 million, respectively, and our gross profit margin was 31.6%, 32.8% and 33.3% for the respective years.

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

	For the year ended December 31,					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Aircraft	164,788	33.7	219,547	35.4	258,218	34.0
Cirrus Services and Other	20,544	20.9	22,728	19.2	39,912	29.7
Total	**185,332**		**242,275**		**298,130**	

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of employee expenses, facilities and equipment, outside selling and professional services expense and other including advertising costs such as those related to trade shows and digital marketing. See "Business — Sales and Marketing — Our Marketing Strategies." For the years ended December 31, 2020, 2021 and 2022, our selling and marketing expenses were US$55.7 million, US$66.4 million, US$88.3 million, respectively.

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

	For the year ended December 31,					
	2020		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Selling and marketing expenses						
Employee Expense	30,175	54.1	35,706	53.8	48,072	54.5
Facilities and Equipment	8,559	15.4	8,710	13.1	13,021	14.7
Outside Selling & Professional Services Expense	9,183	16.5	14,804	22.3	18,544	21.0
Other	7,821	14.0	7,171	10.8	8,653	9.8
Total	**55,738**	**100.0**	**66,391**	**100.0**	**88,290**	**100.0**

General and Administrative Expenses

Our general and administrative expenses primarily consist of employee expense, facilities and equipment, insurance and product liability costs, outside selling and professional services expense and other including licenses, dues and research costs.

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

	For the year ended December 31,					
	2020		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
General and administrative expenses						
Employee Expense	45,680	58.5	55,258	59.0	60,272	58.8
Facilities and Equipment	14,566	18.7	18,408	19.6	22,696	22.2
Insurance and Product Liability	7,534	9.7	8,957	9.6	8,539	8.3
Outside Selling & Professional Services Expense	7,642	9.8	6,365	6.8	7,121	6.9
Other	2,543	3.3	4,673	5.0	3,858	3.8
Total	77,965	100.0	93,661	100.0	102,486	100.0

Operating Profit before Other Income

As a result of the foregoing, for the years ended December 31, 2020, 2021 and 2022, we generated operating profit before other income of US$51.6 million, US$82.2 million and US$107.4 million, respectively.

Other Income

Our other income primarily consists of funds that have been disbursed to us based upon expenses incurred in connection with a federal government grant that we were awarded under the American Jobs Protection Act and government grants from Minnesota and Tennessee, primarily in connection with maintaining jobs. For the years ended December 31, 2020, 2021 and 2022, our other income was US$1.1 million, US$7.5 million and US$4.8 million, respectively.

Operating Profit and Operating Profit Margin

As a result of the foregoing, for the years ended December 31, 2020, 2021 and 2022, we generated operating profit of US$52.8 million, US$89.7 million and US$112.1 million, respectively, and our operating profit margin was 9.0%, 12.2% and 12.5% for the respective years.

Finance Costs

Our finance costs primarily consist of interest expenses related to our outstanding debt and recognition of interest related to leases as lease liabilities. For the years ended December 31, 2020, 2021 and 2022, our finance costs were US$6.2 million, US$3.5 million and US$3.2 million, respectively, which reflected 1.1%, 0.5%, and 0.4% of our total revenue for the respective years.

Income Tax Expenses

For the years ended December 31, 2020, 2021 and 2022, we recorded income tax expenses of US$10.5 million, US$13.8 million and US$20.9 million, respectively. This tax expense comprises current and deferred tax. Effective tax rate is calculated as tax expenses for the year divided by the profit before tax, resulting in an effective tax rate of 22.5%, 16.0% and 19.1% for the years ended December 31, 2020, 2021 and 2022, respectively. For the years ended December 31, 2020, 2021 and 2022, the current tax expense was US$0.8 million, US$9.1 million and US$28.5 million, respectively. See Note 10 to the Accountant's Report set out in Appendix I to the Document for further details. We are subject to tax laws and regulations in the United States, the Cayman Islands and the United Kingdom.

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance year to year and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance.

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

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

	For the year ended December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Reconciliation of profit to EBITDA for the year (non-IFRS measure):			
Profit for the year	36,116	72,403	88,076
Add back:			
Finance costs	6,172	3,509	3,199
Income tax expenses	10,488	13,797	20,858
Depreciation of property, plant and equipment	11,575	18,248	13,596
Depreciation of right-of-use assets	2,388	2,507	3,995
Amortization of intangible assets	12,019	14,421	15,866
EBITDA for the year (unaudited)	78,758	124,885	145,590

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

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

Revenue

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

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

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

Cost of Sales

Our total cost of sales increased by US$100.1 million, or 20.2%, from US$495.9 million in 2021 to US$596.0 million in 2022, which primarily reflected increases in line with the increase in total revenue, together with the increased manufacturing costs due to an increase in supply chain and labor pool volatility, and continued impact of inflation on raw materials.

Our cost of sales for Aircraft increased by US$101.4 million, or 25.4%, from US$400.1 million in 2021 to US$501.5 million in 2022, which primarily reflected growth in sales of Aircraft resulting in higher variable costs including materials and labor and higher overhead costs, together with the inflationary pressures on materials, increased manufacturing costs and increased employee compensation levels to address labor shortages.

Our cost of sales for Cirrus Services and Other decreased by US$1.4 million, or 1.4%, from US$95.8 million in 2021 to US$94.4 million in 2022, which primarily reflected the increased proportion of higher margin products and services in Cirrus Services and Other, including JetStream and flight training, compared to the prior year.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by US$55.8 million, or 23.1%, from US$242.3 million in 2021 to US$298.1 million in 2022. Our overall gross profit margin increased from 32.8% in 2021 to 33.3% in 2022, primarily as a result of growth in profit margin of Cirrus Services and Other which was partially offset by decreases in our profit margins for Aircraft due to increased manufacturing costs related to supply chain and labor pool volatility in part due to impacts from the COVID-19 pandemic.

As a result of the foregoing, our gross profit for Aircraft increased by US$38.7 million, or 17.6%, from US$219.5 million in 2021 to US$258.2 million in 2022. The gross profit margin for Aircraft decreased from 35.4% in 2021 to 34.0% in 2022, primarily as a result of supply chain and labor pool volatility.

As a result of the foregoing, our gross profit for Cirrus Services and Other increased by US$17.2 million from US$22.7 million in 2021 to US$39.9 million in 2022. The gross profit margin for Cirrus Services and Other increased from 19.2% in 2021 to 29.7% in 2022, primarily as a result of a greater percentage of our revenue coming from services with higher margins, including JetStream and flight training.

Selling and Marketing Expenses

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

General and Administrative Expenses

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

Operating Profit before Other Income

As a result of the foregoing, our total profit before other income increased by US$25.2 million, or 30.6%, from US$82.2 million in 2021 to US$107.4 million in 2022.

Other Income

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

Operating Profit and Operating Profit Margin

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

Finance Costs

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

Income Tax Expense

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

Profit for the Year and Net Profit Margin

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

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our total revenue increased by US$151.6 million, or 25.9%, from US$586.5 million in 2020 to US$738.1 million in 2021, primarily as a result of increased pricing and aircraft deliveries driven in part by increased customer demand for personal aviation. Price increases were driven by new feature launches and in response to broader inflationary pressures.

Our revenue derived from Aircraft increased by US$131.3 million, or 26.9%, from US$488.3 million in 2020 to US$619.6 million in 2021, primarily as a result of increased deliveries from 420 to 528 and price increases with average sales prices for our SR2X Series aircraft increasing from US$837.1 thousand to US$870.2 thousand and average sales prices for our Vision Jet aircraft increasing from US$2.71 million to US$2.73 million.

Our revenue derived from Cirrus Services and Other increased by US$20.3 million, or 20.7%, from US$98.2 million in 2020 to US$118.5 million in 2021, primarily as a result of increased ownership of our aircraft which led to increased utilization of our associated services and growth of our aftermarket and service repair and maintenance options.

Cost of Sales

Our total cost of sales increased by US$94.8 million, or 23.6%, from US$401.1 million in 2020 to US$495.9 million in 2021, which primarily reflected increased costs related to increased production.

Our cost of sales for Aircraft increased by US$76.6 million, or 23.7%, from US$323.5 million in 2020 to US$400.1 million in 2021, which primarily reflected increased variable costs related to increased deliveries including materials and labor.

Our cost of sales for Cirrus Services and Other increased by US$18.2 million, or 23.4%, from US$77.6 million in 2020 to US$95.8 million in 2021, which primarily reflected increased growth of our Cirrus Services business unit and in particular the establishment of field service centers.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by US$57.0 million, or 30.7%, from US$185.3 million in 2020 to US$242.3 million in 2021. Our overall gross profit margin increased from 31.6% in 2020 to 32.8% in 2021, primarily as a result of a greater percentage of our revenue coming from an improved mix within our revenue streams.

As a result of the foregoing, our gross profit for Aircraft increased by US$54.7 million, or 33.2%, from US$164.8 million in 2020 to US$219.5 million in 2021. The gross profit margin for Aircraft increased from 33.7% in 2020 to 35.4% in 2021, primarily as a result of increased prices.

As a result of the foregoing, our gross profit for Cirrus Services and Other increased by US$2.2 million, or 10.6%, from US$20.5 million in 2020 to US$22.7 million in 2021. The gross profit margin for Cirrus Services and Other decreased from 20.9% in 2020 to 19.2% in 2021, primarily as a result of a greater percentage of our revenue coming from products and services with lower margins.

Selling and Marketing Expenses

Our selling and marketing expenses increased by US$10.7 million, or 19.1%, from US$55.7 million in 2020 to US$66.4 million in 2021, primarily as a result of increased employee expense as a result of enhancements to compensation packages and growth in our sales and marketing headcount and increased facilities and equipment expenditures from increased investments in our Cirrus business unit and in particular the establishment of our field service centers. See "Business — Our Services." We also experienced an increase in outside selling and professional services expenses due to higher commissions being paid due to a growth in international sales as a percentage of overall SR2X Series aircraft sales.

General and Administrative Expenses

Our general and administrative expenses increased by US$15.7 million, or 20.1%, from US$78.0 million in 2020 to US$93.7 million in 2021, primarily as a result of enhancements to compensation packages and growth in our general and administrative (including product development) headcount. This increase in headcount reflects growth in our product development and supporting functions, increased facilities and equipment expenditures, primarily as a result of investments related to product development facilities, increased insurance and product liability costs due to adjustments in our product liability valuation by our lead underwriter's estimates for loss exposure and decreased outside selling and professional services expenses related to professional advisor fees.

Operating Profit before Other Income

As a result of the foregoing, our total profit before other income increased by US$30.6 million, or 59.3%, from US$51.6 million in 2020 to US$82.2 million in 2021.

Other Income

Our other income increased by US$6.4 million, or 552.7%, from US$1.1 million in 2020 to US$7.5 million in 2021, primarily as a result of government grant income.

Operating and Operating Profit Margin

As a result of the foregoing, our total operating profit increased by US$36.9 million, or 70.0%, from US$52.8 million in 2020 to US$89.7 million in 2021. Our overall operating profit margin increased from 9.0% in 2020 to 12.2% in 2021, primarily as a result of growth in revenue and partially offset by a growth in selling and marketing and general and administrative costs.

Finance Costs

Our finance costs decreased by US$2.7 million, or 43.1%, from US$6.2 million in 2020 to US$3.5 million in 2021, primarily as a result of the repayment of a portion of existing debt in 2020 and our buyout of leased buildings.

Income Tax Expense

Our income tax expense increased by US$3.3 million, from US$10.5 million in 2020 to US$13.8 million in 2021 primarily due to higher taxable income. Our effective income tax rate decreased from 22.5% in 2020 to 16.0% in 2021, primarily related to recognition of tax credits not previously expected to be utilized and certain permanent differences.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by US$36.3 million, or 100.5%, from US$36.1 million in 2020 to US$72.4 million in 2021. Our net profit margin was 6.2% and 9.8% in 2020 and 2021, respectively.

SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	86,682	112,748	161,784
Right-of-use assets	24,065	12,783	16,750
Intangible assets	231,521	225,501	231,320
Goodwill	115,923	115,923	115,923
Financial assets at fair value through other comprehensive income	406	257	215
Advances to suppliers	4,939	2,823	4,559
Notes receivables	100	62	21
Contract assets	109	145	152
Total non-current assets	**463,745**	**470,242**	**530,724**
Current assets			
Inventories	72,947	100,708	113,017
Reinsurance recoverable	12,642	19,528	42,211
Advances to suppliers	6,047	6,524	5,321
Contract assets	1,024	1,989	203
Notes and other receivables	529	1,388	8,154
Accounts receivables	3,496	4,017	5,836
Financial assets at fair value through profit or loss	2,228	1,145	1,017
Cash and cash equivalents	156,766	181,381	243,254
Total current assets	**255,679**	**316,680**	**419,013**
TOTAL ASSETS	**719,424**	**786,922**	**949,737**
EQUITY			
Share capital	155,482	155,482	155,482
Capital reserve	(113,482)	(113,482)	(113,482)
Financial assets at fair value through other comprehensive income fair value reserve	9	4	3
Retained earnings	186,222	258,654	346,729
TOTAL EQUITY	**228,231**	**300,658**	**388,732**

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
LIABILITIES			
Non-current liabilities			
Borrowings	71,673	56,313	67,650
Lease liabilities	16,286	11,764	11,920
Deferred tax liabilities	20,173	24,838	17,150
Accrued warranty	3,754	4,043	4,905
Contract liabilities	30,951	41,155	45,971
Deferred government grant income	59	—	—
Total non-current liabilities	**142,896**	**138,113**	**147,596**
Current liabilities			
Accounts payables	29,773	41,651	45,078
Employee wages and benefits payable	34,497	41,976	48,379
Accrued liabilities	2,143	2,897	16,908
Contract liabilities	28,756	39,578	39,546
Customer deposits	83,859	145,204	165,105
Deferred government grant income	979	59	—
Interest payable	170	68	210
Income tax payable	1,577	8,279	11,644
Accrued warranty	10,029	17,004	14,566
Accrued product liability	27,035	33,434	57,457
Borrowings	123,619	15,360	8,044
Lease liabilities	5,860	2,641	6,472
Total current liabilities	**348,297**	**348,151**	**413,409**
TOTAL LIABILITIES	**491,193**	**486,264**	**561,005**
TOTAL EQUITY AND LIABILITIES	**719,424**	**786,922**	**949,737**

DISCUSSION OF CERTAIN KEY STATEMENTS OF FINANCIAL POSITION ITEMS

Intangible Assets

Our intangible assets are primarily composed of 1) our Cirrus trademark, 2) development costs and 3) aircraft type certificates. Our Cirrus trademark was accounted for as an indefinite-lived intangible asset, and as such, it is tested for impairment annually and whenever an event occurs, or circumstances change that would indicate the carrying amount may be impaired. The trademark was US$19.6 million as of December 31, 2020, 2021 and 2022, respectively. Our development costs related to new product development. We amortize these assets as we realize their value through aircraft deliveries. Our aircraft type certificates represent the certificates and development efforts for Aircraft and is acquired in a business combination is recognized at fair value at the acquisition date. The aircraft type certificates have a finite useful life and are subsequently carried at cost less accumulated amortization. We select units of production method for amortizing the aircraft type certificates. Our intangible assets decreased from US$231.5 million as of December 31, 2020 to US$225.5 million as of December 31, 2021, primarily due to increased deliveries of our aircraft. Our intangible assets increased to US$231.3 million as of December 31, 2022, primarily due to investments in product development including future product improvement and innovation launches.

Goodwill

Our goodwill consists of the excess of the purchase price of Cirrus Industries, Inc. in 2011 over the estimated fair value of net assets of the acquired business when we were purchased by CAIGA. We assess whether there has been an impairment of goodwill annually in the fourth quarter and whenever an event occurs, or circumstances change that would indicate the carrying amount may be impaired. Our goodwill was US$115.9 million as of December 31, 2020, 2021 and 2022.

Advances to Suppliers

Our advances to suppliers primarily consist of our prepaid engine warranty which are purchased to reduce exposure in our profit generating warranty programs, prepaid insurance, prepaid materials and other prepaid expenses including software subscriptions. The non-current portion of our advances to suppliers decreased from US$4.9 million as of December 31, 2020 to US$2.8 million as of December 31, 2021, primarily due to the exercise of certain prepaid lease purchase options in 2021. The non-current portion of our advances to suppliers increased to US$4.6 million as of December 31, 2022, primarily due to an increase in the long-term portion of our prepaid engine warranty in connection with increased sales of extended warranties as we delivered more aircraft.

The current portion of our advances to suppliers increased from US$6.0 million as of December 31, 2020 to US$6.5 million as of December 31, 2021, primarily due to an increase in the short-term portion of our prepaid engine warranty in connection with increased sales of extended warranties as we delivered more aircraft. The current portion of our advances to suppliers decreased to US$5.3 million as of December 31, 2022, primarily due to lower prepaid material costs.

Inventories

Our inventories primarily consist of raw materials, works in process, finished goods, pre-flown inventory and merchandise. Our inventories increased from US$72.9 million as of December 31, 2020 to US$100.7 million as of December 31, 2021, primarily due to increases in production rates and output in addition to our decision to hold more raw materials to mitigate the impact from global supply chain volatility. Our inventories increased to US$113.0 million as of December 31, 2022, primarily due to the same factors as the prior year.

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

	As of December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Inventories			
Raw materials	44,777	46,696	75,664
Work in process	29,036	44,294	39,672
Finished goods	—	7,483	—
Preflown inventory	—	3,622	—
Merchandise	664	672	903
	74,477	102,767	116,239
Less: provision for impairment	(1,530)	(2,059)	(3,222)
Total	**72,947**	**100,708**	**113,017**

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

	For the year ended December 31,		
	2020	**2021**	**2022**
Inventory turnover days[(1)]	76.5	65.2	67.1

(1) We calculate inventory turnover days using the average of the beginning and ending gross balances of inventories for the relevant year, divided by the corresponding cost of sales for the year, multiplied by 365 days for a year.

As of December 31, 2020, 2021 and 2022, our inventory turnover days were 76.5 days, 65.2 days and 67.1 days respectively. The decrease in our inventory turnover days from 2020 to 2021 was primarily attributable to increased inventory attributed to greater production during the period which led to greater turnover of raw materials and supplies. The increase in our inventory turnover days from 2021 to 2022 was primarily attributable to increased inventory attributed to global supply chain issues which drove us to hold higher levels of raw materials to mitigate against unexpected delays or shortages from suppliers and in anticipation of increased production.

As of April 30, 2023, US$113.0 million or 97.2% of our inventories as of December 31, 2022 had been subsequently utilized.

Reinsurance Recoverable

Our reinsurance recoverable primarily arises from the coverage amount of the product liability valuation as determined by the lead underwriter's estimates for loss exposure. Our reinsurance recoverable increased from US$12.6 million as of December 31, 2020 to US$19.5 million as of December 31, 2021, primarily due to adjustments in our product liability valuation by our lead underwriter's estimates for loss exposure. Our reinsurance recoverable increased to US$42.2 million as of December 31, 2022, primarily due the same factors as the prior year.

Notes and Other Receivables

Our notes and other receivables primarily consist of promissory notes issued either short term (less than 30 days) or long term (less than 1 year), primarily for Australian goods and sales tax.

Our notes and other receivables as of December 31, 2020, 2021 and 2022 were US$0.6 million, US$1.5 million and US$8.2 million, respectively. Our notes and other receivables increased from US$1.5 million as of December 31, 2021 to US$8.2 million as of December 31, 2022 primarily due to promissory notes from customers in Australia related to aircraft which were in transit from the United States to Australia.

As of April 30, 2023, US$2.6 million or 35.9% of our notes and other receivables as of December 31, 2022 had been subsequently settled.

Accounts Receivables

Our accounts receivables primarily relate to our service business as payments may not be rendered at the time of services. Payment for our aircraft is due at the time of delivery and does not impact our accounts receivable balance. Within Cirrus Services and Other, credit limits and terms are generally extended for a 30 day period. Our accounts receivables increased from US$3.5 million as of December 31, 2020 to US$4.0 million as of December 31, 2021, primarily in connection with the growth of Cirrus Services. Our accounts receivables increased to US$5.8 million as of December 31, 2022, primarily due to ongoing investments and expansion of Cirrus Services.

As of April 30, 2023, US$6.0 million or 89.6% of our accounts receivables as of December 31, 2022 had been subsequently settled.

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Accounts receivables	3,800	4,208	6,745
Less: Provision for impairment	(304)	(191)	(909)
Accounts receivables, net	3,496	4,017	5,836

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

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Current-60 days	2,993	4,011	6,238
61-90 days	406	185	386
91-120 days	7	12	121
Over 120 days	394	—	—
	3,800	**4,208**	**6,745**

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

	For the year ended December 31,		
	2020	2021	2022
Accounts receivables turnover days[1]	2.4	2.0	2.2

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

Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2020, 2021 and 2022 were US$156.8 million, US$181.4 million and US$243.3 million respectively. For a discussion on the changes in our cash and cash equivalents, see "— Liquidity and Capital Resources — Cash Flows."

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

Contract liabilities and contract assets

Our contract liabilities and contract assets primarily reflects customer maintenance contracts and our extended warranty and JetStream programs. The non-current portion of our contract liabilities increased from US$31.0 million as of December 31, 2020 to US$41.2 million as of December 31, 2021, and further to US$46.0 million as of December 31, 2022, primarily due to increases in our obligations to customers most related with our services business, in particular in connection with our JetStream program as a result of increased ownership of our aircraft.

Our current portion of contract liabilities increased from US$28.8 million as of December 31, 2020 to US$39.6 million as of December 31, 2021, primarily due to the same factors as the increase in our non-current contract liabilities. Our current contract liabilities stayed consistent at US$39.5 million as of December 31, 2022, with an increase in maintenance liability partially offsetting liabilities associated to a new development project.

	As of December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Current contract (assets)/liabilities			
Extended warranty	4,088	4,854	5,356
Maintenance	16,728	23,486	29,607
Development project	6,035	—	—
Commissions	(153)	(175)	(203)
Other	1,034	9,424	4,583
	27,732	37,589	39,343

	As of December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Non-current contract (assets)/liabilities			
Extended warranty	15,692	17,135	19,909
Maintenance	15,259	24,020	26,062
Commissions	(109)	(145)	(152)
	30,842	41,010	45,819

As of April 30, 2023, US$7.0 million or 8.2% of our contract liabilities as of December 31, 2022 had been subsequently recognized as revenue.

Accrued Warranty

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

	For the year ended December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
At beginning of the year	12,808	13,783	21,047
Additions	10,431	19,847	12,406
Settlements made	(11,348)	(11,296)	(16,822)
Change in estimate	1,892	(1,287)	2,840
At end of the year	13,783	21,047	19,471
Representing:			
Non-current portion	3,754	4,043	4,905
Current portion	10,029	17,004	14,566
Total	13,783	21,047	19,471

Our accrued warranty as of December 31, 2020, 2021 and 2022 was US$13.8 million, US$21.0 million and US$19.5 million, respectively. Our accrued warranty increased from US$13.8 million as of December 31, 2020 to US$21.0 million as of December 31, 2021 primarily due to an increase in warranties issued during the year in connection with an increase in aircraft deliveries. Our accrued warranty decreased to US$19.5 million as of December 31, 2022 primarily as a result of lower warranty and service bulletin cost trends leading to a reduction in provisions. Our actual claims and liability remained relatively consistent over the Track Record Period.

Accounts Payables

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

Our accounts payables as of December 31, 2020, 2021 and 2022 were US$29.8 million, US$41.7 million and US$45.1 million, respectively. Our accounts payables increased from US$29.8 million as of December 31, 2020 to US$41.7 million as of December 31, 2021, and further to US$45.1 million as of December 31, 2022, primarily due to increases in aircraft production rates and materials costs. During the Track Record Period and up to the Latest Practicable Date, we had no material defaults in our accounts payables.

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

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Current–30 days	29,060	41,128	44,168
31–60 days	75	22	201
61–120 days	—	5	325
Over 120 days	638	496	384
	29,773	41,651	45,078

The carrying values of the accounts payables approximate their fair values as of December 31, 2020, 2021 and 2022. As of April 30, 2023, US$44.3 million or 98.2% of our accounts payables as of December 31, 2022 had been subsequently settled.

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

	For the year ended December 31,		
	2020	2021	2022
Accounts payables turnover days[(1)]	28.1	26.3	26.6

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

Customer Deposits

We require deposits from our customers to secure their orders. We receive non-refundable deposits from customers for all aircraft orders, and refundable deposits for Vision Jet reservations. For the SR2X Series aircraft, the deposit is 10% of the purchase price and due within 30 days after placing an order. For the Vision Jet, a 10% deposit is required to be paid 12 months prior to closing and an additional 10% must be paid at six months prior to closing. As of December 31, 2020, 2021 and 2022, we had customer deposits of US$83.9 million, US$145.2 million and US$165.1 million, respectively. The increase in our overall customer deposits from December 31, 2020 to December 31, 2021 and from December 31, 2021 to December 31, 2022 was due to significant increases in aircraft orders.

Accrued Product Liability

Our accrued product liability represents provisions made based on estimates of our product liability exposure based on valuations by our insurance underwriters. Our accrued product liability increased from US$27.0 million as of December 31, 2020 to US$33.4 million as of December 31, 2021, and further to US$57.5 million as of December 31, 2022, primarily due to increases in our product liability valuation as determined by our lead underwriter's estimates for loss exposure.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

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

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
CURRENT ASSETS				
Inventories	72,947	100,708	113,017	201,204
Reinsurance recoverable	12,642	19,528	42,211	40,295
Advances to suppliers	6,047	6,524	5,321	9,672
Contract assets	1,024	1,989	203	214
Notes and other receivables	529	1,388	8,154	16,339
Accounts receivables	3,496	4,017	5,836	7,748
Financial assets at fair value through profit or loss	2,228	1,145	1,017	1,735
Cash and cash equivalents	156,766	181,381	243,254	145,099
Total current assets	255,679	316,680	419,013	422,306
CURRENT LIABILITIES				
Accounts payables	29,773	41,651	45,078	58,986
Employee wages and benefits payable	34,497	41,976	48,379	37,221
Accrued liabilities	2,143	2,897	16,908	9,305
Contract liabilities	28,756	39,578	39,546	39,865
Customer deposits	83,859	145,204	165,105	187,353
Deferred government grant income	979	59	—	—
Interest payable	170	68	210	626
Income tax payable	1,577	8,279	11,644	5,873
Accrued warranty	10,029	17,004	14,566	14,100
Accrued product liability	27,035	33,434	57,457	56,102
Borrowings	123,619	15,360	8,044	8,044
Lease liabilities	5,860	2,641	6,472	6,442
Total current liabilities	348,297	348,151	413,409	423,918
NET CURRENT ASSETS/(LIABILITIES)	(92,618)	(31,471)	5,604	(1,612)

As of April 30, 2023, we had net current liabilities of US$1.6 million, as compared to net current assets of US$5.6 million as of December 31, 2022, primarily due to decreases in cash and cash equivalents and increases in customer deposits partially offset by increases in inventories and accounts receivables and decreases in employee wages and benefits payable.

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

As of December 31, 2021, we had net current liabilities of US$31.5 million, as compared to US$92.6 million as of December 31, 2020, primarily due to an increase in reinsurance recoverable, inventories and cash and cash equivalents and a reduction in current borrowings partially offset by an increase in customer deposits, contract liabilities, accrued warranty, accrued products liability and accounts payables.

Cash Flows

During the Track Record Period, we had funded our cash requirements principally from cash generated from our operating activities. As of December 31, 2020, 2021 and 2022, we had cash and cash equivalents of US$156.8 million, US$181.4 million and US$$243.3 million, respectively. The following table is a summary of our cash flow data from our consolidated statements of cash flows for the periods indicated:

	For the year ended December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Net cash flows generated from operating activities	113,964	198,277	132,859
Net cash flows used in investing activities	(7,799)	(47,519)	(71,033)
Net cash flows (used in)/generated from financing activities	(3,144)	(126,143)	47
Net increase in cash and cash equivalents	103,021	24,615	61,873
Cash and cash equivalents at beginning of the year	53,745	156,766	181,381
Cash and cash equivalents at end of the year	156,766	181,381	243,254

Cash Flows Generated From Operating Activities

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

For the year ended December 31, 2022, our net cash generated from operating activities was US$132.9 million, primarily attributable to profit for the year of US$88.1 million adjusted for (i) non-cash items or non-operating items, which principally included depreciation on property, plant and equipment and right-of-use assets of US$17.6 million and amortization of intangibles of US$15.9 million, partially offset by deferred tax benefit of US$7.7 million, and (ii) changes in working capital of US$15.2 million. Changes in operating assets and liabilities mainly consisted of an increase in payables of US$34.8 million and increase in customer deposits of US$19.9 million, partially offset by an increase in receivables of US$31.2 million and increase in inventories of US$18.4 million.

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

For the year ended December 31, 2020, our net cash generated from operating activities was US$114.0 million, primarily attributable to profit for the year of US$36.1 million, as adjusted for (i) non-cash items or non-operating items, which principally included depreciation on property, plant and equipment and right-of-use assets of US$14.0 million, amortization of intangibles of US$12.0 million and deferred tax expense of US$9.7 million, and (ii) changes in working capital of US$41.6 million. Changes in working capital mainly consisted of an increase in employee benefits payable of US$15.4 million, increase in contract liabilities of US$14.6 million and decrease in inventories of US$13.2 million, partially offset by a decrease in payables by US$8.0 million.

Cash Flows Used in Investing Activities

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

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

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

For the year ended December 31, 2020, our net cash used in investing activities was US$7.8 million, primarily attributable to purchases of property, plant and equipment of US$7.8 million and cash paid for intangible assets of US$4.0 million, partially offset by proceeds from the sale of financial assets of US$4.5 million.

Cash Flows Generated From Financing Activities

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

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

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

For the year ended December 31, 2020, our net cash used in financing activities was US$3.1 million, primarily attributable to principal payments of US$118.0 million representing a portion of our outstanding loan from a non-U.S. commercial bank with proceeds from borrowing of US$117.6 million from a non-U.S. commercial bank.

Working Capital Sufficiency

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

Our capital expenditures during the Track Record Period primarily consisted of purchases of property, plant and equipment and intangible assets. Our capital expenditures were US$11.8 million, US$49.2 million, and US$70.8 million for the years ended December 31, 2020, 2021 and 2022, respectively.

We expect to incur capital expenditures of approximately US$112.0 million and US$120.0 million in 2023 and 2024, primarily for our continued expansion plan and intangible assets. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

INDEBTEDNESS

Borrowings

As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had borrowings of US$195.3 million, US$71.7 million, US$75.7 million and US$73.8 million, respectively.

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

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
Non-current				
Long-term bank borrowings	189,887	66,735	71,250	69,375
Long-term other borrowings	5,405	4,938	4,444	4,444
Less: current portion of long-term bank and other borrowings	(123,619)	(15,360)	(8,044)	(8,044)
	71,673	56,313	67,650	65,775
Current				
Current portion of long-term bank borrowings	123,152	14,830	7,500	7,500
Current portion of long-term other borrowings	467	530	544	544
	123,619	15,360	8,044	8,044
Total	195,292	71,673	75,694	73,819

Our total borrowings decreased from US$195.3 million as of December 31, 2020 to US$71.7 million as of December 31, 2021, primarily due to significant debt principal payments, and in particular the repayment in full of our loan from a non-U.S. commercial bank. Our total borrowings increased to US$75.7 million as of December 31, 2022, primarily due to a new term loan facility with a U.S. commercial bank ("Bank A"), which was partially offset by the repayment of our loan with a non-U.S. commercial bank. All long term bank and other borrowings are denominated in US dollars. As of April 30, 2023, we had US$37.5 million of unutilized credit facilities available.

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

Under the terms of our credit agreements with Bank A and a government entity, respectively, we are required to comply with certain financial covenants based on financial and non-financial measures, including specified ratios: (i) between our indebtedness to EBITDA and (ii) between (a) the sum of EBITDA less unfinanced capital expenditures and cash dividends and distributions to (b) the sum of interest expense paid or payable in cash and scheduled principal payments with respect to indebtedness. Such credit agreement also contains restrictions that may limit our ability to, among other things, incur additional debt over agreed threshold, create liens, make certain investments, effect a fundamental change, make certain asset dispositions, and declare or make restricted payments in certain circumstances. As of the Latest Practicable Date, we are in compliance with all covenants under such credit agreements.

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

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
Within one year	123,619	15,360	8,044	7,994
Greater than one year and less than two years	67,708	52,349	11,712	13,637
Greater than two years and less the five years	1,043	1,590	54,144	50,394
Over five years	2,922	2,374	1,794	1,794
Total	195,292	71,673	75,694	73,819

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

Lease Liabilities

As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had lease liabilities of US$22.1 million, US$14.4 million, US$18.4 million and US$18.1 million, respectively.

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

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	US$'000	*US$'000*	*US$'000*	*US$'000*
				(Unaudited)
Current portion	5,860	2,641	6,472	6,442
Non-current portion	16,286	11,764	11,920	11,636
Total	22,146	14,405	18,392	18,078

Our lease liabilities decreased from US$22.1 million as of December 31, 2020 to US$14.4 million as of December 31, 2021, primarily due to the buyout of leases related to properties in Grand Forks, North Dakota and near the Tyson McGhee Airport in Tennessee. Our lease liabilities increased to US$18.4 million as of December 31, 2022, primarily due to the addition of ground leases near the Tyson McGhee Airport in Tennessee in connection with expansion of our office space and training centers. All of our leases are unguaranteed.

Contingent Liabilities

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

Indebtedness Statement

Save as disclosed above, as of December 31, 2020, 2021 and 2022 and April 30, 2023, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings and other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since April 30, 2023 and up to the Latest Practicable Date.

CAPITAL COMMITMENTS

As of December 31, 2020, we had no capital commitments. As of December 31, 2021 and 2022 and April 30, 2023, we had capital commitments on property, plant and equipment of approximately US$3 million, US$5 million and US$14 million, respectively. We had no other material commitments.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the Track Record Period, we entered into a number of related party transactions. Revenue from the sale of goods and services to AG Zhejiang, AG Services and AG Huanan, associates of our Controlling Shareholders relates to aircraft development, provision of procurement support and technical support, provision of aircraft products, aircraft kits sale and provision of program services. We also made purchases of engines and parts for our aircraft from Continental, an associate of one of our Controlling Shareholders. As of December 31, 2020, 2021 and 2022, the amounts due from related parties, consisting of our prepaid engine warranty purchased from Continental which will be utilized over the warranty period, were US$3.8 million, US$3.7 million and US$4.8 million, respectively, and the amounts due to related parties were US$1.9 million, US$3.2 million and US$1.9 million, respectively. The amounts due from or due to our related parties during the Track Record Period are trade in nature, unsecured, interest-free and repayable on demand. See Note 31 to the Accountant's Report set out in Appendix I to this

Document for further details about our related party transactions during the Track Record Period. We expect to have transactions with our related parties after the **[REDACTED]**. See "Connected Transactions" for further details.

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

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,		
	2020	2021	2022
Gross profit margin[1]	31.6%	32.8%	33.3%
Net profit margin[2]	6.2%	9.8%	9.9%
Return on equity[3]	17.2%	27.4%	25.6%
Return on total assets[4]	5.3%	9.6%	10.1%
EBITDA margin (non-IFRS measure)[5]	13.4%	16.9%	16.3%
Current ratio[6]	0.7	0.9	1.0
Quick ratio[7]	0.5	0.6	0.7
Gearing ratio[8]	0.9	0.2	0.2

Notes:

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

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

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

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

(5) EBITDA margin (non-IFRS measure) represents EBITDA (non-IFRS measure) divided by revenue and multiplied by 100%. For details of the EBITDA (non-IFRS measure), see "— Non-IFRS Measure."

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

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

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

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

FINANCIAL RISK FACTORS

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

Liquidity Risk

As of December 31, 2020, 2021 and 2022 we had cash and cash equivalents of US$156.8 million, US$181.4 million and US$243.3 million, respectively, which is sufficient to cover our working capital requirements, providing ample liquidity for our continuing business operations. Liquidity risk relates to the risk that we may not have, or may not be able to raise, cash funds when needed and therefore may encounter difficulty in meeting obligations associated with financial liabilities.

Price Risk

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

Credit Risk

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

With the exception of our notes receivables, none of our receivables are collateralized. All of the receivables that are past due at the reporting date are impaired as appropriate. Fixed income investments include highly-rated debt securities; therefore, we have limited exposure to credit risk.

Interest Rate Risk

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

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** financial information of our Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the **[REDACTED]** as if it had taken place on December 31, 2022 and based on the audited consolidated net tangible assets attributable to the owners of our Company as of December 31, 2022 as shown in the Accountant's Report, the text of which is set out in Appendix I to this Document, and adjusted as described below.

The unaudited **[REDACTED]** financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to the owners of our Company as of December 31, 2022 or at any future dates following the **[REDACTED]**.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022	Estimated net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group per Share	
	US$'000	*US$'000*	*US$'000*	*US$*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	41,489	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	41,489	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022 is extracted from the Accountant's Report set out in Appendix I to this Document, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of December 31, 2022 of approximately US$388,732,000 after deducting our Group's intangible assets and goodwill as of December 31, 2022 of approximately US$231,320,000 and US$115,923,000, respectively.

(2) The estimated net **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** and the indicative **[REDACTED]** of **[REDACTED]** per Share and **[REDACTED]** per Share, being low and high end of the indicative **[REDACTED]** range, after deduction of the **[REDACTED]** fees and other related expenses and takes no account of any Shares which may be issued upon the exercise of the **[REDACTED]** or any Shares which may be issued or repurchased by our Company.

(3) The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that a total of **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** has been completed on December 31, 2022 but takes no account of any Shares which may be issued upon the exercise of the **[REDACTED]** or any Shares which may be issued or repurchased by the Company.

(4) For the purpose of this unaudited **[REDACTED]** adjusted consolidated net tangible assets per share, the amounts stated in United States dollars are converted into Hong Kong dollars at an exchange rate of US$7.8334 to HK$1.00, as set out in the section headed "Information about this Document and the **[REDACTED]**." No representation is made that United States dollars amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No other adjustment has been made to the unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2022.

DIVIDEND POLICY

During the Track Record Period, no dividend has been paid or declared by our Company or other companies comprising our Group.

In June 2023, we declared and paid a dividend to CAIGA Hong Kong in the amount of US$6.5 million from our profits.

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

DISTRIBUTABLE RESERVES

As of December 31, 2022, our Company did not have any retained earnings as reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** commissions and other fees incurred in connection with the **[REDACTED]**. We estimate that our total **[REDACTED]** expenses (including **[REDACTED]**) will be approximately **[REDACTED]** million (assuming an **[REDACTED]** of **[REDACTED]** per share, being the mid-point of the indicative **[REDACTED]** range stated in this Document and the **[REDACTED]** is not exercised), of which approximately **[REDACTED]** is directly attributable to the issue of the Shares to the public and to be deducted from equity, and approximately **[REDACTED]** has been or is expected to be expensed in our consolidated statements of profit or loss.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

RECENT DEVELOPMENT

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

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, except as disclosed in this Document, up to the date of this Document, there had been no material adverse change in our financial or operating position or prospects since December 31, 2022, which is the end date of the periods reported on in the Accountant's Report set out in Appendix I to this Document, and there had been no event since December 31, 2022 and up to the date of this Document that would materially affect the information as set out in the Accountant's Report included in Appendix I to this Document.

FUTURE PLANS

Please see "Business — Our Strategies" for further details of our future plans.

USE OF [REDACTED]

The net **[REDACTED]** from the **[REDACTED]** that we will receive after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in connection with the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised) will be:

- approximately **[REDACTED]** (equivalent to **[REDACTED]**), assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]** (being the **[REDACTED]**);

- approximately **[REDACTED]** (equivalent to **[REDACTED]**), assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range); or

- approximately **[REDACTED]** (equivalent to **[REDACTED]**), assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]** (being the **[REDACTED]**).

Our Company intends to use the net **[REDACTED]** of **[REDACTED]** (equivalent to **[REDACTED]**), assuming an **[REDACTED]** of **[REDACTED]** (being the mid-point of the **[REDACTED]** range), from the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) for the following purposes:

(a) **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to fund innovation, product enhancements, continuing product improvements, and additional research and development activities. By leveraging our extensive IP portfolio, market-leading innovations and R&D professionals, we seek to develop features that would improve the performance, safety and comfort of our aircraft while integrating and adapting new technologies. We will also develop new features focused on these areas and incorporating emerging trends and technologies for both the SR2X Series and Vision Jet Series aircraft. The **[REDACTED]** will be used in the 24 to 36 months as follows:

- **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to continue to develop and incorporate new features, reliability improvements and the most optimal technologies for new and existing aircraft models, targeting the personal aviation market with a selling price under US$7 million to constantly adapt to market needs and changes.

- **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to develop product lifecycle management and sustaining engineering solutions to maximize the performance and extend the lifespan of our existing product offerings. In particular, we will seek to develop product solutions, that address areas of customer feedback, enhance the experience of our pilots across all generation of aircraft, and introduce new components that continue to extend our planes' lifecycle.

- **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to fund the research and development of advanced technologies and innovations. These areas, include but are not limited to autonomous and simplified vehicle operations (SVO), avionics technologies, data analysis and management systems, and alternative fuel and propulsion solutions. In addition to actual components on the aircraft, we plan to invest in enhancements and the future technologies which are the backbone of our ecosystem. These areas would include, but are not limited to, further expanding the services available and usability of Cirrus IQ, our connected, digital platform and mobile application. We view this platform as an essential component to enhance the owner experience, while also providing us with more data that we can use to improve efficiency, improve decision making, and help us identify further needs in new functional areas. We also plan to continue to expand our existing collaborations and explore new collaborations to develop new features for next generational changes of our aircraft products to continue to simplify aircraft operations, and to enhance the performance, safety and comfort of our aircraft. This may include developing aircraft that incorporate new technologies and address changes in the aircraft industry including those from a regulatory perspective such as changes to fuel requirements or developments in electric aircraft.

(b) **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to enhance our production efficiency and capacity in the 24 to 36 months as follows:

- **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to expand our production capacity and capabilities. This may include expansions to existing facilities, increasing operating hours of existing facilities, expansion to additional regions, or vertical integration of suppliers depending on the prevailing future economic environment. The expansions will house a broad range of functions, including, among others, manufacturing SR Series and Vision Jet aircraft, aircraft testing and quality assurance.

- **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used for the improvement of production and operational efficiency. We plan to (i) continuously upgrade and modernize existing production lines in Duluth, Minnesota and Grand Forks, North Dakota to optimize production efficiency and manage production cost of our existing aircraft models, by, for example, investing in automation technologies such as robots; (ii) continue to implement COS to integrate and standardize our manufacturing processes, create standardized operational protocols, and to promote the ability to produce the parts of various models simultaneously on the same production line; (iii) improve automation systems and digitize operation capacities to enhance synergies across production units; (iv) create redundancy in critical operations to enhance our ability to mitigate potential risks in the production process; and (v) invest in improvements to our IT systems including, but not limited to, ERP and Material Requirements Planning.

  As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets. We will seek potential acquisition targets through internal market research and/or recommendations from our business partners. In evaluating acquisition targets, we will consider various factors including the level of synergy, the target's compatibility with our business strategies as well as the potential growth and profitability of the target's business.

(c) **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to fund improvement and expansion of service, sales and support for our products and services provided in our ecosystem, in the 24 to 36 months, both in geographically and in total capacity as follows:

- **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to continue to expand the geographic coverage of our ecosystem through expansion of our service network and support portfolio of products and services, focusing on underserved areas in alignment with our strategies.

- **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to scale up the services provided through our ecosystem, including our customized flight training solutions to support our growing customer base and to introduce personal aviation to more new customers. For example, we plan to introduce training programs for prospective buyers such as factory-direct flight training in our four FTC locations. In addition, we plan to add additional simulation capabilities to our business.

- **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used to expand our FSC and ASC capabilities within our ecosystem to maintain our growing fleet of aircraft, both in terms of total capacity and geographic growth. While we have not selected specific sites for expansion, we anticipate adding capacity to support more fielded aircraft ahead; and.

(d) **[REDACTED]**% of the net **[REDACTED]**, or approximately **[REDACTED]** (equivalent to **[REDACTED]**), will be used for our general working capital and other general corporate purposes to support our business operation and growth.

The above allocation of the net **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed at a higher or lower level compared to the mid-point of the **[REDACTED]** range. In the event that our net **[REDACTED]** are either more or less than expected, we will increase or decrease the allocation of the net **[REDACTED]** to fit the above purposes on a pro rata basis.

If the **[REDACTED]** is exercised in full, we will receive additional net **[REDACTED]** ranging from approximately **[REDACTED]** (equivalent to **[REDACTED]**) (assuming an **[REDACTED]** of **[REDACTED]** per Share, being the low-end of the proposed **[REDACTED]** range) to **[REDACTED]** (equivalent to **[REDACTED]**) (assuming an **[REDACTED]** of **[REDACTED]** per Share, being the high-end of the proposed **[REDACTED]** range), after deduction of **[REDACTED]** fees and **[REDACTED]** and estimated expenses payable by us in connection with the **[REDACTED]**. If the **[REDACTED]** is exercised, we intend to apply such additional net **[REDACTED]** for the above uses on a pro-rata basis.

To the extent that the net **[REDACTED]** from the **[REDACTED]** are not immediately applied to the above purposes or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we will only deposit those net **[REDACTED]** into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance or the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits, so long as it is deemed to be in the best interests of our Company. In this event, we will comply with the appropriate disclosure requirements under the Listing Rules.

In the event of any material change in our use of net **[REDACTED]** of the **[REDACTED]** from the purposes described above or in our allocation of the net **[REDACTED]** among the purposes described above, a formal announcement will be made.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages [I-1] to[I-3], received from the Company's reporting accountant, [PricewaterhouseCoopers,] Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

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-77], which comprises the consolidated statements of financial position as of December 31, 2020, 2021 and 2022, and the Company's statements of financial position as of December 31, 2020, 2021 and 2022, 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 year then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-77] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [document date] (the "Document") in connection with the **[REDACTED]** 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 judgement, 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, 2020, 2021 and 2022 and the consolidated financial position of the Group as of December 31, 2020, 2021 and 2022 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 states that no dividends have been 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

[Date]

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,		
		2020	**2021**	**2022**
	Note	*US$'000*	*US$'000*	*US$'000*
Revenue	*5*	586,463	738,130	894,082
Cost of sales	*6*	(401,131)	(495,855)	(595,952)
Gross profit		185,332	242,275	298,130
Selling and marketing expenses	*6*	(55,738)	(66,391)	(88,290)
General and administrative expenses	*6*	(77,965)	(93,661)	(102,486)
Operating profit before other income		51,629	82,223	107,354
Other income	*7*	1,147	7,486	4,779
Operating profit		52,776	89,709	112,133
Finance costs	*9*	(6,172)	(3,509)	(3,199)
Profit before income tax		46,604	86,200	108,934
Income tax expenses	*10*	(10,488)	(13,797)	(20,858)
Profit for the year		36,116	72,403	88,076
Earnings per share				
Basic and diluted (expressed in US$ per share)	*11*	0.23	0.47	0.57

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Profit for the year	36,116	72,403	88,076
Other comprehensive loss:			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income, net of tax	(2)	24	(2)
Other comprehensive gain/(loss) for the year, net of tax	(2)	24	(2)
Total comprehensive income for the year	36,114	72,427	88,074

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of December 31,		
		2020	2021	2022
	Note	*US$'000*	*US$'000*	*US$'000*
Assets				
Non-current assets				
Property, plant, and equipment	*13*	86,682	112,748	161,784
Right-of-use assets	*24*	24,065	12,783	16,750
Intangible assets	*14*	231,521	225,501	231,320
Goodwill	*14*	115,923	115,923	115,923
Financial assets at fair value through other comprehensive income	*15*	406	257	215
Advances to suppliers	*17*	4,939	2,823	4,559
Notes receivables		100	62	21
Contract assets	*27*	109	145	152
Total non-current assets		463,745	470,242	530,724
Current assets				
Inventories	*18*	72,947	100,708	113,017
Reinsurance recoverable		12,642	19,528	42,211
Advances to suppliers	*17*	6,047	6,524	5,321
Contract assets	*27*	1,024	1,989	203
Notes and other receivables		529	1,388	8,154
Accounts receivables	*19*	3,496	4,017	5,836
Financial assets at fair value through profit or loss	*16*	2,228	1,145	1,017
Cash and cash equivalents	*20*	156,766	181,381	243,254
Total current assets		255,679	316,680	419,013
Total assets		719,424	786,922	949,737

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As of December 31,		
		2020	2021	2022
	Note	*US$'000*	*US$'000*	*US$'000*
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*	9	4	3
Retained earnings		186,222	258,654	346,729
Total equity		228,231	300,658	388,732
Non-current liabilities				
Borrowings	*23*	71,673	56,313	67,650
Lease liabilities	*24*	16,286	11,764	11,920
Deferred tax liabilities	*28*	20,173	24,838	17,150
Accrued warranty	*25*	3,754	4,043	4,905
Contract liabilities	*27*	30,951	41,155	45,971
Deferred government grant income		59	—	—
Total non-current liabilities		142,896	138,113	147,596
Current liabilities				
Accounts payables	*22*	29,773	41,651	45,078
Employee wages and benefits payable	*22*	34,497	41,976	48,379
Accrued liabilities	*22*	2,143	2,897	16,908
Contract liabilities	*27*	28,756	39,578	39,546
Customer deposits	*22*	83,859	145,204	165,105
Deferred government grant income		979	59	—
Interest payable	*22*	170	68	210
Income tax payable		1,577	8,279	11,644
Accrued warranty	*25*	10,029	17,004	14,566
Accrued product liability	*26*	27,035	33,434	57,457
Borrowings	*23*	123,619	15,360	8,044
Lease liabilities	*24*	5,860	2,641	6,472
Total current liabilities		348,297	348,151	413,409
Total liabilities		491,193	486,264	561,005
Total equity and liabilities		719,424	786,922	949,737

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As of December 31,		
		2020	2021	2022
	Note	*US$'000*	*US$'000*	*US$'000*
Assets				
Non-current assets				
Investment in a subsidiary		210,000	210,000	210,000
Total assets		210,000	210,000	210,000
Equity and liabilities				
Share capital	*21*	155,482	155,482	155,482
Capital reserve	*21*	54,518	54,518	54,518
Total equity		210,000	210,000	210,000

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, 2020	—	42,000	11	150,106	192,117
Profit for the year	—	—	—	36,116	36,116
Allotment and issuance of ordinary shares	155,482	(155,482)	—	—	—
Fair value loss on financial assets at fair value through other comprehensive income, net of tax	—	—	(2)	—	(2)
Total comprehensive income/(loss)	—	—	(2)	36,116	36,114
Balance as of December 31, 2020	155,482	(113,482)	9	186,222	228,231
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	155,482	(113,482)	4	258,654	300,658
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	155,482	(113,482)	3	346,729	388,732

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
		2020	2021	2022
	Note	*US$'000*	*US$'000*	*US$'000*
Cash flows from operation activities				
Profit for the year		36,116	72,403	88,076
Adjustments for:				
Income tax expenses		10,488	13,797	20,858
Finance costs		6,172	3,509	3,199
Depreciation on property, plant and equipment		11,575	18,248	13,596
Depreciation on right-of-use assets		2,388	2,507	3,995
Amortization of intangible assets		12,019	14,421	15,866
(Gain)/loss on financial assets at FVPL		(126)	(411)	414
Government grants		(979)	(979)	(59)
		77,653	123,495	145,945
Changes in working capital:				
Decrease/(increase) in inventories		13,150	(27,761)	(18,365)
Decrease/(increase) in accounts, notes and other receivables and reinsurance recoverable		3,434	(8,228)	(31,227)
(Increase)/decrease in contract assets		(873)	(1,037)	1,779
(Increase)/decrease in advances to suppliers		(169)	1,639	(533)
Increase in contract liabilities		14,627	28,001	2,346
Increase in customer deposits		4,016	61,345	19,901
Increase in employee benefit payable		15,394	7,479	6,403
(Decrease)/increase in accounts and other payables		(7,991)	19,320	34,849
Cash generated from operations		119,241	204,253	161,098
Interest paid		(6,451)	(3,611)	(3,057)
Tax refund/(paid)		1,174	(2,365)	(25,182)
Net cash generated from operating activities		113,964	198,277	132,859

		Year ended December 31,		
		2020	**2021**	**2022**
	Note	*US$'000*	*US$'000*	*US$'000*
Cash flows from investing activities				
Purchase of financial assets		(639)	(527)	(397)
Proceeds from sale of financial assets		4,513	2,165	151
Proceeds from maturity of financial assets		143	—	—
Purchases of property, plant and equipment		(7,844)	(40,756)	(49,102)
Purchase of intangible assets		(3,972)	(8,401)	(21,685)
Net cash used in investing activities		(7,799)	(47,519)	(71,033)
Cash flows from financing activities				
Proceeds from borrowings	*30*	117,575	—	75,000
Repayment of borrowings	*30*	(118,026)	(123,619)	(70,979)
Principal elements of lease payments	*30*	(2,693)	(2,524)	(3,974)
Net cash (used in)/generated from financing activities		(3,144)	(126,143)	47
Net increase in cash and cash equivalents		103,021	24,615	61,873
Cash and cash equivalents at beginning of the year		53,745	156,766	181,381
Cash and cash equivalents at ending of the year	*20*	156,766	181,381	243,254

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 ("**[REDACTED]** 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 **[REDACTED]** 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 **[REDACTED]** ("**[REDACTED]**") and **[REDACTED]** (the "**[REDACTED]**") 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 **[REDACTED]** 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:

			Percentage of attributable equity interest					
			As of December 31,					
Company name	Place of establishment/ incorporation	Particulars of registered capital/issued capital	2020	2021	2022	As of the date of this report	Principal activities	Notes
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)

Company name	Place of establishment/ incorporation	Particulars of registered capital/issued capital	Percentage of attributable equity interest As of December 31, 2020	2021	2022	As of the date of this report	Principal activities	Notes
CAIGA US	The USA	100 shares of US$0.001 per share	100%	100%	N/A[ii]	N/A[ii]	Investment holding	(i)
Legacy Cirrus Industries	The USA	5,000 shares of US$0.001 per share	100%	100%	N/A[ii]	N/A[ii]	Investment holding and designing, manufacturing, retail sale of aircraft and related operations	(i)
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 **[REDACTED]** Business was primarily conducted through the Operating Companies. Pursuant to the Reorganization, the **[REDACTED]** 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 **[REDACTED]** Business with no change in management and the ultimate owners of the **[REDACTED]** Business remain the same.

Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the **[REDACTED]** 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 **[REDACTED]** Business for all periods presented.

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

2 Summary of significant accounting policies

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 principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") are set out below. The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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.

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

The following new standards and 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
IFRS 17 and amendments to IFRS 17	Insurance Contracts (including Initial Application of IFRS 17 and IFRS 9 — Comparative Information)	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
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 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 new standards and amendments to standards when they become effective. According to the preliminary assessment made by the directors of the Company, these new standards and 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.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 Financial Instruments ("IFRS 9") in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net asset acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statements of profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

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.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

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 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.

(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.

(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 if the programs are for the initial type certificate of an aircraft or are for internally developed intangible assets to an existing aircraft.

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

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.

2.10 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 realisable 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. Bank balances exceeded federally insured levels as of December 31, 2020, 2021 and 2022, and throughout the fiscal years then ended. 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 utilised, 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 utilised

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 utilised. 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 realised, 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 receivables, must be paid on or before the date the aircraft is delivered. The deposit is recognized as a liability until the aircraft is delivered.

(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. The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

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 loans and 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 2023 when compared to 2022.

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.

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

	As of December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Financial assets			
Financial assets at amortized cost			
Notes and other receivables	629	1,450	8,175
Accounts receivables, net of allowances for credit losses	3,496	4,017	5,836
Reinsurance recoverable	12,642	19,528	42,211
Cash and cash equivalents	156,766	181,381	243,254
Financial assets at FVOCI			
Financial assets at FVOCI	406	257	215
Financial assets at FVPL			
Financial assets at FVPL	2,228	1,145	1,017
	176,167	207,778	300,708
Financial liabilities			
Liabilities at amortized cost			
Borrowings	195,292	71,673	75,694
Accounts payables	29,773	41,651	45,078
Customer deposits	83,859	145,204	165,105
Interest payable	170	68	210
Lease liabilities	22,146	14,405	18,392
	331,240	273,001	304,479

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.

The Group's notes receivables is collateralized. No other receivable balances are collateralized. All the receivables that are past due at the reporting date are impaired as appropriate. Fixed income investments include highly-rated debt securities; therefore, there is limited exposure to credit risk.

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, bank loans and long-term leases.

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

As of December 31, 2020	Borrowings	Interest	Payables and customer deposits	Lease liabilities
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	123,619	2,381	149,876	7,223
Greater than one year and less than three years	67,709	2,148	—	12,132
Greater than three years and less than five years	1,043	235	—	1,680
More than five years	2,921	269	—	9,746
Balance as of December 31, 2020	195,292	5,033	149,876	30,781

As of December 31, 2021	Borrowings	Interest	Payables and customer deposits	Lease liabilities
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	15,360	1,297	237,178	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	237,178	21,784

As of December 31, 2022	Borrowings	Interest	Payables and customer deposits	Lease liabilities
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year	8,044	3,963	270,416	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	37,933	2,093	—	2,824
More than five years	2,374	270	—	9,830
Balance as of December 31, 2022	75,694	11,082	270,416	24,027

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 analyses the breakdown of liabilities and assets by type of interest rate:

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Financial assets			
Fixed rate	174	118	4,177
Financial liabilities			
Fixed rate	5,404	4,938	4,444
Floating rate	189,888	66,735	71,250
	195,292	71,673	75,694

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and 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:

Year ended December 31, 2020	Increase/(Decrease) in basis points	Effect on profit before tax
		(US$'000)
US Dollar Libor	25	475
US Dollar Libor	(25)	(475)

Year ended December 31, 2021	Increase/(Decrease) in basis points	Effect on profit before tax
		(US$'000)
US Dollar Libor	25	167
US Dollar Libor	(25)	(167)

Year ended December 31, 2022	Increase/(Decrease) in basis points	Effect on profit before tax
		(US$'000)
US Dollar SOFR	25	178
US Dollar SOFR	(25)	(178)

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 borrowing) dividend by total equity of the Group. The gearing ratio in the Track Record Period were as follows:

	As of December 31,		
	2020	2021	2022
Gearing ratio	0.9	0.2	0.2

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial information are categorised 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 categorisation (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:

	As of December 31, 2020 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)**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Fixed income	406	—	406	—
Mutual funds	2,228	2,228	—	—
	2,634	2,228	406	—

	As of December 31, 2021 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)**
	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)**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Fixed income	215	—	215	—
Mutual funds	1,017	1,017	—	—
	1,232	1,017	215	—

There is no transfer between levels 1, 2 and 3 during the years ended December 31, 2020, 2021 and 2022.

4 Critical accounting estimates and judgements

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

Estimates and judgements 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.

(c) Current and deferred income taxes

The Group is subject to income taxes in the US. Significant judgement 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 realisable value of inventories

Net realisable 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

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 is 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.

(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, 2020, 2021 and 2022 is as follows:

	Year ended December 31, 2020		
	Aircraft	**Cirrus Services & Other** *(Note)*	**Total**
	US$'000	*US$'000*	*US$'000*
Revenue from external customers	488,290	98,173	586,463
Timing of revenue recognition			
— At a point in time	488,290	61,541	549,831
— Over time	—	36,632	36,632
Total	488,290	98,173	586,463

	Year ended December 31, 2021		
	Aircraft	**Cirrus Services & Other** *(Note)*	**Total**
	US$'000	*US$'000*	*US$'000*
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

	Year ended December 31, 2022		
	Aircraft	**Cirrus Services & Other** *(Note)*	**Total**
	US$'000	*US$'000*	*US$'000*
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

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,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Employee benefit expenses *(Note 8)*	141,948	167,343	206,667
Raw materials	244,410	294,487	336,401
Preflown inventory	5,645	9,597	21,313
Insurance and product liability	7,534	8,957	8,539
Outside commissions and referrals	7,817	11,743	15,730
Lease expenses	3,188	3,613	4,281
Depreciation of property, plant, and equipment *(Note 13)*	11,575	18,248	13,596
Depreciation of right-of-use assets *(Note 24)*	2,388	2,507	3,995
Amortization of intangible assets *(Note 14)*	12,019	14,421	15,866
Advertising costs	8,477	9,489	10,438
[REDACTED] expenses	—	—	—
Legal and professional fees *(Note 1)*	9,274	9,595	10,415
Supplies	6,177	9,058	10,831
Repairs and maintenance	10,151	11,314	15,738
Service expenses	44,574	58,824	70,381
Utilities	3,205	3,441	5,028
Freight charges	1,937	2,649	4,337
Research	3,144	5,556	10,265
Vehicle expense	2,526	3,211	4,522
Travel and entertainment	989	2,355	4,268
Meetings	802	1,619	2,988
Real estate and miscellaneous tax	983	1,058	1,355
Other expenses	6,071	6,822	9,774
Total cost of sales, selling and marketing, general and administrative expenses	534,834	655,907	786,728

Note 1: 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, 2020, 2021 and 2022, and fees billed for other non-audit services rendered by the auditor during those periods. Expenses for auditor remuneration are included in legal and professional fees above.

	Year ended December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Audit fees	465	459	442
Non-audit fees	350	75	85
Total	815	534	527

7 Other income

	Year ended December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Government grant	979	5,125	4,206
Others	168	2,361	573
	1,147	7,486	4,779

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,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Wages and salaries	118,500	141,540	173,667
Pension costs — defined contribution plans	3,420	3,909	5,326
Insurance and other benefits	12,660	12,767	16,253
Payroll taxes	7,368	9,127	11,421
Total employee benefit expenses	141,948	167,343	206,667

In addition, the Group has capitalized employee benefit expenses associated with property, plant and equipment, and intangible assets (development activities) of approximately US$3,793,000, US$7,824,000 and US$15,949,000 for the years ended December 31, 2020, 2021 and 2022, respectively.

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 2020, 2021 and 2022, the Group made contributions of approximately US$3,420,000, US$3,909,000 and US$5,326,000, respectively.

During the year ended December 31, 2020, 2021, 2022, 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, 2020, 2021 and 2022, whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining 4 individuals during the relevant periods are as follows:

	Year ended December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Wages and salaries	1,711	1,857	1,731
Pension costs — defined contribution plans	45	36	39
Insurance and other benefits	3,309	3,678	2,947
	5,065	5,571	4,717

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,		
	2020	2021	2022
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	—	1
HK$11,000,001 — HK$11,500,000	2	1	1
HK$12,000,001 — HK$12,500,000	—	2	—

9 Finance costs

	Year ended December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Interest expenses on			
— borrowings	4,413	2,090	2,596
— lease liabilities	1,759	1,419	603
	6,172	3,509	3,199

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, 2020, 2021 and 2022, 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, 2020, 2021 and 2022.

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

	Year ended December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Current income tax:			
— Current tax for the year	786	8,919	26,781
— Under/(over) provision in prior year	(19)	213	1,765
Deferred income tax *(Note 28)*	9,721	4,665	(7,688)
Total	10,488	13,797	20,858

(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,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Profit before income taxes	46,604	86,200	108,934
Calculated at a taxation rate of 21%	9,787	18,102	22,876
Change in deferred rate	101	847	97
Deferred tax assets not previously expected to be utilized	(904)	(2,566)	(1,570)
Corporate state tax charged	621	1,561	1,958
Expenses (benefit) for excludable items	882	(3,014)	(2,049)
Tax credits	(805)	(659)	(1,638)
Others	806	(474)	1,184
Income tax expenses for the year	10,488	13,797	20,858

The effective tax rate was 22.5 percent, 16.0 percent and 19.1 percent for the years ended December 31, 2020, 2021 and 2022, respectively.

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, 2020, 2021 and 2022.

	Year ended December 31,		
	2020	**2021**	**2022**
Profit attributable to the owners of the Company (US$'000)	36,116	72,403	88,076
Weighted average number of ordinary shares in issue	155,481,659	155,481,659	155,481,659
Basic earnings per share (expressed in US$/share)	0.23	0.47	0.57

(b) Diluted earnings per share

As the Company has no dilutive instruments for the years ended December 31, 2020, 2021 and 2022, the Group's diluted earnings per share equals to its basic earnings per share.

12 Dividends

No dividend has been paid or declared by any group companies during the Track Record Period.

[In June 2023, the Group 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, 2020						
Cost	41,417	65,342	24,394	21,239	5,147	157,539
Accumulated depreciation	(12,433)	(40,795)	(6,493)	(13,603)	—	(73,324)
Net book amount	28,984	24,547	17,901	7,636	5,147	84,215
Year ended December 31, 2020						
Opening net book amount	28,984	24,547	17,901	7,636	5,147	84,215
Additions	792	6,107	6,711	2,092	(1,660)	14,042
Depreciation charge	(1,204)	(5,212)	(2,445)	(2,714)	—	(11,575)
Closing net book amount	28,572	25,442	22,167	7,014	3,487	86,682
At December 31, 2020						
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

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, 2020							
Cost	19,600	400	244,912	13,501	278,413	115,923	394,336
Accumulated amortization	—	(400)	(36,878)	(1,567)	(38,845)	—	(38,845)
Net book amount	19,600	—	208,034	11,934	239,568	115,923	355,491
Year ended December 31, 2020							
Opening net book amount	19,600	—	208,034	11,934	239,568	115,923	355,491
Additions	—	—	—	3,972	3,972	—	3,972
Amortization charge	—	—	(8,766)	(3,253)	(12,019)	—	(12,019)
Closing net book amount	19,600	—	199,268	12,653	231,521	115,923	347,444
At December 31, 2020							
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

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.

For the impairment test for goodwill and trademark, the key assumptions, long term growth rate and discount rate used in the value-in-use calculations are disclosed below:

	As of December 31,		
	2020	**2021**	**2022**
Pre-tax discount rate	18%	18%	18%
Gross profit margin	34%	37%	37%

Based on the results of the impairment assessment, the directors of the Company 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 amount as of December 31, 2020, 2021 and 2022 amounted to US$264,349,000, US$695,122,000, US$721,793,000, respectively.

Possible change in key assumptions	**Recoverable amount of the CGU exceeding its carrying amount by**		
	As of December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Pre-tax discount rate increase by 3%	178,082	556,036	567,070
Gross profit margin decrease by 3%	67,735	560,127	558,867

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,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Mutual funds			
At beginning of the year	1,331	2,228	1,145
Purchase	639	527	397
Disposal	(85)	(2,024)	(152)
Fair value adjustments	343	414	(373)
At end of the year	2,228	1,145	1,017
Equities			
At beginning of the year	1,602	—	—
Disposal	(1,439)	—	—
Fair value adjustments	(163)	—	—
At end of the year	—	—	—

All financial assets at fair value through profit or loss are denominated in US$ as of December 31, 2020, 2021 and 2022.

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,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Advances to suppliers	10,986	9,347	9,880
Less: Non-current advances to suppliers	(4,939)	(2,823)	(4,559)
Current portion of advances to suppliers	6,047	6,524	5,321

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

18 Inventories

Inventory balances as of December 31, 2020, 2021 and 2022 are as follows:

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Raw materials	44,777	46,696	75,664
Work in process	29,036	44,294	39,672
Finished goods	—	7,483	—
Preflown inventory	—	3,622	—
Merchandise	664	672	903
	74,477	102,767	116,239
Less: provision for inventory obsolescence	(1,530)	(2,059)	(3,222)
	72,947	100,708	113,017

The amount of inventories recognized as "raw materials" in cost of sales during the years ended December 31, 2020, 2021 and 2022 amounted to US$244,410,000, US$294,487,000 and US$336,401,000 respectively.

Provision for impairment of US$1,741,000, US$678,000 and US$1,578,000 were recognized for the years ended December 31, 2020, 2021 and 2022, respectively. Reversals of impairment losses, if any, are recognized in the consolidated statements of profit or loss as cost of sales.

19 Accounts receivables

	As of December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Accounts receivables	3,800	4,208	6,745
Less: Provision for impairment	(304)	(191)	(909)
Accounts receivables, net	3,496	4,017	5,836

Accounts receivables comprised credit to customers, including individuals and service centre network, who purchases 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,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Current–60 days	2,993	4,011	6,238
61–90 days	406	185	386
91–120 days	7	12	121
Over 120 days	394	—	—
	3,800	4,208	6,745

The Group establish an allowance for doubtful debt 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,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
At beginning of the year	294	304	191
Provision for impairment recognized during the year	114	—	727
Receivables written off during the year as uncollectible	(104)	(113)	(9)
At end of the year	304	191	909

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

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Cash at banks and on hand	151,181	179,841	241,701
Short-term bank deposits	5,585	1,540	1,553
	156,766	181,381	243,254

21 Share capital and reserve — Group and Company

(a) Share capital — Group and Company

	The Company	
	Number of shares	Nominal value US$
Authorised		
250,000,000 ordinary shares of US 1 each as of December 31, 2020, 2021 and 2022	250,000,000	250,000,000
Issued:		
As of 1 January 2020	1	1
Issuance of shares on January 15, 2020	155,481,658	155,481,658
As of December 31, 2020, 2021 and 2022	155,481,659	155,481,659

(b) Reserves — Group

	Capital reserve *(Note)*	Fair value reserve of FVOCI assets
	US$'000	*US$'000*
Balance as of January 1, 2020	42,000	11
Allotment and issuance of ordinary shares	(155,482)	—
Fair value loss on financial assets at FVOCI, net of tax	—	(2)
Balance as of December 31, 2020	(113,482)	9
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	(113,482)	4
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	(113,482)	3

Note:

(i) 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).

22 Accounts and other payables

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Accounts payables	29,773	41,651	45,078
Employee wages and benefits payable	34,497	41,976	48,379
Accrued liabilities	2,143	2,897	16,908
Customer deposits	83,859	145,204	165,105
Interest payable	170	68	210
	150,442	231,796	275,680

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

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Current–30 days	29,060	41,128	44,168
31–60 days	75	22	201
61–120 days	—	5	325
over 120 days	638	496	384
	29,773	41,651	45,078

The carrying values of the accounts and other payables approximate their fair values as of December 31, 2020, 2021 and 2022.

23 Borrowings

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Non-current			
Long-term bank borrowings	189,887	66,735	71,250
Long-term other borrowings	5,405	4,938	4,444
Less: current portion of long-term bank and other borrowings	(123,619)	(15,360)	(8,044)
	71,673	56,313	67,650
Current			
Current portion of long-term bank borrowings	123,152	14,830	7,500
Current portion of long-term other borrowings	467	530	544
	123,619	15,360	8,044
	195,292	71,673	75,694

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 of the tangible and intangible assets of Cirrus Industries, Inc. The Company'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 financial covenants based on financial and non-financial measures. The Group was in compliance with all covenants as of December 31, 2020, 2021 and 2022.

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

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Within one year.	123,619	15,360	8,044
Greater than one year and less than two years.	67,708	52,349	11,712
Greater than two years and less than five years.	1,043	1,590	54,144
More than five years	2,922	2,374	1,794
	195,292	71,673	75,694

(ii) 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 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 Cirrus Industries, Inc. As of December 31, 2022, 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,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Right-of-use assets			
Building	21,468	10,149	12,318
Equipment	104	104	400
Land	1,611	1,556	3,154
Aircraft	779	467	250
Vehicles	103	507	628
	24,065	12,783	16,750
Lease liabilities			
Current	5,860	2,641	6,472
Non-current	16,286	11,764	11,920
	22,146	14,405	18,392

Additions to the right-of-use assets were US$1,417,000, US$7,016,000 and US$12,458,000 for the years ended December 31, 2020, 2021 and 2022, respectively. Disposals and expirations of right-of-use assets were US$68,000, US$15,820,000 and US$7,206,000 for the years ended December 31, 2020, 2021 and 2022, respectively.

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

	Year ended December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Depreciation charge of right-of-use assets			
Building	1,909	1,992	3,324
Equipment	65	54	155
Land	55	55	103
Aircraft	269	237	232
Vehicles	90	169	181
	2,388	2,507	3,995
Interest expense	1,759	1,419	603
Expenses relating to short-term leases	3,188	3,613	4,281

The total cash outflow for leases was US$5,881,000, US$6,137,000 and US$8,255,000 for the years ended December 31, 2020, 2021 and 2022, 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,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
At beginning of the year	12,808	13,783	21,047
Additions	10,431	19,847	12,406
Settlements made	(11,348)	(11,296)	(16,822)
Change in estimate	1,892	(1,287)	2,840
At end of the year	13,783	21,047	19,471
Representing:			
Non-current portion	3,754	4,043	4,905
Current portion	10,029	17,004	14,566
Total	13,783	21,047	19,471

26 Accrued product liability

	Year ended December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
At beginning of the year	32,058	27,035	33,434
Additional unlimited loss expense incurred	13,001	11,150	37,873
Reduction in unlimited loss expense	(6,195)	(1,100)	(2,100)
Settlements paid	(11,829)	(3,651)	(11,750)
At end of the year	27,035	33,434	57,457

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.

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	**Aggregate exposure**
	US$'000
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

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 2022-2023 policy year, the Group directly incurs the first US$4,000,000 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$4,000,000 of expenses, the captive insurer's indemnity policy will cover 44.5 percent of the expense through reinsurance policies exceeding US$4,000,000. The remaining 55.5 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, 2020, 2021 and 2022 are as follows:

	As of December 31,		
	2020	**2021**	**2022**
	US$'000	*US$'000*	*US$'000*
Contract assets	(1,133)	(2,134)	(355)
Contract liabilities	59,707	80,733	85,517
Contract liabilities, net	58,574	78,599	85,162
Current contract (assets)/liabilities			
Extended warranty	4,088	4,854	5,356
Maintenance	16,728	23,486	29,607
Development project	6,035	—	—
Commissions	(153)	(175)	(203)
Other	1,034	9,424	4,583
	27,732	37,589	39,343
Non-current contract (assets)/liabilities			
Extended warranty	15,692	17,135	19,909
Maintenance	15,259	24,020	26,062
Commissions	(109)	(145)	(152)
	30,842	41,010	45,819

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

Revenue recognized for extended warranties was US$4,563,000, US$4,226,000 and US$4,988,000 for the years ended December 31, 2020, 2021 and 2022, respectively. The Group also recognized revenue for maintenance contracts of US$13,801,000, US$18,257,000 and US$29,342,000 for the years ended December 31, 2020, 2021 and 2022, respectively.

28 Deferred income tax

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

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Deferred income tax assets			
— to be recovered after more than 12 months	(38,071)	(32,886)	(41,507)
Deferred income tax liabilities			
— to be recovered after more than 12 months	58,244	57,724	58,657

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

	Year ended December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
At beginning of the year	10,452	20,173	24,838
Debited/(credited) to consolidated statement of profit or loss *(Note 10)*	9,721	4,665	(7,688)
At end of the year	20,173	24,838	17,150

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	Other
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended December 31, 2020						
Opening book amount	(11,926)	(3,835)	(17,908)	(11,314)	—	(305)
(Credited)/charged to profit or loss	(4,905)	1,635	13,275	(2,086)	—	(702)
Closing book amount	(16,831)	(2,200)	(4,633)	(13,400)	—	(1,007)

	Accrued liabilities	Accrued product liability	Net operating losses	Tax credits	Capitalized research expenses	Other
	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)	—	(1,007)
(Credited)/charged to profit or loss	(6,606)	(658)	136	11,584	—	729
Closing book amount	(23,437)	(2,858)	(4,497)	(1,816)	—	(278)
Year ended December 31, 2022						
Opening book amount	(23,437)	(2,858)	(4,497)	(1,816)	—	(278)
Charged/(credited) to profit or loss	1,266	(603)	1,003	80	(7,423)	(2,944)
Closing book amount	(22,171)	(3,461)	(3,494)	(1,736)	(7,423)	(3,222)

Deferred income tax liabilities

	Property, plant and equipment	Intangible assets
	US$'000	*US$'000*
Year ended December 31, 2020		
Opening book amount	7,602	48,138
Charged/(credited) to profit or loss	2,747	(243)
Closing book amount	10,349	47,895
Year ended December 31, 2021		
Opening book amount	10,349	47,895
Charged/(credited) to profit or loss	(1,674)	1,154
Closing book amount	8,675	49,049
Year ended December 31, 2022		
Opening book amount	8,675	49,049
Charged/(credited) to profit or loss	2,483	(1,550)
Closing book amount	11,158	47,499

As of December 31, 2020, the Group carried a net deferred tax liability of US$20,173,000. Deferred tax assets for unused federal tax losses of US$23,848,000, state tax losses of US$7,715,000 and tax credits of US$3,203,000 as of December 31, 2020 have not been recognized and are either subject to Section 382 limitations or are expected to expire unused.

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.

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$2,465,000, US$2,760,000 and US$3,108,000 as of December 31, 2020, 2021 and 2022, respectively.

Deferred income tax liabilities of approximately US$55,867,000, US$77,596,000, US$104,019,000 for the years ended December 31, 2020, 2021 and 2022, 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$186,222,000, US$258,654,000, US$346,729,000 at December 31, 2020, 2021 and 2022, respectively.

29 Commitments

(i) Capital commitments

As of December 31, 2020, 2021 and 2022, the Group's capital commitment on property, plant and equipment amounted to approximately Nil, US$3 million and US$5 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, 2020, 2021 and 2022:

	Year ended December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents	156,766	181,381	243,254
Borrowings	(195,292)	(71,673)	(75,694)
Lease liabilities	(22,146)	(14,405)	(18,392)
	(60,672)	95,303	149,168

	Cash and cash equivalents	Borrowings	Lease liabilities	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Net debt as of January 1, 2020	53,745	(195,743)	(23,432)	(165,430)
Cash flows	103,021	451	2,693	106,165
Non-cash movement — interest expenses	—	—	(1,759)	(1,759)
Non-cash movement — inception of lease contracts	—	—	(1,417)	(1,417)
Non-cash movement — disposal and expirations	—	—	1,769	1,769
Net debt as of December 31, 2020	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

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 Company, 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

Name of the related parties	Nature of relationship
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,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Aircraft development fee			
— AG Zhejiang.	17,863	19,871	5,506
Provision of procurement support and technical support service			
— AG Zhejiang.	—	381	953
Provision of aircraft products			
— AG Services	1,422	3,710	1,799
Aircraft kits sale			
— AG Huanan	20,783	14,813	11,263
Program services			
— AG Huanan	170	2,355	2,289
Purchase of engines and parts			
— Continental.	21,205	29,834	32,601

(c) Year end balances with related parties

	As of December 31,		
	2020	2021	2022
	US$'000	*US$'000*	*US$'000*
Amounts due from related parties	3,779	3,679	4,800
Amounts due to related parties	(1,903)	(3,173)	(1,941)

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, 2020 are set out as follows:

Name	Director's fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Chief executive and director of Company's subsidiaries							
Mr. Zean Hoffmeister Vang NIELSEN	—	798	2,188	—	10	—	2,996
Non-executive director							
Mr. Qingchun SONG	—	—	—	—	—	—	—
Total	—	798	2,188	—	10	—	2,996

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

Name	Director's fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
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.

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

Name	Director's fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
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

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

During the years ended December 31, 2020, 2021 and 2022, 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, 2020, 2021 and 2022, 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, 2020, 2021 and 2022.

Mr. Hui WANG was appointed as the Company's executive director in June 2023. Mr. Lei YANG and Mr. Yihui LI were appointed as the Company's non-executive director in June 2023. Mr. Ian H CHANG, Mr. Chung Man Louis LAU and Ms. Ferheen MAHOMED were appointed as the Company's independent non-executive directors on [Date]. During the Track Record Period, all these directors were not yet appointed and did not receive any remuneration.

34 Litigation and contingent liabilities

As of [date], the latest practicable date before the finalisation of this accountant's 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.

35 Events after the reporting period

Save as disclosed in other notes to the Historical Financial Information, there were no other material subsequent events took place after December 31, 2022.

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, 2022 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, 2022.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [•] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in the section headed "Documents Available on Display" in "Appendix V — Documents Delivered to the Registrar of Companies and Available on Display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [•] and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant convertible promissory notes and warrants, options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard for of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 December 2019 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

 (i) on or in respect of the shares, debentures or other obligations of the Company; or

 (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Available on Display" in "Appendix V — Documents Delivered to the Registrar of Companies and Available on Display". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated under the laws of the Cayman Islands on December 13, 2019 as an exempted company with limited liability. Our registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands. Our Company's headquarters is located at 4515 Taylor Circle, Duluth, Minnesota, 55811, the United States.

Accordingly, our Company's corporate structure and the Articles are subject to the relevant laws of the Cayman Islands. A summary of our Articles is set out in "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law."

Our Company has established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on [•]. Ms. Hoi Ting WONG (黃凱婷) of TMF Hong Kong Limited at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notice in Hong Kong.

2. Changes in Share Capital of Our Company

As at December 13, 2019, being the date of incorporation of our Company, our registered share capital was US$50,000, divided into 50,000 ordinary shares with a par value of US$1.00 each. Upon incorporation, one fully paid ordinary Share of par value of US$1.00 was allotted and issued to the initial subscriber, an independent third party, on December 13, 2019, which was then transferred to CAIGA Hong Kong on the same date.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the authorized share capital of our Company will be **[REDACTED]** divided into **[REDACTED]**, and the issued share capital of our Company will be **[REDACTED]** divided into **[REDACTED]**.

Save as disclosed herein, there has been no alteration in our share capital and no redemption, repurchase or sale of any of our share capital within two years immediately preceding the date of this Document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in 1.2 to the Accountant's Report as set out in Appendix I to this Document.

For details of our principal subsidiaries, please see the section headed "History, Reorganization and Corporate Structure — Our Corporate Development — Our Principal Subsidiaries".

There has been no alteration in the share capital of any of the principal subsidiaries of the Company within the two years immediately preceding the date of this Document.

4. Resolutions of Our Shareholders in Relation to the [REDACTED]

At the extraordinary general meeting of the Shareholders held on [•], 2023, the following resolutions, among other things, were duly passed:

(a) the Articles of Association be and was thereby approved and adopted with immediate effect and the Articles of Association be and were thereby conditionally approved and adopted which will come into effect on the **[REDACTED]**;

(b) conditional upon (i) the Listing Committee granting **[REDACTED]** of, and permission to **[REDACTED]** in, the Shares in issue and to be issued as to be stated in this Document and such **[REDACTED]** and permission not subsequently having been revoked prior to the commencement of **[REDACTED]** in the Shares on the Stock Exchange; (ii) the **[REDACTED]** having been determined; (iii) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before such dates as may be specified in the **[REDACTED]**; and (iv) the **[REDACTED]** having been duly executed by the **[REDACTED]** and our Company:

(i) the **[REDACTED]** (including the **[REDACTED]**) was approved, and the proposed **[REDACTED]** and issue of the **[REDACTED]** under the **[REDACTED]** were approved, and the Directors were authorized to determine the **[REDACTED]** for, and to **[REDACTED]** and issue the **[REDACTED]**;

(ii) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares, and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the **[REDACTED]**, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of the **[REDACTED]**;

(iii) a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of the **[REDACTED]**;

(iv) the general unconditional mandate as mentioned in paragraph (ii) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (iii) above up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of the **[REDACTED]**;

(v) the grant of the **[REDACTED]** by our Company to the **[REDACTED]** to **[REDACTED]** and issue up to 15% of the **[REDACTED]** initially available under the **[REDACTED]** to cover the **[REDACTED]** in the **[REDACTED]** was approved; and

(vi) the proposed **[REDACTED]** was approved and our Directors were authorized to implement such **[REDACTED]**.

Each of the general mandates referred to in paragraphs (b)(ii), (b)(iii) and (b)(iv) above will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Restriction on Share Repurchases

This section sets out information required by the Stock Exchange to be included in this Document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [•], the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]** (excluding any Shares which may be issued under the **[REDACTED]**), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within our Company's next annual general meeting is required by our Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the Listing Rules and the applicable laws of Cayman Islands and other applicable laws and regulations. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

Subject to the foregoing, any repurchases by us may be made out of profits of our Company, out of share premium, or out of the proceeds of a new issue of shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of our Company, out of share premium, or, subject to the Cayman Islands Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(iv) Reasons for Repurchase

Our Directors believe that it is in the best interest of our Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(v) Funding of Repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules, the Cayman Islands Companies Law and the applicable laws of the Cayman Islands.

On the basis of our current financial condition as disclosed in this Document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this Document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(vi) General

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), would accordingly result in up to **[REDACTED]** Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Share(s) to our Company or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association, the Cayman Islands Companies Law or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of such increase. Save as disclosed above, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as many be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

6. Corporate Reorganization

The companies comprising our Group underwent the Reorganization for streamlining our corporate structure. See "History, Reorganization and Corporate Structure — Reorganization" for further details.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contract (not being contract entered into in the ordinary course of business) has been entered into by us within the two years preceding the date of this Document and is or may be material:

(a) the **[REDACTED]**

2. Intellectual Property Rights of Our Group

(a) Patents

(i) Registered Patents

As of December 31, 2022, we were the registered owner of and had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent Name	Jurisdiction	Patent Number	Registered Owner
1	Intelligent ballistic parachute system with fuel discharge	U.S.	8,056,861	Cirrus Design
2	Aircraft parachute deployment autopilot	U.S.	10,118,707	Cirrus Design
3	Mechanical timing connection for sequencing airbag activation with rocket for deploying aircraft parachute	U.S.	10,399,686	Cirrus Design
4	Aircraft parachute system utilizing airbag to assist with parachute deployment	U.S.	10,414,506	Cirrus Design

No.	Patent Name	Jurisdiction	Patent Number	Registered Owner
5	Bridle for aircraft parachute deployment rocket	U.S.	10,717,538	Cirrus Design
6	Intelligent ballistic parachute system that performs pre-activation and/or post-activation actions	U.S.	RE47,474	Cirrus Design
7	Intelligent ballistic parachute system that performs pre-activation and/or post-activation actions	U.S.	RE49,214	Cirrus Design
8	Mobile device application-based aircraft data storage and communication system	U.S.	11,275,369	Cirrus Design

(ii) Patents under Application

As of December 31, 2022, we had also applied for the registration for the following patents which we consider to be or may be material to our business:

No.	Patent Name	Jurisdiction	Application Number	Applicant	Date of Application
1	Mobile device application-based aircraft data storage and communication system	U.S.	17/590,598	Cirrus Design	February 1, 2022
2	Mobile device application-based aircraft data storage and communication system	PCT	PCT/US2021/029309	Cirrus Design	April 27, 2021
3	Mobile device application-based aircraft data storage and communication system	Europe	EP21796772.8	Cirrus Design	April 27, 2021
4	Mobile device application-based aircraft data storage and communication system	Australia	AU2021265773	Cirrus Design	April 27, 2021
5	Aviation connectivity gateway module for remote data offload	U.S.	17/104,500	Cirrus Design	November 25, 2020

(b) Trademarks

(i) Registered Trademarks

As of December 31, 2022, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration No.	Registered owner	Date of registration	Class
1.	CIRRUS	Australia	1554353	Cirrus Design	December 11, 2013	12
2.	CIRRUS	Brazil	840541635	Cirrus Design	December 5, 2017	12
3.	CIRRUS	Canada	TMA1095864	Cirrus Design	March 16, 2021	9, 12, 35, 37, 38, 41, 42
4.	CIRRUS	EUTM	012717815	Cirrus Design	August 28, 2015	9, 12, 35, 37, 41, 42
5.	CIRRUS	EUTM	006909584	Cirrus Design	May 16, 2009	12
6.	CIRRUS	Hong Kong	304900789	Cirrus Design	November 19, 2019	12
7.	CIRRUS	Mexico	1607554	Cirrus Design	Jan 26, 2016	12
8.	CIRRUS	United Kingdom	UK00912717815	Cirrus Design	August 28, 2015	9, 12, 35, 37, 41, 42
9.	CIRRUS	United Kingdom	UK00906909584	Cirrus Design	May 16, 2009	12
10.	CIRRUS	U.S.	4758288	Cirrus Design	June 23, 2015	9
11.	CIRRUS	U.S.	1907261	Cirrus Design	July 25, 1995	12
12.	CIRRUS	U.S.	4651692	Cirrus Design	December 9, 2014	12
13.	CIRRUS	U.S.	4635535	Cirrus Design	November 11, 2014	37
14.	CIRRUS	U.S.	4853511	Cirrus Design	November 17, 2015	41
15.	CIRRUS	U.S.	4635536	Cirrus Design	November 11, 2014	42

No.	Trademark	Place of Registration	Registration No.	Registered owner	Date of registration	Class
16.	西锐	China	47736013	Cirrus Design	November 21, 2021	12
17.	A 西銳 B 西锐	Hong Kong	304900770	Cirrus Design	March 22, 2021	12
18.	CIRRUS AIRCRAFT	Hong Kong	305039163	Cirrus Design	February 25, 2020	12
19.	CIRRUS AIRCRAFT	China	13072293	Cirrus Design	January 7, 2015	12
20.		Australia	1554357	Cirrus Design	December 11, 2013	12
21.		Brazil	840541651	Cirrus Design	December 5, 2017	12
22.		China	13072292	Cirrus Design	October 28, 2017	12
23.		EUTM	012717591	Cirrus Design	August 27, 2015	9, 12, 35, 36, 37, 41, 42
24.		Mexico	1607553	Cirrus Design	January 26, 2016	12
25.		United Kingdom	UK00912717591	Cirrus Design	August 27, 2015	9, 12, 35, 36, 37, 41, 42
26.	CIRRUS IQ	WIPO	1711134	Cirrus Design	December 28, 2022	9
27.	CIRRUS PERCEPTION	U.S.	5758792	Cirrus Design	May 21, 2019	12
28.	CIRRUS PERSPECTIVE	U.S.	4686664	Cirrus Design	February 17, 2015	9
29.	CIRRUS VISION	Brazil	830433708	Cirrus Design	October 2, 2012	12

No.	Trademark	Place of Registration	Registration No.	Registered owner	Date of registration	Class
30.	CIRRUS VISION	EUTM	007496128	Cirrus Design	September 24, 2009	12
31.	CIRRUS VISION	United Kingdom	UK00907496128	Cirrus Design	September 24, 2009	12
32.	CIRRUS VISION	U.S.	4321276	Cirrus Design	April 16, 2013	12
33.	CIRRUS CERTIFIED	EUTM	1640954	Cirrus Design	June 22, 2021	35
34.	CIRRUS CERTIFIED	U.S.	4916346	Cirrus Design	March 15, 2016	36
35.	CIRRUS CERTIFIED	WIPO	1640954	Cirrus Design	June 22, 2021	35
36.	THE CIRRUS LIFE	EUTM	017247347	Cirrus Design	January 19, 2018	12, 25
37.	THE CIRRUS LIFE	United Kingdom	UK00917247347	Cirrus Design	January 19, 2018	12, 25
38.		Hong Kong	305044383	Cirrus Design	February 25, 2020	12
39.		China	20686486	Cirrus Design	September 14, 2017	9
40.		China	20686485	Cirrus Design	November 7, 2017	12
41.		China	24119917	Cirrus Design	December 7, 2018	12
42.		China	20686484	Cirrus Design	September 14, 2017	35
43.		China	20686483	Cirrus Design	September 14, 2017	36
44.		China	20686482	Cirrus Design	September 14, 2017	37

No.	Trademark	Place of Registration	Registration No.	Registered owner	Date of registration	Class
45.		China	20686481	Cirrus Design	September 14, 2017	41
46.		China	20686480	Cirrus Design	September 14, 2017	42
47.		EUTM	015293707	Cirrus Design	September 20, 2016	9, 12, 35, 36, 37, 41, 42
48.		United Kingdom	UK00915293707	Cirrus Design	September 20, 2016	9, 12, 35, 36, 37, 41, 42
49.		U.S.	5281686	Cirrus Design	September 5, 2017	9
50.		U.S.	2490857	Cirrus Design	September 18, 2001	12
51.		U.S.	5271673	Cirrus Design	August 22, 2017	12
52.		U.S.	5281751	Cirrus Design	September 5, 2017	35
53.		U.S.	5271729	Cirrus Design	August 22, 2017	36
54.		U.S.	5271674	Cirrus Design	August 22, 2017	37
55.		U.S.	5271675	Cirrus Design	August 22, 2017	41

No.	Trademark	Place of Registration	Registration No.	Registered owner	Date of registration	Class
56.		U.S.	5271730	Cirrus Design	August 22, 2017	42
57.		EUTM	006909725	Cirrus Design	July 21, 2009	12
58.		United Kingdom	UK00906909725	Cirrus Design	July 21, 2009	12
59.	VISION JET	EUTM	1474605	Cirrus Design	May 7, 2019	12, 25, 41
60.	VISION JET	United Kingdom	UK00801474605	Cirrus Design	May 7, 2019	12, 25, 37, 41
61.	VISION JET	U.S.	6449245	Cirrus Design	August 10, 2021	12, 25, 41
62.	VISION JET	WIPO	1474605	Cirrus Design	May 7, 2019	12, 25, 37, 41
63.	VISION JET	United Kingdom	WO0000001474605	Cirrus Design	December 28, 2019	12, 25, 41
64.	VISION JET	EUTM	1472655	Cirrus Design	May 7, 2019	12, 25, 41
65.	VISION JET	United Kingdom	WO0000001472655	Cirrus Design	May 7, 2019	12, 25, 41
66.	VISION JET	United Kingdom	UK00801472655	Cirrus Design	November 22, 2019	12, 25, 37, 41
67.	VISION JET	U.S.	6449244	Cirrus Design	August 10, 2021	12, 25, 41
68.	VISION JET	WIPO	1472655	Cirrus Design	May 7, 2019	12, 25, 37, 41
69.	VISION SF50	U.S.	4535590	Cirrus Design	May 27, 2014	12
70.	VISIONAIR	U.S.	7049395	Cirrus Design	May 9, 2023	39

No.	Trademark	Place of Registration	Registration No.	Registered owner	Date of registration	Class
71.	VISIONAIR	U.S.	6673043	Cirrus Design	March 15, 2022	35, 37
72.	XI	U.S.	3736949	Cirrus Design	January 12, 2010	12
73.	CIRRUS AIRFRAME PARACHUTE SYSTEM	U.S.	4554515	Cirrus Design	June 24, 2014	12
74.	VISION CENTER	U.S.	6205947	Cirrus Design	November 24, 2020	37
75.	VISION CENTER	U.S.	6205948	Cirrus Design	November 24, 2020	39
76.	VISION CENTER	U.S.	6205949	Cirrus Design	November 24, 2020	41
77.	VISION CENTER	EUTM	016480162	Cirrus Design	September 28, 2017	35, 37, 41, 42
78.	VISION CENTER	United Kingdom	UK00916480162	Cirrus Design	September 28, 2017	35, 37, 41, 42
79.	VISION CENTER	U.S.	6283299	Cirrus Design	March 2, 2021	25
80.	VISION CENTER	U.S.	6309115	Cirrus Design	March 30, 2021	35
81.	VISION	U.S.	4609958	Cirrus Design	September 23, 2014	12
82.	CAPS	U.S.	4443871	Cirrus Design	December 3, 2013	12

(ii) Trademarks under Application

As of December 31, 2022, we had also applied for the registration for the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Application No.	Applicant	Date of application	Class
1.	CIRRUS	U.S.	86075690	Cirrus Design	September 26, 2013	35
2.	CIRRUS IQ	Australia	2331604	Cirrus Design	December 28, 2022	9

No.	Trademark	Place of Registration	Application No.	Applicant	Date of application	Class
3.	CIRRUS IQ	Brazil	1711134	Cirrus Design	December 28, 2022	9
4.	CIRRUS IQ	Canada	2337159	Cirrus Design	December 28, 2022	9
5.	CIRRUS IQ	China	1711134	Cirrus Design	December 28, 2022	9
6.	CIRRUS IQ	EUTM	1711134	Cirrus Design	December 28, 2022	9
7.	CIRRUS IQ	Hong Kong	306141564	Cirrus Design	December 29, 2022	9
8.	CIRRUS IQ	Mexico	1711134	Cirrus Design	December 28, 2022	9
9.	CIRRUS IQ	United Kingdom	WO0000001711134	Cirrus Design	December 28, 2022	9
10.	CIRRUS IQ	U.S.	97481118	Cirrus Design	June 29, 2022	9
11.	CIRRUS CERTIFIED	Canada	2162275	Cirrus Design	June 22, 2021	35
12.	CIRRUS CERTIFIED	U.S.	90/733591	Cirrus Design	May 25, 2021	35
13.	CIRRUS CERTIFIED	U.S.	90/733596	Cirrus Design	May 25, 2021	42

(c) Domain Names

As of December 31, 2022, we had registered and maintained ownership to the following domain name which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiration Date
1	CIRRUSAIRCRAFT.COM	Cirrus Design	December 29, 2023

Save as disclosed above, as of the Latest Practicable Date, there were no other patents, trade or service marks, intellectual or industrial property rights which are or may be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' Service Contracts and Letters of Appointment

(a) Executive Directors

Each of Mr. Hui WANG (王暉) and Mr. Zean Hoffmeister Vang NIELSEN, being our executive Directors, has entered into a service contract with our Company on [•]. Each service contract is for an initial term of [three] years commencing from the **[REDACTED]**. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

(b) Non-executive Director and Independent non-executive Directors

Each of Mr. Lei YANG (楊雷), Mr. Qingchun SONG (宋慶春), Mr. Liang LIU (劉亮) and Mr. Yihui LI (李屹暉), being our non-executive Directors, Mr. Ian H CHANG (張仁爀), Mr. Chung Man Louis LAU (劉仲文) and Ms. Ferheen MAHOMED (*alias:* 馬穎欣), being our independent non-executive Directors, has entered into a letter of appointment with our Company on [•]. Each letter of appointment is for an initial term of [three] years commencing from the **[REDACTED]**. The letters of appointment may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

2. Remuneration of Directors

The aggregate remuneration (including fees, salaries, contribution to pension schemes, housing allowances, other allowances and benefits-in-kind and discretionary bonuses) paid to our Directors for the three years ended December 31, 2020, 2021 and 2022, were approximately US$3.0 million, US$4.2 million and US$3.3 million, respectively.

Based on the arrangements in force as of the Latest Practicable Date, it is estimated that the total remuneration paid to the Directors for the year ended December 31, 2023 will be approximately US$7.8 million.

No remuneration was paid by our Company to our Directors or the five highest paid individuals as inducement to join or upon joining our Company during the Track Record Period. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. Furthermore, none of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended December 31, 2022 by any member of our Group to any of our Directors.

3. Disclosure of interests

Disclosure of Interests of Directors and chief executive of our Company

None of the Directors or the chief executive of our Company will, immediately following the completion of the **[REDACTED]**, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of our Company or any interests and/or short positions (as applicable) in the shares, underlying Shares or debentures of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are **[REDACTED]** on the Stock Exchange.

Disclosure of interests of substantial shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this Document, our Directors are not aware of any other person who will, immediately following the completion of the **[REDACTED]** have an interest or short position in the Shares or the underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% of more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

4. Agency Fees or Commissions Received

Save as disclosed in this Document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this Document in connection with the issue or sale of any capital or security of any member of our Group.

5. Disclaimers

Save as disclosed herein:

(a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are **[REDACTED]**;

(b) none of our Directors or any of the experts referred to under paragraph headed "D. Other Information — 11. Qualification of Experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) so far as is known to our Directors or the chief executive of our Company, no person (not being a Director or chief executive of our Company) will, immediately following the completion of the **[REDACTED]**, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(f) none of our Directors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong and the Cayman Islands.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this Document and so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the **[REDACTED]** of, and permission to **[REDACTED]** in, the Shares to be issued as mentioned in this Document. All necessary arrangements have been made enabling the Shares to be admitted into **[REDACTED]**.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The sponsor fee payable to the Sole Sponsor in connection with the **[REDACTED]** payable by our Company is US$800,000.

4. Compliance Advisor

Our Company has appointed Altus Capital Limited as our Compliance Advisor in compliance with Rules 3A.19 of the Listing Rules.

5. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses for the purpose of the Listing Rules.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this Document within the two years immediately preceding the date of this Document.

7. Consents of Experts

Each of the experts as referred to in "D. Other Information — 11. Qualification of Experts" in this Appendix has given and has not withdrawn its consent to the issue of this Document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Binding Effect

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Bilingual Document

The English language and Chinese language versions of this Document are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Taxation of Holders of Shares

(a) Hong Kong

The sale, **[REDACTED]** and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate of Hong Kong stamp duty for such sale, purchase and and transfer is 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from **[REDACTED]** in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with Professional Advisors

[REDACTED] of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of **[REDACTED]** for, purchasing, holding or disposing of or **[REDACTED]** in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the **[REDACTED]** will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their **[REDACTED]** for, **[REDACTED]**, holding or disposal of or **[REDACTED]** in the Shares or exercise of any rights attaching to them.

11. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (Advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Faegre Drinker Biddle & Reath LLP	Legal advisor as to U.S. laws in relation to our business operations in the United States
Hogan Lovells International LLP	Legal advisor as to U.S. regulatory laws and International Sanctions laws
Jia Yuan Law Offices	PRC legal advisor
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisor
Frost & Sullivan	Industry consultant
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)

12. No Material Adverse Change

Except as disclosed in this Document, our Directors believe that there has been no material adverse change in the financial or trading position since December 31, 2022 (being the date on which the latest audited consolidated financial statements of the Group were prepared).

13. Miscellaneous

(a) save as disclosed in this Document, within the two years immediately preceding the date of this Document:

(i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this Document, no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;

(c) save as disclosed in this Document, there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;

(d) save as disclosed in this Document, none of the persons named in the sub-paragraph headed "D. Other Information — 11. Qualification of Experts" in this appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

(e) except as disclosed in this Document, our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2022 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(f) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Document;

(g) no company within our Group is listed on any stock exchange or traded on any trading system and at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and there is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **[REDACTED]**;

(b) a copy of each of the material contracts referred to in the sub-section headed "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts"; and

(c) the written consents referred to in the sub-section headed "Appendix IV — Statutory and General Information — D. Other Information — 7. Consents of Experts".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **https://cirrusaircraft.com/** to and including the date which is 14 days from the date of this Document:

(a) the Articles of Association of the Company;

(b) the Accountant's Report in respect of the historical financial information of the Group for the three years ended December 31, 2020, 2021 and 2022, the text of which is set out in "Appendix I — Accountant's Report" to this Document;

(c) the report on the unaudited **[REDACTED]** financial information of our Group from PricewaterhouseCoopers, the text of which is set out in "Appendix II — Unaudited **[REDACTED]** Financial Information" to this Document;"

(d) the audited consolidated financial statements of our Group for the years ended December 31, 2020, 2021 and 2022;

(e) the memorandum of advice issued by Hogan Lovells International LLP, our legal advisor as to U.S. regulatory laws and International Sanctions laws;

(f) the legal opinion issued by Faegre Drinker Biddle & Reath LLP, our legal advisor as to U.S. laws in relation to our business operations in the United States;

(g) the legal opinion issued by Jia Yuan Law Offices, our legal advisor as to PRC laws;

(h) the letter issued by Maples and Calder (Hong Kong) LLP, our legal advisor as to Cayman Islands law, summarizing certain aspects of the Cayman Islands Companies Act referred to in the section headed "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law";

(i) the material contracts referred to in the sub-section headed "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts";

(j) the written consents referred to in the sub-section headed "Appendix IV — Statutory and General Information — D. Other Information — 7. Consents of Experts";

(k) the service contracts and the letters of appointment referred to in the sub-section headed "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Particulars of Directors' Service Contracts and Letters of Appointment"; and

(l) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this Document.