
CONNECTED TRANSACTIONS

In our ordinary and usual course of business, we have entered into certain agreements with our connected persons. After the Listing, 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 Listing:

<u>Name of our connected persons</u>	<u>Connected relationship</u>
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

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONNECTED TRANSACTIONS

The following table sets forth a summary of our one-off connected transaction and continuing connected transactions:

Connected transactions	Applicable Listing Rules	Waiver sought	Historical transaction amounts	Proposed annual caps
1. Connected Transactions relating to the AG100/SR10 Program	14A.35, 14A.76(2), 14A.81, 14A.82 and 14A.105	Announcement requirement	2021: US\$20.3 million 2022: US\$6.5 million 2023: US\$5.5 million	2024: US\$3.1 million 2025: US\$4.6 million 2026: US\$4.6 million
(a) One-off AG100/SR10 aircraft development transaction — Aircraft Development Program Agreement	N/A		2021: US\$19.9 million 2022: US\$5.5 million 2023: US\$4.7 million	2024: Nil 2025: Nil 2026: Nil
(b) Continuing AG100 aircraft service transactions — AG100 Aircraft Service Framework Agreement	14A.35, 14A.76(2), 14A.81, 14A.82 and 14A.105		2021: US\$0.4 million 2022: US\$1.0 million 2023: US\$0.8 million	2024: US\$3.1 million 2025: US\$4.6 million 2026: US\$4.6 million
2. Authorized Service Center Agreement	14A.35, 14A.76(2), and 14A.105	Announcement requirement	2021: US\$3.7 million 2022: US\$1.8 million 2023: US\$2.2 million	2024: US\$4.0 million 2025: US\$5.0 million 2026: US\$5.7 million
3. Aircraft Kits Sale and Program Services Framework Agreement	14A.35, 14A.76(2), and 14A.105	Announcement requirement	2021: US\$17.2 million 2022: US\$13.6 million 2023: US\$3.8 million	2024: US\$7.2 million 2025: US\$7.4 million 2026: US\$7.7 million
4. Purchase of Engines and Parts Framework Agreement	14A.35, 14A.36, 14A.46 and 14A.105	Announcement, circular and independent shareholders' approval requirements	2021: US\$29.8 million 2022: US\$32.6 million 2023: US\$43.9 million	2024: US\$50.4 million 2025: US\$54.2 million 2026: US\$57.0 million

CONNECTED TRANSACTIONS

NON-EXEMPT CONNECTED TRANSACTIONS THAT ARE SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

1. Connected Transactions relating to the AG100/SR10 Program

One-off AG100/SR10 aircraft development transaction — Aircraft Development Program Agreement

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**”). The trainer aircraft developed by AG Zhejiang and 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 material terms of our collaboration arrangements with AG Zhejiang in relation to the AG100/SR10 Program are set forth below:

- *Term:* The AG100/SR10 Program will be completed 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.
- *Primary Responsibilities of us:* We are primarily responsible for providing program management, administrative support, supplier management, design, development, certification, and test support for the AG100/SR10 Program. In particular, we are primarily responsible for the design, development and certification of the SR10 aircraft, and the provision of support for AG Zhejiang to obtain CAAC type certification for the AG100 aircraft.
- *Primary Responsibilities of AG Zhejiang:* AG Zhejiang is primarily responsible for obtaining CAAC certification for the AG100 aircraft.
- *Pricing and Payment:* The terms of the Aircraft Development Program Agreement were determined on normal commercial terms after arm’s length negotiations between AG Zhejiang and us. The AG100/SR10 Program adopts a fixed price methodology. AG Zhejiang shall pay us a fixed development fee for the AG100/SR10 Program, which was

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determined with reference to the research and development costs expected to be incurred by us, including expenses as a result of the impact the COVID-19 and the inclusion of AG Zhejiang on the Military End-User List which caused delay to the AG100/SR10 Program. See “Business — International Sanctions Relevant to Certain Business Activities and Affiliates — Business Activities with AG Huanan and AG Zhejiang” for further details. Such research and development costs were determined with reference to (i) time cost based on the expected number and man-hour of different research and development personnel involved and their hourly rate, and (ii) the expected amount and cost of materials, tooling and consumables. AG Zhejiang shall pay us the fixed development fee by agreed milestones.

- *Sales and Marketing:* We and AG Zhejiang have the right, but not the obligation, to manufacture SR10 or AG100, respectively, upon its commercialization. If we decide to manufacture SR10 upon its commercialization, we shall be responsible for the sales and marketing and related costs of the SR10 aircraft and be free to sell the SR10 aircraft in the North America, South America, Europe, Australia, and South Africa markets. AG Zhejiang shall be responsible for the sales and marketing and related costs of the AG100 aircraft and be free to sell the AG100 aircraft in the PRC market. For all other countries or markets other than the aforementioned territories, we and AG Zhejiang will decide the respective responsibility on a case-by-case basis. Neither AG Zhejiang nor we are permitted to sell AG100 or SR10 in the other party’s responsible market(s) without the other party’s written consent. See also “Reasons for the transaction” below.
- *Ownership of Intellectual Property:* Intellectual property that is owned by us and generated before or independently developed or generated outside the scope of the AG100/SR10 Program, including designs, drawings and specifications, shall remain our property. Any information of us retained by AG Zhejiang shall remain subject to the restrictions on use, reproduction and disclosure in the Aircraft Development Program Agreement. We and AG Zhejiang grant to each other a non-exclusive and non-transferable limited license of the respective intellectual property that is owned by such party and generated before or independently developed or generated outside the scope of the AG100/SR10 Program, for the performance by the other party of its obligations under the Aircraft Development Program Agreement and in connection with the AG100 aircraft or SR10 aircraft, respectively. All intellectual property jointly made, developed, conceived, first reduced to practice, fixed in any tangible medium of expression or created by us and AG Zhejiang during the term of the AG100/SR10 Program for or directly relating to the AG100/SR10 Program that is generated during the AG100/SR10 Program shall be the joint property of the parties, and shall not be assignable or transferable to any third party.

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- *Confidentiality:* We and AG Zhejiang shall protect all non-public information, products and/or materials disclosed by or on behalf of a party to, or otherwise received, observed or accessed by the other party in connection with the AG100/SR10 Program, including without limitation financial data, product technologies, processes, specifications, invention or design data, engineering drawings, against unauthorized access, use or disclosure.
- *Insurance:* We and AG Zhejiang shall maintain insurance to cover all employees and flight operations for the term of the Aircraft Development Program Agreement, and shall maintain third party product liability insurance with no individual person or seat insurance limit, with a minimum coverage of US\$10 million per occurrence.
- *Termination:* Either party may terminate the Aircraft Development Program Agreement immediately upon written notice to the other party in the event of (i) a material breach that remains uncured per the procedures set out in the Aircraft Development Program Agreement, (ii) bankruptcy of the other party, or (iii) an uncured force majeure event. AG Zhejiang may terminate the Aircraft Development Program Agreement for convenience upon six months' written notice to us.

The AG100 aircraft had received its type certificate and production certificate from the CAAC and had been commercialized in January 2024. The SR10 aircraft had received its FAA type certificate in November 2022 and Cirrus Design had received FAA authorization to produce the aircraft under its production certificate in April 2024. The AG100/SR10 Program had been completed following our submission of a project close-out report to AG Zhejiang in May 2024.

AG Zhejiang was listed on the Military End-User List maintained by the BIS in December 2020. 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. The AG100/SR10 Program had been completed before the expiry of the export license, i.e., in May 2024 following our submission of a project close-out report to AG Zhejiang. See “Business — International Sanctions relevant to Certain Business Activities and Affiliates — Business Activities with AG Huanan and AG Zhejiang” for further details.

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Reasons for the transaction

Under the Aircraft Development Program Agreement, we 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 in January 2024, AG100 aircraft are 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 us 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, we and AG Zhejiang will decide the respective responsibility on a case-by-case basis. Neither AG Zhejiang nor we are 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.

Continuing aircraft service transactions — AG100 Aircraft Service Framework Agreement

Background and principal terms

On November 9, 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 AG100/SR10 aircraft development transaction — 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 Listing Date. 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).

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As disclosed under the subsection headed “— One-off AG100/SR10 aircraft development transaction — 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. See “Business — International Sanctions relevant to Certain Business Activities and Affiliates — Business Activities with AG Huanan and AG Zhejiang” for further details.

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 (i) our cost of raw materials for supply of materials based on the number, type and specifications of materials procured by AG Zhejiang, and (ii) our labor cost for other procurement support and technical support procured by AG Zhejiang based on the number of our employees involved and the time spent by them on the relevant procurement support and/or technical support, which will be charged at a fixed cost per man-hour, as adjusted by inflation plus a reasonable margin.

Historical transaction amounts and annual caps and basis

For purposes of Rules 14A.81 and 14A.82 of the Listing Rules, the transactions under the Aircraft Development Program Agreement and the AG100 Aircraft Service Framework Agreement shall be aggregated on the bases that (i) the Aircraft Development Program Agreement and the AG100 Aircraft Service Framework Agreement were both entered into between us and AG

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Zhejiang, and (ii) the transactions contemplated under the AG100 Aircraft Service Framework Agreement are related to the development of the AG100 aircraft under the Aircraft Development Program Agreement.

For purposes of Rules 14A.81 and 14A.82 of the Listing Rules, the total transaction amounts in respect of the transaction under the Aircraft Development Program Agreement and the transactions contemplated under the AG100 Aircraft Service Framework Agreement for the years ended December 31, 2021, 2022 and 2023 are set out as follows:

	For the year ended December 31,		
	2021	2022	2023
		<i>(US\$ million)</i>	
Development fee from AG Zhejiang ⁽¹⁾	19.9	5.5	4.7
Provision of procurement support and technical support to AG Zhejiang relating to the AG100 aircraft.	0.4	1.0	0.8
Total	20.3	6.5	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.

For purposes of Rules 14A.81 and 14A.82 of the Listing Rules, the proposed annual caps in respect of the transaction under the Aircraft Development Program Agreement and the transactions contemplated under the AG100 Aircraft Service Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are as follows:

	For the year ending December 31,		
	2024	2025	2026
		<i>(US\$ million)</i>	
Development fee from AG Zhejiang under the Aircraft Development Program Agreement	—	—	—
Provision of procurement support and technical support to AG Zhejiang relating to the AG100 aircraft under the AG100 Aircraft Service Framework Agreement . .	3.1	4.6	4.6
Total	3.1	4.6	4.6

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The above proposed annual caps in respect of the transactions contemplated under the AG100 Aircraft Service Framework Agreement are based on (i) the historical transaction amounts in respect of similar procurement support and technical support provided to AG Zhejiang taking into account the need to cater for potential increases or fluctuations, (ii) the expected transaction volume with AG Zhejiang based on (a) the expected number, type and specifications of materials to be procured by AG Zhejiang (including existing agreements and/or statements of work), and (b) the expected number of our employees involved, the time to be spent by them on procurement support and technical support, and their fixed cost per man-hour, taking into account the existing agreements and/or statements of work and the expected demand from AG Zhejiang for the development and production of the AG100 aircraft upon commercialization. The AG100 aircraft had received its type certificate and production certificate from the CAAC and had been commercialized in January 2024. We expect AG Zhejiang will need more procurement support as compared to the Track Record Period, and in particular the number of sets of materials to be procured by AG Zhejiang from us is expected to increase, for ramping up the production of the AG100 aircraft upon its commercialization, and (iii) current prices for the procurement support and technical support and expected inflation.

Implications under the Listing Rules

For purposes of Rules 14A.81 and 14A.82 of the Listing Rules, the transactions under the Aircraft Development Program Agreement and the AG100 Aircraft Service Framework Agreement shall be aggregated. As the highest of all applicable percentage ratios in respect of the transaction under the Aircraft Development Program Agreement and the transactions contemplated under the AG100 Aircraft Service Framework Agreement on an aggregate basis 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.

2. Authorized Service Center Agreement

Background and principal terms

On July 6, 2020, Cirrus Design and AG Services entered into an authorized service center agreement, as amended by a supplemental agreement dated November 9, 2023 (the "Authorized Service Center Agreement"), pursuant to which we authorized AG Services to operate as our authorized service center 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

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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 Listing Date. 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 authorized service center 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 AG Services under the Authorized Service Center Agreement are determined with reference to the price we offer to our other independent authorized service centers and our cost, including (i) our cost of raw materials based on the number, type and specifications of products required by our authorized service centers, and (ii) our labor cost based on the number of our employees and their time involved, as adjusted by inflation plus a reasonable margin.

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Historical transaction amounts

For the years ended December 31, 2021, 2022 and 2023, 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,		
	2021	2022	2023
	<i>(US\$ million)</i>		
Provision of aircraft products to			
AG Services	3.7	1.8	2.2

The transaction amount in respect of our provision of aircraft products to AG Services in 2021 was higher than that in 2022 and 2023, primarily due to the large 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 2021 (see “— 3. Aircraft Kits Sale and Program Services Framework Agreement — Historical transaction amounts” below for details) and large stocking order for parts placed by AG Services in 2021 in anticipation of increased demand in 2022.

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, 2024, 2025 and 2026 are as follows:

	For the year ending December 31,		
	2024	2025	2026
	<i>(US\$ million)</i>		
Provision of aircraft products to			
AG Services	4.0	5.0	5.7

The above proposed annual caps are based on (i) the historical transaction amounts in respect of our provision of aircraft products to AG Services taking into account the need to cater for potential increases or fluctuations, (ii) the historical sales volume of the aircraft kits for our SR series aircraft to AG Huanan and/or AG Services for their subsequent resale to civil end users in the PRC after the aircraft kits are assembled into aircraft, taking into account the historical transaction amounts in respect of our sales of aircraft kits to AG Huanan and/or AG Services of US\$14.8 million, US\$11.3 million and US\$3.0 million in 2021, 2022 and 2023, respectively (see “— 3. Aircraft Kits Sale and Program Services Framework Agreement — Historical transaction amounts” below for details), (iii) the expected sales volume of our SR series aircraft in the PRC

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(including existing and expected orders for aircraft kits. See “— 3. Aircraft Kits Sale and Program Services Framework Agreement — Annual caps and basis” below for details), (iv) the expected number, type and specifications of aircraft products to be supplied to AG Services taking into account the existing orders for aircraft products, the expected number of our SR series aircraft that will be in operation in the PRC, including the number of SR series aircraft that we sold in the PRC, and the expected maintenance needs for such aircraft due to their aging and (v) current prices of the aircraft products and expected inflation. 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 2024, 2025 and 2026, 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, aging of such aircraft 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.

3. Aircraft Kits Sale and Program Services Framework Agreement

Background and principal terms

On November 9, 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. For serving as our non-exclusive authorized reseller, AG Services has a buy-seller relationship with us, and we do not record any revenue nor costs arising from the sales of our TRAC20 model and TRAC22 model

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aircraft by AG Services 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 Listing Date. 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. See “Business — International Sanctions relevant to Certain Business Activities and Affiliates — Business Activities with AG Huanan and AG Zhejiang” for further details.

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

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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 (i) our cost of raw materials based on the number of aircraft kits and their specifications, and (ii) our labor cost for the aircraft kits and related program services based on the number of aircraft kits procured and the number of our employees and their time involved, as adjusted by inflation plus a reasonable margin.

Historical transaction amounts

For the years ended December 31, 2021, 2022 and 2023, 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,		
	2021	2022	2023
	<i>(US\$ million)</i>		
Aircraft kits sale	14.8	11.3	3.0
Program services	2.4	2.3	0.8
Total⁽¹⁾	17.2	13.6	3.8

Note:

- (1) The total transaction amounts in respect of the transactions contemplated under the Aircraft Kits Sale and Program Services Framework Agreement in 2021 and 2022 were higher than that in 2023, primarily because of two significant orders received in 2019 and 2021 that were delivered throughout 2020 to 2022. The drop in total transaction amount in 2023 was also partly due to the significant number of new aircraft previously purchased.

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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, 2024, 2025 and 2026 are as follows:

	For the year ending December 31,		
	2024	2025	2026
		<i>(US\$ million)</i>	
Aircraft kits sale	6.2	6.4	6.7
Program services	1.0	1.0	1.0
Total	7.2	7.4	7.7

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 taking into account the fluctuations over the Track Record Period, and the fact that the flight schools in the PRC had already procured a relatively high volume of our aircraft kits and related program services to replace their old model trainer aircraft in 2020, (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, based on (a) the expected number of aircraft kits to be procured (including existing orders for aircraft kits) and their specifications and (b) the expected volume of related program services for assembling such aircraft (including existing agreements for program services), and (iii) current prices for the aircraft kits and program services and 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.

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NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS THAT ARE SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

4. 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 December 1, 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 and providing aftermarket services and parts for 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 (i) the product specifications required by us, (ii) the extended warranty required by us, (iii) the cost incurred by Continental including raw materials

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and labor cost, (iv) a volume-based discount with reference to the number of engines we procure, and (v) a margin set by Continental with reference to Continental's sales to its independent customers, as adjusted by inflation.

Historical transaction amounts

For the years ended December 31, 2021, 2022 and 2023, 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,		
	2021	2022	2023
	<i>(US\$ million)</i>		
Purchase of engines and parts from			
Continental	29.8	32.6	43.9

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, 2024, 2025 and 2026 are as follows:

	For the year ending December 31,		
	2024	2025	2026
	<i>(US\$ million)</i>		
Purchase of engines and parts from			
Continental	50.4	54.2	57.0

The above proposed annual caps are based on (i) the historical transaction amounts in respect of our purchase of engines and parts from Continental. In particular, the historical transaction amounts in respect of our purchases of engines and parts from Continental increased by 9.3% from 2021 to 2022 and increased by 34.7% from 2022 to 2023, (ii) the historical sales volume of our SR22 model and SR22T model aircraft, considering that we delivered 361, 439 and 497 SR22 model and SR22T model aircraft to our customers in 2021, 2022 and 2023, respectively, representing an increase of 21.6% from 2021 to 2022 and 13.2% from 2022 to 2023, and we have delivered 4,527 SR22 model aircraft and 3,349 SR22T model aircraft as of the Latest Practicable Date, (iii) the expected sales volume of our SR22 model and SR22T model aircraft taking into account our backlog of 1,016, 1,422, 1,233 and 1,320 aircraft as of December 31, 2021, 2022 and 2023 and the Latest Practicable Date, respectively, our business development plans and strategies, and expected market growth. According to Frost & Sullivan, in terms of dollar value of aircraft deliveries, the global personal aviation market is expected to grow from US\$3.5 billion in 2023 to

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US\$4.0 billion in 2025, representing a CAGR of 6.9%, (iv) the expected volume of engines and parts to be purchased from Continental for the production and provision of aftermarket services and parts for our SR22 model and SR22T model aircraft and (v) current prices of the engines and parts and 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 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 connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the Listing.

As the 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 Prospectus, 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 connected transactions as disclosed in “— Non-exempt 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 connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps as stated above.

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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 connected transactions referred to in this Prospectus, 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, Risk Control and Compliance Committee shall conduct periodic examination of the overall situation of the continuing connected transactions, and report the review opinions to our Board of Directors;

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- 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 Listing, 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).

See “Business — International Sanctions relevant to Certain Business Activities and Affiliates — Internal Control Measures” for further details of our internal control procedures with respect to export control and other International Sanctions.

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.