**Cirrus Aircraft Limited**
**西銳飛機有限公司**

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 2507)**

# CONNECTED TRANSACTIONS FURTHER ANNOUNCEMENT IN RELATION TO PURCHASE OF EXTENDED WARRANTY

Reference is made to the announcement of Cirrus Aircraft Limited (the "**Company**"; together with its subsidiaries, the "**Group**") dated March 14, 2025 (the "**Announcement**") in relation to the connected transactions in respect of the purchase of extended warranty by Cirrus Design (a wholly-owned subsidiary of the Company) from Continental for its engines pursuant to requests from the Group's customers. Unless the context otherwise requires, capitalised terms used herein shall have the same respective meanings as those defined in the Announcement.

As disclosed in the Announcement, there was a delay in publishing the Announcement for the transactions under the Extended Warranty Contracts, which constituted connected transactions of the Company under Chapter 14A of the Listing Rule.

## FURTHER INFORMATION ON THE BACKGROUND

As disclosed in the Announcement, during the Relevant Period, Cirrus Design has been entering into Extended Warranty Contracts with Continental to purchase extended warranty for the engines provided by Continental on the Group's aircrafts sold to its customers on the back of such requests from the customers. On January 28, 2025, while preparing the annual results of the Company for the year ended December 31, 2024, the monitoring team of the Company's finance department (the "**Monitoring Team**") discovered that the Extended Warranty Contracts were not covered by the scope and previously disclosed caps of the other continuing connected transactions of the Group under Chapter 14A of the Listing Rule. The Monitoring Team incorrectly assumed that the Extended Warranty Contracts fell within the framework agreement for engines and parts as disclosed in the prospectus of the Company dated June 28, 2024 (the "**Oversight**").

Since August 2024, one or more of the applicable percentage ratios concerning the cumulative amount of the Extended Warranty Contracts have exceeded 0.1%. The Company did not publish an announcement as required under Rule 14A.35 of the Listing Rules in August 2024 due to the Oversight which was attributable to the unexpected increase in the Group's customers' demand for extended warranty and payment timing delays due to delayed invoicing. The Announcement in respect of the transactions under the Extended Warranty Contracts was published by the Company on March 14, 2025.

## INTERNAL CONTROL REVIEW

Upon recognising the Oversight on January 28, 2025, an internal control review was initiated and completed on January 30, 2025 (the "**Review**") to determine whether the Oversight indicates any internal control deficiencies. The Review covered the internal control measures of the Company and the relevant approval records for the Extended Warranty Contracts by reviewing the Company's internal control policies and procedures for connected transactions under Chapter 14A of the Listing Rule (together, the "**Internal Control System**"). The Review indicated that the Internal Control System comply with the requirements of Chapter 14A of the Listing Rule and that the reason for the delay in publication of the Announcement is due to the Oversight as a result of the unexpected increase in transaction volume (specifically, additional extended warranty programs that is driven by customer demand for extended warranty and payment timing delays due to delayed invoicing and, therefore, not within the direct control of the Group).

As part of the Review, the Company notices that there are minor deficiencies in the implementation of the Internal Control System by the Monitoring Team, which are summarised below:

### A. Identification of Connected Transactions and Lack of Timely Alerts and Reporting

The Internal Control System sets out how size tests should be calculated in accordance with Chapter 14 of the Listing Rules and procedures for approving size test calculations and the monitoring and aggregating of transaction amounts of the Group's existing continuing connected transaction. In addition, the Internal Control System mandates the Monitoring Team to determine whether a transaction falls within the definition of connected transaction (as defined under the Listing Rules) on the internal recording system.

However, the recording system does not ask the Monitoring Team to (i) specify whether a transaction is a new connected transaction or an individual transaction under an existing continuing connected transaction when submitting it for internal approval; (ii) aggregate relevant transactions with the appropriate categories in accordance with Rule 14A.81 of the Listing Rules; and (iii) adequately track and categorise the Extended Warranty Contracts separately from other transactions. There was also a lack of timely alerts to the Board when transactions approached reporting thresholds under the Listing Rules, leading to delayed disclosures. As such, the above were exacerbated by an unexpected increase in transaction volume, particularly due to additional extended warranty programs driven by customer demand.

**B. Insufficient training sessions for new joiners**

The existing Monitoring Team is familiar with the Internal Control System and the relevant rules of Chapter 14A of the Listing Rules. However, the Internal Control System lacks internal requirements for additional training sessions on connected transactions if and when there are any changes to the relevant personnel within the Company's finance department.

## REMEDIAL ENHANCEMENT MEASURES

As a result of the above minor deficiencies in the implementation of the Internal Control System by the Monitoring Team, the Company has implemented the following improvements (the "**Enhancements**") to enhance the implementation of the Internal Control System (the "**Enhanced Internal Control System**"):

**A. Continuous monitoring and reporting**

Although the internal recording system already tracked all transactions with connected persons (as defined under the Listing Rules), it now aggregates them within the appropriate categories once recorded. The specifically designated finance staff have also been trained to prepare timely alerts to the Board when the actual cumulative transaction value reaches 95% of the relevant thresholds under the Listing Rules, ensuring timely disclosure.

**B. Monthly reporting system**

On top of the above continuous monitoring and reporting system, a detailed monthly reporting system has been established, which involves generating comprehensive reports on the amount of Extended Warranty Contracts and their cumulative totals. These reports are reviewed by senior management of the Company monthly to ensure accuracy and compliance with the Listing Rules, and are included in the monthly financials provided to the Directors for their attention and monitoring. This system began implementation in February 2025 and is now fully operational.

**C. Random internal checks**

In light of any potential increase in customer requests for extended warranties, the Company has also instituted timely monitoring mechanisms to promptly assess the implications of the Listing Rules on the Company's transactions. The Group will also conduct random internal checks on a continuous basis to ensure that the Enhanced Internal Control System remains complete and effective.

The development and testing of the Enhanced Internal Control System began in February 2025, with full implementation completed by March 2025. The Enhanced Internal Control System is now fully operational, with continuous improvements being made based on internal feedback and evolving compliance requirements.

**D. Additional trainings**

The training program for the finance staff of the Company was initiated immediately after the identification of the Oversight. The training was completed in February 2025. The Monitoring Team has also further refined and enhanced the connected transactions training procedures, which include the following:

(i) senior management of the Company to provide connected transaction training to their subordinates on a regular basis as well as to any additional relevant finance staff who join the Group. This would ensure that all relevant staff across the Monitoring Team have a comprehensive understanding of the Enhanced Internal Control System at all times;

(ii) the compliance adviser to the Company has been requested to provide trainings on connected transactions as well as case studies and practical examples to the finance department of the Company with a view to ensuring that the Monitoring Team would be well aware of all relevant rules and can apply the rules effectively. These trainings will be completed by end of May 2025; and

(iii) random internal checks will be conducted to assess the effectiveness of the training programmes. Feedback sessions will also be held internally subsequent to random checks to discuss the findings and to identify areas for improvement. These sessions will also serve as an opportunity for finance staff to raise any concerns or questions they may have regarding compliance. Finance staff will also be encouraged to attend external seminars and conferences on corporate governance and financial compliance.

**E. Consultation with professional advisers**

In the event of any uncertainty arising from the interpretation or application of the Listing Rules, promptly consulting professional advisers and, if necessary, the Stock Exchange before proceeding with such transactions.

After considering the results of the Review, the Board is of the view that the remedial measures mentioned in the Announcement and as set out above that have already been implemented are adequate and sufficient to address the minor deficiencies in the Internal Control System as identified.

By order of the Board
**Cirrus Aircraft Limited**
**西銳飛機有限公司**
**Mr. Lei YANG**
*Chairman and Non-Executive Director*

Hong Kong, April 28, 2025

*As at the date of this announcement, the Board comprises Mr. Lei YANG as the chairman and non-executive Director; Mr. Hui WANG as the vice-chairman and executive Director; Mr. Qingchun SONG, Mr. Liang LIU and Mr. Yihui LI as non-executive Directors; Mr. Zean Hoffmeister Vang NIELSEN as executive Director; and Mr. Ian H CHANG, Mr. Chung Man Louis LAU and Ms. Ferheen MAHOMED as independent non-executive Directors.*