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## **Continental Aerospace Technologies Holding Limited** **大陸航空科技控股有限公司**

**(formerly known as AVIC International Holding (HK) Limited**

**中國航空工業國際控股(香港)有限公司)**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 232)**

### **(I) REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTIONS FOR THE YEAR ENDING 31 DECEMBER 2021; AND (II) CONTINUING CONNECTED TRANSACTIONS**

#### **REVISION OF THE ORIGINAL ANNUAL CAP**

On 25 October 2021, the Company entered into the Supplemental Sale Framework Agreement with Aviation Industry to revise the Original Annual Cap from US\$29 million to US\$31 million.

#### **CONTINUING CONNECTED TRANSACTIONS**

On 25 October 2021, the Company entered into the 2021 Sale Framework Agreement with China Aviation, pursuant to which the Group will sell engines, engine parts and related services to China Aviation and/or its associates (excluding the Group) for use in new aircraft manufacture and for the sale of parts into the aftermarket for maintenance, repair and overhaul for a term from 1 January 2022 to 31 December 2024.

#### **LISTING RULES IMPLICATIONS**

As Aviation Industry, China Aviation and its associates are connected persons of the Company under Chapter 14A of the Listing Rules, the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As the Revised Annual Cap and each of the annual caps under the 2021 Sale Framework Agreement exceeds HK\$10,000,000 and the relevant applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceed 5%, the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore subject to reporting, announcement and independent shareholders' approval requirements.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on, among others, the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A SGM will be convened and held at which the Independent Shareholders will consider, and, if thought fit, approve the Supplemental Sale Framework Agreement (including, but not limited to, the Revised Annual Cap), the 2021 Sale Framework Agreement (including, but not limited to, the proposed annual caps for the Continuing Connected Transactions) and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Supplemental Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder; and (iv) a notice convening the SGM will be despatched to the Shareholders on or before 15 November 2021 in compliance with the Listing Rules.

## **REVISION OF THE ORIGINAL ANNUAL CAP**

### **Background**

Reference is made to the announcement of the Company dated 22 January 2020 and the circular of the Company dated 19 February 2020 in relation to, among others, the 2020 Sale Framework Agreement.

On 22 January 2020, the Company entered into the 2020 Sale Framework Agreement with Aviation Industry, pursuant to which the Group will sell engines and engine parts to Aviation Industry and/or its associates (excluding the Group) for use in new aircraft manufacture and for the sale of parts into the aftermarket for maintenance, repair and overhaul.

On 25 October 2021, the Company and Aviation Industry entered into the Supplemental Sale Framework Agreement to revise the Original Annual Cap from US\$29 million to US\$31 million.

## Principal terms of the Supplemental Sale Framework Agreement

Date: 25 October 2021

Parties: Aviation Industry and the Company

Subject: The annual cap amount in respect of the sale of engines, engine parts and related services to Aviation Industry and its associates by the Group under the 2021 Sale Framework Agreement for the year ending 31 December 2021 shall be revised as follows:

**For the year  
ending  
31 December  
2021**  
*US\$ million*

Original Annual Cap 29

Revised Annual Cap 31

Conditions precedent: The Supplemental Sale Framework Agreement is conditional upon:

- (a) the due execution of the Supplemental Sale Framework Agreement by the Company and Aviation Industry;
- (b) the Supplemental Sale Framework Agreement and the transactions contemplated thereunder having been approved by the Board and having obtained approval from Independent Shareholders at the SGM; and
- (c) the necessary approvals having been obtained by Aviation Industry.

## **Basis of determination of the Revised Annual Cap**

The actual historical transaction amounts for such sales to Aviation Industry and/or its associates for each of the two financial years ended 31 December 2020 and for the nine months ended 30 September 2021 are as follows:

	<b>For the year ended 31 December</b>		<b>For the nine months ended</b>
	<b>2019</b>	<b>2020</b>	<b>30 September 2021</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Actual historical transaction amount	23.9	21	22.9

The Revised Annual Cap was determined mainly by reference to: (i) the actual historical transaction amount for each of the two financial years ended 31 December 2020 and the nine months ended 30 September 2021; and (ii) the estimated number of engines and engine parts to be purchased by Aviation Industry and its associates (excluding the Group) for the remaining term for the year ending 31 December 2021.

## **Reasons for and benefits of the Supplemental Sale Framework Agreement**

Due to the increased operation needs of Aviation Industry and its associates, the annual cap amount in respect of the sale of engines and engine parts to Aviation Industry and its associates by the Group under the 2020 Sale Framework Agreement for the year ending 31 December 2021 is expected to be higher than the Original Annual Cap under the 2020 Sale Framework Agreement.

The Directors (excluding the independent non-executive Directors whose view will be expressed after receiving advice from the Independent Financial Adviser) consider that the Supplemental Sale Framework Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the Supplemental Sale Framework Agreement and the Revised Annual Cap are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **CONTINUING CONNECTED TRANSACTIONS**

### **Background**

On 25 October 2021, the Company entered into the 2021 Sale Framework Agreement with China Aviation, pursuant to which the Group will sell engines and engine parts to China Aviation and/or its associates (excluding the Group) for use in new aircraft manufacture and the sale of parts into the aftermarket for maintenance, repair and overhaul.

## **Principal terms of the 2021 Sale Framework Agreement**

Date:	25 October 2021
Parties:	China Aviation and the Company
Subject:	The Group will sell engines, engine parts and related services to China Aviation and/or its associates (excluding the Group) for use in new aircraft manufacture and the sale of parts into the aftermarket for maintenance, repair and overhaul
Term:	From 1 January 2022 up to 31 December 2024
Pricing:	To be determined on a fair and reasonable basis based on the negotiated price, product specifications, configurations, competitiveness and general market conditions with the pricing provided based on factors including, but not limited to, volume levels, strategic relationship and new product introduction strategies
Conditions precedent:	The 2021 Sale Framework Agreement is conditional upon: <ul style="list-style-type: none"><li>(a) the due execution of the 2021 Sale Framework Agreement by the Company and China Aviation; and</li><li>(b) the 2021 Sale Framework Agreement and the transactions contemplated thereunder having been approved by the Board and having obtained all necessary authorisations and approvals (including, if necessary, approval from Independent Shareholders at the SGM) from the Stock Exchange and other relevant laws, regulations and rules (including the Listing Rules).</li></ul>

### **Annual caps and basis of determination**

The Group has been selling engines, engine parts and related services for use in new aircraft manufacture and the sale of parts into the aftermarket for maintenance, repair and overhaul to Aviation Industry and/or its associates (excluding the Group). The actual historical transaction amounts for such sales to Aviation Industry and/or its associates for each of the two financial years ended 31 December 2020 and for the nine months ended 30 September 2021 are set out in the paragraph headed “Basis of determination of the Revised Annual Cap” in the section headed “Revision of the Original Annual Cap” of this announcement.

Pursuant to the 2021 Sale Framework Agreement, it is proposed that the annual cap amounts for the sale of engine, engine parts and related services to China Aviation and its associates (excluding the Group) for each of the three financial years ending 31 December 2022, 2023 and 2024 shall not exceed the following:

	<b>For the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Annual cap	38.3	38.7	39.2

The above annual caps were determined mainly by reference to: (i) the actual historical transaction amount for each of the two financial years ended 31 December 2020 and the nine months ended 30 September 2021; (ii) the estimated number of engines, engine parts and related services to be purchased by China Aviation and/or its associates (excluding the Group) for the three financial years ending 31 December 2022, 2023 and 2024; and (iii) an adequate buffer for a potential increase in demand by China Aviation and/or its associates (excluding the Group).

#### **Reasons for and benefits of the 2021 Sale Framework Agreement**

The Group has been selling engines, engine parts and related services to Aviation Industry and/or its associates (excluding the Group), such as China Aviation and Cirrus Design Corporation, for use in new aircraft manufacture and for the sale of parts into the aftermarket for maintenance, repair and overhaul and will continue to do so on an ongoing basis. Such transactions are conducted in the ordinary and usual course of business of the Group and agreed on an arm's length basis with terms that are fair and reasonable to the Company. Cirrus Design Corporation, which is indirectly owned as to 70% by Aviation Industry, is the world's largest producer of piston-powered aircraft located in the United States of America. Also, with the growth in the PRC general aviation industry in recent years and the intentions of the PRC government in encouraging the development of such industry, the Company shall continue to seize the potential business opportunities available in such industry and benefit from the industrial development in future years. The Company considers it is in its best interest to continue the business relationship between the Group and Aviation Industry and/or its associates, provided that such parties shall purchase from the Group at prices comparable to market prices and are considered to be fair and reasonable to the Group. The Company therefore entered into the 2021 Sale Framework Agreement with China Aviation to govern such sales.

The Directors (excluding the independent non-executive Directors whose view will be expressed after receiving advice from the Independent Financial Adviser) consider that the 2021 Sale Framework Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the 2021 Sale Framework Agreement and its proposed annual caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **INFORMATION OF THE GROUP**

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 232). The Group is principally engaged in the general aviation aircraft piston engine business.

## **INFORMATION OF AVIATION INDUSTRY**

Aviation Industry is established in the PRC and is wholly-owned by SASAC. Aviation Industry's core businesses consist of defense, transport aircraft, helicopter, avionics and systems, general aviation, aviation research and development, flight testing, trade and logistics, assets management, finance services, engineering and construction, automobile etc.

## **INFORMATION OF CHINA AVIATION**

China Aviation is established in the PRC and is owned as to 70% by Aviation Industry. China Aviation's core businesses consist of general aircraft development, general aviation operations and services, aviation parts and non-aerospace manufacturing.

## **LISTING RULES IMPLICATIONS**

As Aviation Industry, China Aviation and its associates are connected persons of the Company under Chapter 14A of the Listing Rules, the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As the Revised Annual Cap and each of the annual caps under the 2021 Sale Framework Agreement exceeds HK\$10,000,000 and the relevant applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceed 5%, the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore subject to reporting, announcement and independent shareholders' approval requirements.

As (i) Mr. Lai Weixuan is the director of AVIC International, (ii) Mr. Huang Yongfeng, Mr. Yu Xiaodong, Mr. Zhao Yang and Ms. Jiao Yan are directors of subsidiaries of AVIC International, each of Mr. Lai Weixuan, Mr. Huang Yongfeng, Mr. Yu Xiaodong, Mr. Zhao Yang and Ms. Jiao Yan had abstained from voting on the resolutions at the meeting of the Board for approving the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement.

## **GENERAL**

In view of the interests of Aviation Industry in the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement, Aviation Industry and its associates will be required to abstain from voting in relation to the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement and the transactions contemplated thereunder at the SGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save and except Aviation Industry and its associates, no other Shareholder has a material interest in the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement, therefore, no other Shareholder will be required to abstain from voting at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on, among others, the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A SGM will be convened and held at which the Independent Shareholders will consider, and, if thought fit, approve the Supplemental Sale Framework Agreement (including, but not limited to, the Revised Annual Cap), the 2021 Sale Framework Agreement (including, but not limited to, the proposed annual caps for the Continuing Connected Transactions) and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder; and (iv) a notice convening the SGM will be despatched to the Shareholders on or before 15 November 2021 in compliance with the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2020 Sale Framework Agreement”	the agreement dated 22 January 2020 and entered into between the Company and Aviation Industry in relation to sale of engines and engine parts to Aviation Industry and/or its associates (excluding the Group) for use in new aircraft manufacture and the sale of parts into the aftermarket for maintenance, repair and overhaul
“2021 Sale Framework Agreement”	the agreement dated 25 October 2021 and entered into between the Company and China Aviation in relation to sale of engines and engine parts to China Aviation and/or its associates (excluding the Group) for use in new aircraft manufacture and the sale of parts into the aftermarket for maintenance, repair and overhaul
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Aviation Industry”	Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), a company established in the PRC and holds 91.14% of the equity interest in AVIC International, a controlling shareholder of the Company, and 70% of the equity interest in China Aviation, as at the date of this announcement
“AVIC International”	AVIC International Holding Corporation (中國航空技術國際控股有限公司), a company established with limited liability in the PRC and indirectly owns as to 46.40% of the issued share capital of the Company
“Board”	the board of Directors
“China Aviation”	China Aviation Industry General Aircraft Co., Ltd. (中航通用飛機有限責任公司), a company established with limited liability in the PRC and holds the entire issued share capital of Cirrus Design Corporation
“Company”	Continental Aerospace Technologies Holding Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 232)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Continuing Connected Transactions”	the transactions contemplated under the 2021 Sale Framework Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Aviation Industry, its respective associates and all other Shareholders who are interested in the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Annual Cap”	the annual cap amount in respect of the sale of engine and engine parts to Aviation Industry and its associates by the Group under the 2020 Sale Framework Agreement for the year ending 31 December 2021
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Revised Annual Cap”	the revised annual cap amount in respect of the sale of engine and engine parts to Aviation Industry and its associates by the Group under the 2020 Sale Framework Agreement for the year ending 31 December 2021
“SASAC”	the PRC State-owned Assets Supervision and Administration Commission
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Sale Framework Agreement”	the supplemental sale framework agreement dated 25 October 2021 and entered into between the Company and Aviation Industry in relation to the revision of the Original Annual Cap
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board  
**Continental Aerospace Technologies Holding Limited**  
**Lai Weixuan**  
*Chairman*

Hong Kong, 25 October 2021

*As at the date of this announcement, the Board comprises Mr. Lai Weixuan, Mr. Huang Yongfeng, Mr. Yu Xiaodong, Mr. Zhao Yang and Ms. Jiao Yan as executive Directors; Mr. Chow Wai Kam as non-executive Director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping as independent non-executive Directors.*