

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

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

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 232)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “Board”) of directors (the “Directors”) of Continental Aerospace Technologies Holding Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022, together with the comparative figures for 2021.

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	<i>Notes</i>	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i> (Restated)
REVENUE	4	<b>1,665,515</b>	1,416,409
Cost of sales and services		<u><b>(1,157,027)</b></u>	<u>(1,093,758)</u>
Gross profit		<b>508,488</b>	322,651
Other income	4	<b>13,630</b>	63,350
Impairment losses under expected credit loss model, net of reversal	4	<b>(5,954)</b>	4,337
Other gains and losses	4	<b>7,979</b>	1,966
Impairment of property, plant and equipment and other intangible assets		<b>(101,142)</b>	(11,956)
Selling and distribution expenses		<b>(41,361)</b>	(59,022)
Administrative expenses		<b>(293,665)</b>	(298,862)
Research and development costs		<b>(38,244)</b>	(28,564)
Share of results of an associate		<b>(8,390)</b>	(4,130)
Finance costs		<u><b>(14,076)</b></u>	<u>(14,560)</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(cont'd)*

	<i>Notes</i>	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i> (Restated)
PROFIT (LOSS) BEFORE TAX		<b>27,265</b>	(24,790)
Income tax credit (expense)	<i>5</i>	<u><b>23,567</b></u>	<u>(31,182)</u>
PROFIT (LOSS) FOR THE YEAR	<i>6</i>	<u><b>50,832</b></u>	<u>(55,972)</u>
<b>EARNINGS (LOSS) PER SHARE</b>			
<b>ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic	<i>7</i>	<u><b>HK0.55 cents</b></u>	<u>(HK0.60 cents)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b><u>50,832</u></b>	<b><u>(55,972)</u></b>
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>(31,087)</b>	(12,542)
Reclassification of cumulative translation reserve upon disposal of a joint venture	<b><u>7,596</u></b>	<u>–</u>
	<b>(23,491)</b>	(12,542)
Item that will not be reclassified to profit or loss:		
Actuarial gains on defined benefit plans, net of tax	<b><u>7,089</u></b>	<u>6,835</u>
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX</b>	<b><u>(16,402)</u></b>	<u>(5,707)</u>
<b>TOTAL COMPREHENSIVE INCOME(EXPENSE) FOR THE YEAR</b>	<b><u><u>34,430</u></u></b>	<b><u><u>(61,679)</u></u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>602,498</b>	458,727
Right-of-use assets		<b>264,010</b>	289,033
Investment property		–	123,800
Goodwill	8	<b>13,439</b>	14,163
Other intangible assets		<b>1,387,327</b>	1,564,078
Interest in an associate		<b>14,409</b>	20,371
Interest in a joint venture		–	–
Financial assets at fair value through profit or loss		<b>1,950</b>	1,938
Equity investment designated at fair value through other comprehensive income		<b>390</b>	389
Deferred tax assets		<b>6,615</b>	–
 Total non-current assets		 <b>2,290,638</b>	 2,472,499
<b>CURRENT ASSETS</b>			
Inventories		<b>522,183</b>	492,972
Loan to an associate		<b>6,937</b>	7,121
Loan to a joint venture		–	7
Trade receivables	9	<b>96,739</b>	117,435
Prepayments, deposits and other receivables		<b>31,001</b>	24,282
Amounts due from fellow subsidiaries		<b>27,598</b>	25,823
Bank deposits		<b>245,849</b>	–
Cash and cash equivalents		<b>578,903</b>	623,119
 Total current assets		 <b>1,509,210</b>	 1,290,759
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>138,233</b>	133,422
Other payables and accruals		<b>131,851</b>	99,980
Amount due to a fellow subsidiary		<b>5,580</b>	–
Amounts due to intermediate holding companies		<b>25,739</b>	27,495
Tax payable		<b>46,200</b>	40,003
Contract liabilities		<b>16,941</b>	8,139
Provisions		<b>50,841</b>	75,291
Lease liabilities		<b>7,398</b>	6,533
 Total current liabilities		 <b>422,783</b>	 390,863
 <b>NET CURRENT ASSETS</b>		 <b>1,086,427</b>	 899,896
		 <b>3,377,065</b>	 3,372,395

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>EQUITY</b>		
Share capital	<b>930,337</b>	930,337
Reserves	<b>1,888,554</b>	1,854,124
Total equity	<b>2,818,891</b>	2,784,461
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>175,891</b>	211,518
Contract liabilities	<b>36,127</b>	29,253
Provisions	<b>55,825</b>	32,394
Lease liabilities	<b>286,701</b>	304,485
Defined benefit plan obligations	<b>3,630</b>	10,284
Total non-current liabilities	<b>558,174</b>	587,934
	<b>3,377,065</b>	3,372,395

*Notes:*

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

**2. AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR**

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. OPERATING SEGMENT

Information reported to the chief executive officer of the Group, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on type of goods or services delivered or provided. The Group has only one reportable operating segment, the general aviation aircraft piston engine business, which is engaged in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and support for piston engines.

Management monitors the results of the Group’s operating segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit (loss) before tax, which is a measure of adjusted profit (loss) before tax. The adjusted profit (loss) before tax is measured consistently with the Group’s profit (loss) before tax except that certain income, gains and losses, administrative expenses, impairment losses under expected credit loss (“ECL”) model, net of reversal and share of results of an associate are excluded from such measurement.

The CODM makes decisions according to operating results of the segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

The following is an analysis of the Group’s revenue and results by reportable operating segment for the year ended 31 December.

	General aviation aircraft piston engine business		Total	
	2022	2021	2022	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>Segment revenue:</b>				
Sales to external customers	<u>1,665,515</u>	<u>1,416,409</u>	<u>1,665,515</u>	<u>1,416,409</u>
<b>Segment results</b>	<u>34,012</u>	<u>(23,403)</u>	<u>34,012</u>	<u>(23,403)</u>
Unallocated other income			11,253	4,260
Unallocated other gains and losses			12,559	9,317
Unallocated administrative expenses			(17,562)	(15,597)
Unallocated impairment losses under ECL model, net of reversal			(4,607)	4,763
Share of results of an associate			<u>(8,390)</u>	<u>(4,130)</u>
Profit (loss) before tax			<u>27,265</u>	<u>(24,790)</u>

#### 4. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES

An analysis of revenue, other income, other gains and losses is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Sale of aircraft engines transferred at a point in time	870,055	707,931
Sale of spare parts transferred at a point in time	707,352	580,191
Rendering of services transferred over time	88,108	128,287
	<u>1,665,515</u>	<u>1,416,409</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other income</b>		
Bank borrowings forgiven*	–	57,559
Bank interest income	9,137	3,586
Distributorship fee income	783	775
Government grant**	143	–
Insurance claim	1,078	–
Interest income on loan to an associate	391	448
Interest income on loan to a joint venture	–	285
Management fee income	1,265	–
Others	833	697
	<u>13,630</u>	<u>63,350</u>

\* During the year ended 31 December 2021, as part of the US federal government's Paycheck Protection Program to support entities to continue paying salary to their workers, the Group's bank borrowings with a carrying amount of HK\$57,559,000 were forgiven as the Group had fulfilled the conditions as required by the US federal government which includes, amongst other things, maintaining employees and compensation at acquired levels.

\*\* During the year ended 31 December 2022, the Group received government grant of HK\$143,000 in respect of Covid-19-related subsidies from the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other gains and losses</b>		
Gain on deemed disposal of an associate	3,852	11,790
Gain on disposal of a joint venture	6,515	–
Gain on early termination of lease	10	–
Loss on disposal of property, plant and equipment	(315)	(7,866)
Loss on disposal of other intangible assets	(326)	–
Fair value gain on other financial liabilities ( <i>Note</i> )	–	12,525
Fair value gain (loss) on an investment property	700	(4,400)
Foreign exchange differences, net	(2,457)	(10,083)
	<u>7,979</u>	<u>1,966</u>

*Note:* In prior year, the Group's bank borrowings have been fully repaid and all interest rate swap contracts have been settled. Fair value gain of HK\$12,525,000 was recognised and included in other gains and losses.



	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Impairment losses under expected credit loss model, net of reversal:</b>		
– trade receivables	(1,347)	(426)
– other receivables	(4,600)	2,931
– loans to a joint venture	(7)	1,832
	<u>(5,954)</u>	<u>4,337</u>

## 5. INCOME TAX (CREDIT) EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Elsewhere:		
Charge for the year	15,326	10,386
(Over) under provision in prior years	(816)	3,258
Deferred tax	(38,077)	17,538
	<u>(23,567)</u>	<u>31,182</u>

## 6. PROFIT (LOSS) FOR THE YEAR

The Group's profit (loss) for the year has been arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Cost of inventories recognised as an expense (including write-down of inventories amounting to HK\$11,557,000 (2021: HK\$8,197,000))	1,085,381	1,016,720
Cost of services provided	71,646	77,038
Provisions:		
Additional provision, net*	72,258	76,906
Depreciation of property, plant and equipment	32,992	46,015
Depreciation of right-of-use assets	14,194	15,834
Amortisation of other intangible assets	83,087	87,094
Employee benefit expense (including directors' remuneration)		
Wages and salaries	209,678	208,768
Retirement benefits and contributions**	15,584	16,177
Defined benefit schemes	3,112	3,369
	<u>228,374</u>	<u>228,314</u>
Auditor's remuneration	<u>4,364</u>	<u>3,745</u>

\* *During the year ended 31 December 2021, the total estimated cost of HK\$40,539,000 was for a legal case which relates to product liabilities and included in product claim provision. The legal case has been finalised and settled in prior year.*

*During the year ended 31 December 2022, the total estimated cost of HK\$23,400,000 was for a legal case which relates to product claim liabilities and included in product claim provision. The legal case is still undergoing judicial procedures as at 31 December 2022.*

\*\* *Retirement benefits and contributions of the Group include the Mandatory Provident Fund Scheme in Hong Kong, the state-managed retirement benefits scheme in the PRC, and the social security expenditure in Germany.*

*As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2021: Nil).*

## 7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share amounts is based on the profit (loss) for the year attributable to owners of the company and the number of ordinary shares in issue during the year.

The calculation of basic earnings (loss) per share is based on:

	<b>2022</b> <b>HK\$'000</b>	2021 <b>HK\$'000</b>
Profit (loss) attributable to owners of the company	<u><b>50,832</b></u>	<u>(55,792)</u>
		<b>Number of shares 2022 and 2021</b>
Number of ordinary shares in issue during the year		<u>9,303,374,783</u>

No diluted earnings (loss) per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

## 8. GOODWILL

The Group's goodwill acquired through business combination has been allocated to the following cash-generating units ("CGU") for impairment testing:

- General aviation aircraft piston engine business in USA CGU ("USA CGU"); and
- General aviation aircraft piston engine business in Germany CGU ("Germany CGU")

Management performed the impairment assessment of USA CGU and Germany CGU with the support of an independent professional valuer, Kroll, LLC (formerly known as Duff & Phelps, LLC).

As at 31 December 2022 and 2021, the entire amount of goodwill was related to the Germany CGU. The goodwill related to USA CGU has been fully impaired in previous years. During the year ended 31 December 2022, the directors of the Company determines that there is no impairment on Germany CGU.

## 9. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	103,114	123,190
Impairment losses under ECL	<u>(6,375)</u>	<u>(5,755)</u>
	<u><b>96,739</b></u>	<u><b>117,435</b></u>

As at 1 January 2021, trade receivables from contracts with customers amounted to HK\$122,955,000.

The Group's trading terms with its customers are mainly on credit, where partial advanced payment is required for certain customers. The credit period is generally 30 days and each customer has been assigned a specified credit limit by the Group.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. As at 31 December 2022, the Group had certain concentrations of credit risk as 35% (2021: 50%) of the Group's trade receivables were due from one of the Group's key customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	66,918	88,666
1 to 2 months	15,469	14,509
2 to 3 months	4,041	3,923
Over 3 months	<u>10,311</u>	<u>10,337</u>
	<u><b>96,739</b></u>	<u><b>117,435</b></u>

## 10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	114,706	99,589
1 to 2 months	12,861	16,146
2 to 3 months	4,479	1,999
Over 3 months	<u>6,187</u>	<u>15,688</u>
	<u><b>138,233</b></u>	<u><b>133,422</b></u>

The trade payables are normally settled on 45 days terms.

## 11. COMPARATIVE INFORMATION

Certain comparative financial information has been reclassified in order to conform with the current period's presentation.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2022.

## **OVERALL REVIEW**

In 2022, the Group recorded a revenue of HK\$1,665,515,000 (2021: HK\$1,416,409,000) and a gross profit of HK\$508,488,000 (2021: HK\$322,651,000). The Group recorded a profit for the year of HK\$50,832,000 (2021: loss of HK\$55,972,000), which was mainly because of the general aviation aircraft piston engine business recorded a profit for the year of HK\$60,874,000 (2021: loss of HK\$48,108,000).

Basic earnings per share amounted to HK¢ 0.55 (2021: loss HK¢ 0.60). The return on equity, calculated on the basis of profit attributable to owners of the Company as a percentage of equity attributable to owners of the Company, was 1.8% (2021: -2%).

## **BUSINESS REVIEW**

During the year, the Group has only one reportable operating segment, the general aviation aircraft piston engine business, which engages in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and support for piston engines.

In 2022, the general aviation aircraft piston engine business recognised a revenue of HK\$1,665,515,000 (2021: HK\$1,416,409,000) and a gross profit of HK\$508,488,000 (2021: HK\$322,651,000), and recorded a profit for the year of HK\$60,874,000 (2021: loss of HK\$48,108,000). The profit was mainly attributable to the increase in the sales orders and the products deliveries resulted in a significant growth in the revenue and the corresponding gross profit this year, offsetting the impact of the impairment of HK\$101,142,000 on other intangible assets.

It is impossible to review the 2022 global economic overview without addressing the proverbial elephant in all industries: inflation. For decades, significant price growth eluded most major markets. Then, suddenly, a surge in demand coming out of the COVID-19 recession, individual saving increasing, coupled with the Russia and Ukraine conflict, created operational pressure on the global economic environment.

In 2022, the global economy headed into low growth. The International Monetary Fund projected global gross domestic product (“GDP”) growth would slow from 6% in 2021 to an estimated 3.4% in 2022. Meanwhile, global inflation rose from 4.7% in 2021 to 8.8% in 2022.

Notwithstanding the United States Fed funds rate was raised by 425 basis points in 2022, the United States economy finished 2022 in solid shape even as questions persist over whether growth will turn negative in the year ahead. Real GDP grew at a strong annualized pace of 3.2% in the third quarter and was on track for another 2.9% in the fourth quarter GDP at an annualized pace. As a reflection, the demand for general aviation aircraft remains high as the industry continues to strategically navigate the supply chain challenges, fuel cost increase, and workforce shortage. According to the General Aviation Management Association Report, 1,524 piston aircraft were delivered in 2022, an 8.2% raise from last year.

In spite of challenges of COVID impacts, supply chain bottleneck, inflation, labor shortage, fuel cost increase, and machine downtime, the Group continued navigating the blustery headwind and reported a strong 2022 performance: revenue increased by 17.6% from last year; profit and cash from operating activities are hence significantly improved.

## **FINANCIAL REVIEW**

### **Goodwill**

The Group's goodwill acquired through business combination has been allocated to a cash-generating unit in USA ("USA CGU") and a cash-generating unit in Germany ("Germany CGU"). As at 31 December 2022, the entire amount of the goodwill related to the Germany CGU was HK\$13,439,000 (2021: HK\$14,163,000). The impairment assessment of Germany CGU was performed with the support of Kroll, LLC, an independent professionally qualified valuer.

During the year ended 31 December 2022 and 2021, no impairment loss is recognised.

### **Other intangible assets**

Other intangible assets consist of development programs in progress, trademarks, product technology, licence and completed programs, customer relationships and others. As at 31 December 2022, the Group's other intangible assets were HK\$1,387,327,000 (2021: HK\$1,564,078,000).

During the year ended 31 December 2022, the impairment loss of HK\$101,142,000 was recognised for development programs in progress. During the year ended 31 December 2021, the impairments losses of HK\$1,307,000 and HK\$5,121,000 were recognised for trademarks and customer relationships respectively.

### **A joint venture and an associate**

During the year, the Group recorded a share of losses of an associate in an aggregate of HK\$8,390,000 (2021: HK\$4,130,000). The dilution of the Group's equity interest in an associate constitutes a gain on deemed disposal of an associate of HK\$3,852,000 (2021: HK\$11,700,000).

On 30 November 2020, the Group entered into a share purchase agreement with a purchaser, an independent third-party, pursuant to which the purchaser agreed to acquire the Group's equity interest held in a joint venture with a consideration of RMB11,500,000. The disposal was completed on 28 April 2022. During the year, the Group recorded a disposal gain of a joint venture of HK\$6,515,000.

### **Administrative expenses**

Administrative expenses consist of salaries and wages, product liability expenses, engineering expenses, legal and professional expenses and other general expenses. During the year, the Group recorded administrative expenses of HK\$293,665,000 (2021: HK\$298,862,000).

## **LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES**

The Group has consistently maintained sufficient working capital. As at 31 December 2022, the Group had current assets of HK\$1,509,210,000 (2021: HK\$1,290,759,000), including cash and bank balances and bank deposits with original maturity over three months in an aggregate of HK\$824,752,000 (2021: HK\$623,119,000). The Group's current liabilities as at 31 December 2022 were HK\$422,783,000 (2021: HK\$390,863,000).

As at 31 December 2022, the Group's total equity amounted to HK\$2,818,891,000 (2021: HK\$2,784,461,000), comprising issued capital of HK\$930,337,000 (2021: HK\$930,337,000) and reserves of HK\$1,888,554,000 (2021: HK\$1,854,124,000). The Group's interest-bearing debts included lease liabilities of HK\$294,099,000 (2021: HK\$311,018,000). The Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of total equity plus the interest-bearing debts, was 9.4% (2021: 10.0%).

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2022 and 2021, there are no assets pledged to secure the Group's bank facilities.

## **EXPOSURE TO FOREIGN CURRENCY RISK**

As most of the Group's business transactions, assets and liabilities are principally denominated in the functional currencies of the operating units, the Group's exposure to foreign currency risk is minimal.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Save for the transactions described elsewhere in this announcement, the Group had no material acquisitions or disposals during the year.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

## **ENVIRONMENTAL AND REGULATORY COMPLIANCE**

Environmental protection and the effective use of natural resources have gradually become an important concept in modern economic growth. The Group has been keeping track of the major trends in environmental protection around the world and has been making an effort to integrate the concept of environmental protection in its operations. Based on new technology and management approach, the Group strictly controls its environmental impact and resource usage such that cleaner production featuring lower pollution and lower emissions thus sustainable development can be achieved.

The Group strictly complies with all applicable laws and regulations released by the relevant authorities which are material to us. Throughout the year 2022, there was no non-compliance with the relevant laws and regulations that had a significant impact on the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2022, there were 534 (2021: 510) employees in the Group. The employees' wages and salaries amounted to HK\$209,678,000 (2021: HK\$208,768,000) for the year ended 31 December 2022. The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to employees have contributed to building good staff relations and retention. The Group's remuneration policies are formulated based on the performance of individual employees and market conditions and are reviewed regularly. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

## **OUTLOOK**

The International Monetary Fund projected global GDP growth will slow from 3.4% in 2022 to 2.9% in 2023. Meanwhile, global inflation is forecasted to decrease from 8.8% in 2022 to 6.6% in 2023 and to 4.3% in 2024. However, economists expect a full reopening of the Chinese economy would be "the biggest positive" that markets could expect in 2023.

Global economic activity continues to decelerate sharply because of synchronized monetary policy tightening to contain high inflation, less favorable financial conditions, and disruptions from the Russian and Ukraine conflict. According to the latest Global Economic Prospects report, global growth will slow down. The outlook has several downside risks, including the possibility of higher inflation, even tighter monetary policy, financial stress, and rising geopolitical tensions.



In 2022, the Group significantly improved engine delivery lead time from 87 days to 35 days for major specs. The Group still have a solid aftermarket spare parts backlog that will be fulfilled till the fourth quarter of 2023. the Group's strategy across the market sectors continually focuses on providing a reliable quality product while delivering an outstanding "Continental Experience" via exceptional customer service and great value to our customers. Hence, after 2022's "Zero or Hero" theme, the Group started the strategy of "Think Big, To Be Great" in 2023. The Group will continuously focus on four delivery results: orders, revenue, profit, and cash. These key strategic priorities will vigorously create the Group's future growth opportunities.

### **World Class Manufacturing Facility – Blue Marlin Project**

Through 2022, the Group successfully completed 61% of new machining centers producing production parts (19 of 31); 90% of new machining centers installed (28 of 31) and 90% of new machining production released. The Group expect 100% of the new machining centers projected to be installed by the first quarter of 2023 and all production capabilities by the end of the second quarter of 2023.

In January 2023, the Group launched World Class Manufacturing ("WCM") campaign for growing faster and stronger. The Group will use WCM to create an overriding goal and an underlying mindset for achieving the best manufacturing results via the 10 technical pillars: safety, cost deployment, focused improvement, autonomous maintenance, professional maintenance, quality control, logistics & supply chain, early product & equipment management, people development and environmental. In addition, the Group will use the WCM system to eliminate manufacturing waste and reduce its cost moving forward.

### **Research and Development**

Regardless of challenges on constraints of research and development resources (raw material supply and engineers pool), the Group achieved the milestones of increasing CD300 time between replacement ("TBR") to 2,000 hours and increasing the CD170 TBR to 1,800 hours in 2022.

Additionally, the Group finalized the latest GTSIO520 engine's Federal Aviation Administration certification and the European Aviation Safety Agency validation, and our airframe partners and the market have enthusiastically accepted our product development. Other spotlights include:

1. Diamond DA50RG with the CD300, including the TBR increase. The DA50 is market ready for the next decade.
2. Tecnam P2012 with twin GTSIO520 engines, replaced the competitor's FADEC-controlled engines.
3. Tecnam P2010TDI with the CD170 TBR increase. The P2010 Jet-A variant will be a competitor for all small aircraft (C172, DA40, etc.).
4. Related aftermarket sales.



## **Enterprise Resource Planning**

To facilitate business growth, the Group has been implementing new Enterprise Resource Planning (“ERP”) globally since the first quarter of 2022. The new ERP systems will provide robust platforms to better manage our manufacturing processes and operational costs, and assist in business growth, supply chain streamlining, inventory, and reporting processes. The Group expect to complete the new ERP in 2023.

In a nutshell, the Group had a recorded-high operating profit and cash flow in 2022. However, the surge in inflation, the Russia and Ukraine conflict, and the implication of interest rate hikes, utility, and other operating cost increases will bring a considerable degree of uncertainty to the global economy and the General Aviation industry. In 2023, the Group will pursue World Class Professionalism and World Class Manufacturing to navigate the challenges to enable the Group to grow faster and stronger.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining good standards of corporate governance practices by emphasising transparency, accountability and responsibility to its shareholders.

For the year ended 31 December 2022, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

## **CHANGES OF DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

The changes in Directors’ information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

Mr. Li Peiyin, has been appointed as a dependent director of Tianma Microelectronics Co., Ltd. on 8 July 2022, the shares of which are listed on the Shenzhen Stock Exchange.

Mr. Li Ka Fai, David has been redesignated from member to chairman of audit committee, from chairman to member of remuneration committee and retired as member of nomination committee of China Merchants Port Holdings Company Limited (stock code: 00144) on 8 December 2022 respectively, the shares of which are listed on the Stock Exchange.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2022.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 31 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **REVIEW BY AUDIT COMMITTEE**

The annual results for the year ended 31 December 2022 of the Group have been reviewed by the audit committee of the Company.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 23 May 2023 to Monday, 29 May 2023, both days inclusive, during which period no transfer of shares will be registered, in order to determine the entitlement to vote and attend at the forthcoming annual general meeting of the Company to be held on 29 May 2023 (“AGM”). In order to be entitled to vote and attend at the AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with the Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 22 May 2023.

## **APPRECIATION**

I would like to take this opportunity to express my appreciation to my fellow Directors and all our staff for their support, hard work and dedication.

By order of the Board of  
**Continental Aerospace Technologies Holding Limited**  
**Huang Yongfeng**  
*Chairman*

Hong Kong, 31 March 2023

*As at the date of this announcement, the Board comprises Mr. Huang Yongfeng, Mr. Yu Xiaodong, Ms. Jiao Yan, Mr. Zhao Yang and Mr. Li Peiyin 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.*