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## **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)**

### **REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTIONS FOR THE YEARS ENDING 31 DECEMBER 2023 AND 2024**

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

On 25 September 2023, the Company entered into the Supplemental 2021 Sale Framework Agreement with China Aviation to revise the Original Annual Cap from US\$38.7 million to US\$44.9 million for the year ending 31 December 2023 and from US\$39.2 million to US\$50.4 million for the year ending 31 December 2024.

#### **LISTING RULES IMPLICATIONS**

As China Aviation and its associates are connected persons of the Company under Chapter 14A of the Listing Rules, the transactions contemplated under the Supplemental 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 exceeds HK\$10,000,000 and the highest of the relevant applicable percentage ratios calculated under Rule 14.07 under the Listing Rules exceed 5%, the transactions contemplated under the Supplemental 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 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 2021 Sale Framework Agreement (including, but not limited to, the Revised Annual Cap) and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Supplemental 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 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 19 October 2023 in compliance with the Listing Rules as additional time is required to finalise certain information to be included in the circular.

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

### **Background**

References are made to the announcement of the Company dated 25 October 2021 and the circular of the Company dated 18 November 2021 in relation to, among others, the 2021 Sale Framework Agreement.

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 the sale of parts into the aftermarket for maintenance, repair and overhaul.

On 25 September 2023, the Company and China Aviation entered into the Supplemental 2021 Sale Framework Agreement to revise the Original Annual Cap from US\$38.7 million to US\$44.9 million for the year ending 31 December 2023 and from US\$39.2 million to US\$50.4 million for the year ending 31 December 2024.

## Principal terms of the Supplemental 2021 Sale Framework Agreement

Date: 25 September 2023

Parties: China Aviation and the Company

Subject: The annual cap amount in respect of the sale of engines, engine parts and related services to China Aviation and/or its associates (excluding the Group) under the Supplemental 2021 Sale Framework Agreement for the years ending 31 December 2023 and 2024 shall be revised as follows:

	<b>For the year ending 31 December 2023</b>	<b>For the year ending 31 December 2024</b>
	<i>US\$ million</i>	<i>US\$ million</i>
Original Annual Cap	38.7	39.2
Revised Annual Cap	44.9	50.4

Conditions precedent: The Supplemental 2021 Sale Framework Agreement is conditional upon:

- (a) the due execution of the Supplemental 2021 Sale Framework Agreement by the Company and China Aviation;
- (b) the Supplemental 2021 Sale Framework Agreement and the transactions contemplated thereunder having been approved by the Board and having obtained approval from the Independent Shareholders at the SGM; and
- (c) the necessary approvals having been obtained by China Aviation.

### Basis of determination of the Revised Annual Cap

The actual historical transaction amounts for such sales to China Aviation and/or its associates for the year ended 31 December 2022 and the eight months ended 31 August 2023 are as follows:–

	<b>For the year ended 31 December 2022</b>	<b>For the eight months ended 31 August 2023</b>
	<i>US\$ million</i>	<i>US\$ million</i>
Actual historical transaction amount	32.78	26.61

The Revised Annual Cap was determined mainly by reference to (i) the actual historical transaction amount for the year ended 31 December 2022 and the eight months ended 31 August 2023 as set out above; (ii) the estimated transaction amount of engines, engine parts and related services of approximately US\$68.69 million to be purchased by China Aviation and/or its associates (excluding the Group) of approximately US\$18.29 million and US\$50.40 million for the remaining term of the year ending 31 December 2023 and for the year ending 31 December 2024, respectively; and (iii) an adequate buffer for a potential increase in demand by China Aviation and/or its associates (excluding the Group) of approximately 5% to the estimated transaction amount for each of the years ending 31 December 2023 and 2024.

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

Due to the increased operation needs of China Aviation and its associates, the expected amounts of transactions under the 2021 Sale Framework Agreement for the years ending 31 December 2023 and 2024 are expected to be higher than the Original Annual Cap.

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 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 terms of the Supplemental 2021 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.

### **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 general aviation aircraft piston engine business, which is 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.

### **INFORMATION OF CHINA AVIATION**

China Aviation Industry General Aircraft Co., Ltd. (中航通用飛機有限責任公司) is a company established in the PRC and is owned as to 70% by 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 is wholly owned by the PRC State-owned Assets Supervision and Administration Commission. Aviation Industry Corporation of China, Ltd. holds 91.14% of the equity interest in AVIC International Holding Corporation (中國航空技術國際控股有限公司), a controlling shareholder of the Company that indirectly owns as to 46.40% of the entire issued share capital of the Company. 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 China Aviation and its associates are connected persons of the Company under Chapter 14A of the Listing Rules, the transactions contemplated under the Supplemental 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 exceeds HK\$10,000,000 and the highest of the relevant applicable percentage ratios calculated under Rule 14.07 under the Listing Rules exceed 5%, the transactions contemplated under the Supplemental 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 Mr. Huang Yongfeng, Mr. Yu Xiaodong, Ms. Jiao Yan, Mr. Zhang Zhibiao and Mr. Li Peiyin are directors of subsidiaries of AVIC International Holding Corporation, each of Mr. Huang Yongfeng, Mr. Yu Xiaodong, Ms. Jiao Yan, Mr. Zhang Zhibiao and Mr. Li Peiyin had abstained from voting on the resolutions at the meeting of the Board for approving the Supplemental 2021 Sale Framework Agreement.

## **GENERAL**

In view of the interests of China Aviation in the Supplemental 2021 Sale Framework Agreement, China Aviation and its associates will be required to abstain from voting in relation to the Supplemental 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 for China Aviation and its associates, no other Shareholder has a material interest in the Supplemental 2021 Sale Framework Agreement and the transactions contemplated thereunder and 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 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 2021 Sale Framework Agreement (including, but not limited to, the Revised Annual Cap) and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Supplemental 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 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 19 October 2023 in compliance with the Listing Rules as additional time is required to finalise certain information to be included in the circular.

## DEFINITIONS

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

“2021 Sale Framework Agreement”	the agreement dated 25 October 2021 and entered into between the Company and China Aviation in relation to the sale of engines, engines 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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“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
“Director(s)”	director(s) 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 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 471 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Supplemental 2021 Sale Framework Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than China Aviation, its associates and all other Shareholders who are interested in the Supplemental 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, engine parts and related services to China Aviation and its associates by the Group under the 2021 Sale Framework Agreement for the years ending 31 December 2023 and 2024
“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 engine, engine parts and related services to China Aviation and its associates by the Group under the 2021 Sale Framework Agreement for the years ending 31 December 2023 and 2024
“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 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 2021 Sale Framework Agreement”	the supplemental sale framework agreement dated 25 September 2023 and entered into between the Company and China Aviation in relation to the revision of the Original Annual Cap
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 25 September 2023

*As at the date of this announcement, the Board comprises Mr. Huang Yongfeng, Mr. Yu Xiaodong, Ms. Jiao Yan, Mr. Zhang Zhibiao, 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.*