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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”) of Continental Aerospace Technologies Holding Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4	729,318	651,410
Cost of sales and services		<u>(516,007)</u>	<u>(475,776)</u>
Gross profit		213,311	175,634
Other income		2,346	14,093
Other gains and losses		18,117	(3,040)
Impairment of goodwill	10	–	(377,336)
Selling and distribution expenses		(30,871)	(36,903)
Administrative expenses		(162,086)	(149,661)
Research and development costs		(6,317)	(19,896)
Finance costs		(7,670)	(8,859)
Share of results of:			
A joint venture		–	–
An associate		<u>(2,425)</u>	<u>(730)</u>
PROFIT/(LOSS) BEFORE TAX	5	24,405	(406,698)
Income tax credit	6	<u>2,654</u>	<u>10,846</u>
PROFIT/(LOSS) FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>27,059</u>	<u>(395,852)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (cont'd)**

		For the six months ended 30 June	
		2021	2020
	<i>Note</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>HK0.29 cents</u>	<u>(HK4.25 cents)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>27,059</u>	<u>(395,852)</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		6,193	(1,871)
Item that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		<u>–</u>	<u>(7,458)</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD		<u>6,193</u>	<u>(9,329)</u>
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>33,252</u>	<u>(405,181)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>9</i>	466,741	481,329
Right-of-use assets	<i>9</i>	296,514	301,528
Investment property	<i>9</i>	127,900	128,200
Goodwill	<i>10</i>	15,305	14,927
Other intangible assets		1,630,082	1,657,066
Interests in an associate		21,691	12,029
Interests in a joint venture		–	–
Financial assets at fair value through profit or loss		1,938	1,938
Equity investments designated at fair value through other comprehensive income		389	389
Deferred tax assets		24,647	28,120
		<hr/>	<hr/>
Total non-current assets		2,585,207	2,625,526
CURRENT ASSETS			
Inventories		508,370	442,878
Trade receivables	<i>11</i>	121,045	122,955
Prepayments, deposits and other receivables		14,504	45,156
Amounts due from fellow subsidiaries		30,533	15,788
Loans to an associate		6,790	11,135
Loans to a joint venture		1,065	1,046
Cash and cash equivalents		687,781	914,072
		<hr/>	<hr/>
		1,370,088	1,553,030
Assets held for sale	<i>12</i>	33,784	–
		<hr/>	<hr/>
Total current assets		1,403,872	1,553,030

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

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade payables	13	137,459	107,783
Other payables and accruals		108,271	116,493
Amounts due to intermediate holding companies		23,869	26,456
Tax payable		39,695	38,283
Lease liabilities		6,752	5,311
Provisions and other liabilities		86,083	104,618
Contract liabilities		956	17,948
Bank borrowings		–	195,343
		<hr/>	<hr/>
Total current liabilities		403,085	612,235
		<hr/>	<hr/>
NET CURRENT ASSETS		1,000,787	940,795
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,585,994	3,566,321
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		213,887	226,902
Bank borrowings		57,559	57,559
Other financial liabilities		40,838	47,897
Lease liabilities		307,471	309,586
Provisions and other liabilities		32,474	32,529
Contract liabilities		37,471	28,935
Defined benefit plan obligations		16,902	16,773
		<hr/>	<hr/>
Total non-current liabilities		706,602	720,181
		<hr/>	<hr/>
Net assets		2,879,392	2,846,140
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Issued capital		930,337	930,337
Reserves		1,949,055	1,915,803
		<hr/>	<hr/>
Total equity		2,879,392	2,846,140
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. Basis of preparation

Pursuant to a special resolution passed by the Company, the name of the Company was changed from AVIC International Holding (HK) Limited (中國航空工業國際控股(香港)有限公司) to Continental Aerospace Technologies Holding Limited (大陸航空科技控股有限公司) with effect from 4 June 2021. The registration of the new name of the Company in Hong Kong was completed on 7 July 2021.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for an investment property and certain financial instruments, which are measured at fair values.

Other than the additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020. Moreover, the Group has applied following accounting policies which became relevant to the Group in the current period.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform-Phase 2</i>

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

3. Operating segment information

The chief operating decision-makers (“CODM”) have been identified as the board of directors of the Company. For management purposes, the Group is organised into business units based on their products and services. 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 segments 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, share of results of a joint venture and an associate are excluded from such measurement.

The CODM makes decisions according to operating results of each 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 six months ended 30 June.

	General aviation aircraft piston engine business		Total	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue:				
Sales to external customers	<u>729,318</u>	<u>651,410</u>	<u>729,318</u>	<u>651,410</u>
Segment results	<u>11,245</u>	<u>(402,395)</u>	<u>11,245</u>	<u>(402,395)</u>
<i>Reconciliation:</i>				
Unallocated other income			1,919	6,715
Unallocated other gains and losses			19,522	(3,134)
Unallocated administrative expenses			(5,856)	(7,154)
Share of results of:				
A joint venture			-	-
An associate			(2,425)	(730)
Profit/(loss) before tax			<u>24,405</u>	<u>(406,698)</u>

4. Revenue

An analysis of the Group's revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Sales of aircraft engines and spare parts transferred at a point in time	674,588	605,963
Rendering of services transferred over time	54,730	45,447
	729,318	651,410
Disaggregated revenue information – Geographical markets		
USA	560,808	500,262
Europe	103,569	94,581
Others	64,941	56,567
	729,318	651,410

5. Profit/(loss) before tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021	2020
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Cost of inventories sold*	478,127	436,866
Cost of services provided*	37,880	37,639
Write-down of inventories to net realisable value*	–	1,271
Depreciation of property, plant and equipment	23,873	30,441
Depreciation of right-of-use assets	8,089	8,246
Amortisation of other intangible assets	44,168	43,424
Gain on deemed disposal of an associate**	(11,790)	–
Fair value gain on other financial liabilities**	(7,059)	–

* Included in "cost of sales and services" in the condensed consolidated statement of profit or loss and other comprehensive income.

** Included in "other gains and losses" in the condensed consolidated statement of profit or loss and other comprehensive income.

6. Income tax

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 and 2020 as the Group did not generate any assessable profits arising in Hong Kong during those periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current – Hong Kong:		
Underprovision in prior years	–	99
Current – Elsewhere:		
Charge for the period	7,154	4,786
Deferred	<u>(9,808)</u>	<u>(15,731)</u>
	<u><u>(2,654)</u></u>	<u><u>(10,846)</u></u>

7. Earnings/(loss) per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Earnings/(loss):		
Profit/(loss) attributable to ordinary equity holders of the Company	<u>27,059</u>	<u>(395,852)</u>

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period	<u>9,303,374,783</u>	<u>9,303,374,783</u>

8. Dividend

No interim dividend was declared for the six months ended 30 June 2021 (2020: Nil).

9. Property, plant and equipment, right-of-use assets and investment property

During the six months ended 30 June 2021, the Group has additions of items of property, plant and equipment of HK\$19,359,000 (2020: HK\$97,412,000) and disposal of items of property, plant and equipment with net book value of HK\$52,000 (2020: HK\$8,000).

During the six months ended 30 June 2021, the Group entered into several new leases for buildings and motor vehicles for its operations. On lease commencement, the Group recognised right-of-use assets and lease liabilities of HK\$3,071,000 (2020:Nil).

The Group's investment property consisted of a commercial property in Hong Kong. The Group's investment property was revalued based on valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent professionally qualified valuer. The loss arising from change in fair value of investment property of HK\$300,000 (2020: HK\$14,400,000) has been recognised in profit or loss for the six months ended 30 June 2021.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property as at 30 June 2021:

	Valuation technique	Key input	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Commercial property	Market comparison approach	Adjusted unit price	HK\$29,559 – HK\$37,564 (31 December 2020: HK\$29,321 – HK\$38,024) per square feet	An increase in the market rent used would result in an increase in the fair value, and vice versa.

Under the market comparison approach, the property is valued on the market basis assuming sales in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Comparison is based on prices realised in actual transactions or asking prices of comparable properties. Appropriate adjustments are then made to account for the differences between such properties in terms of age, floor level and other relevant factors.

10. 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")

As at 30 June 2021 and 31 December 2020, the entire amount of goodwill was related to the Germany CGU. During the six months ended 30 June 2020, the goodwill of HK\$377,336,000 directly related to USA CGU was impaired which was mainly due to the COVID-19 pandemic and the deteriorated economic environment.

11. Trade receivables

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	127,526	131,392
Impairment losses under expected credit loss model	(6,481)	(8,437)
	121,045	122,955

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 30 June 2021, the Group had certain concentrations of credit risk as 33% (31 December 2020: 28%) 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:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	43,959	63,372
1 to 2 months	31,099	19,029
2 to 3 months	8,708	2,654
Over 3 months	37,279	37,900
	121,045	122,955

12. Assets held for sale

During the six months ended 30 June 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain property, plant and equipment and inventories, the disposal group, with carrying values of HK\$10,376,000 and HK\$23,408,000 respectively. The disposal was not completed as at 30 June 2021 and therefore the related assets which are expected to be sold within twelve months have been classified as assets held for sale.

13. 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:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	81,313	52,282
1 to 2 months	37,043	47,926
2 to 3 months	10,458	5,730
Over 3 months	8,645	1,845
	137,459	107,783

The trade payables are non-interest-bearing and are normally settled on 45-day terms.

OVERALL REVIEW

For the first half of 2021, the Group recorded revenue of HK\$729,318,000 (2020: HK\$651,410,000) and gross profit of HK\$213,311,000 (2020: HK\$175,634,000). The Group recorded profit for the period of HK\$27,059,000 (2020: loss of HK\$395,852,000), which was mainly because:

- (1) the general aviation aircraft piston engine business recorded profit for the period of HK\$15,350,000 (2020: loss of HK\$391,280,000); and
- (2) a fair value loss on an investment property of HK\$300,000 (2020: HK\$14,400,000) was recorded for the period;

Basic earnings per share amounted to HK¢0.29 (2020: basic loss per share of HK¢4.25). The return on equity, calculated on the basis of profit/(loss) attributable to owners of the Company as a percentage of equity attributable to owners of the Company, was 1% (2020: -12%)

BUSINESS REVIEW

During the period, 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.

For the first half of 2021, the general aviation aircraft piston engine business recognised revenue of HK\$729,318,000 (2020: HK\$651,410,000) and gross profit of HK\$213,311,000 (2020: HK\$175,634,000), and recorded profit for the period of HK\$15,350,000 (2020: loss of HK\$391,280,000). Impairment of goodwill of HK\$377,336,000 was recorded in the same period of last year mainly due to the COVID-19 pandemic and the deteriorated economic environment. Had the effect from the fair value adjustments on the identifiable assets acquired from the acquisition of the business in 2018 charged to current period's profit or loss of HK\$20,092,000 (2020: HK\$22,991,000) been excluded, the general aviation aircraft piston engine business would have recorded profit of HK\$35,442,000 (2020: loss of HK\$368,289,000).

With the launch of the COVID-19 vaccine and the gradual increase of the vaccination rate, the industries affected by the pandemic have gradually returned to normal demand. It is expected that the United States of America (the "USA") economic growth rate in 2021 and 2022 will reach 5.3% and 5.1%. As a wider vaccine coverage drives the rise of air travel volume, the General Aviation Manufacturers Association (GAMA) announced that the global piston airplane deliveries in the first quarter of 2021 increased by 7.3% compared with the same period of 2020. Under such circumstances, the sales income from the general aviation aircraft piston engine business in the first half of 2021 increased by 12% year-on-year.

In the first half of 2021, the impact of the COVID-19 pandemic lingers on. Facing the cost pressure caused by inflation and the challenge of supply chain shortage, we closely monitor the market trend to proactively adjust the operation strategy and raise our product price in the first half of 2021 to improve our profitability level. In 2021, the number of new orders and sales income exceeds the estimation for the same period of this year and the level for the same period in last year.

We conducted a modernised plant renovation named Blue Marlin Factory modernisation program, Alabama USA. To date, we have moved around 65% of staff, 75% of equipment, and 52% of manufacturing centers to the new plant. The manufacturing centers that have been transferred include cylinder, fuel/ignition system, camshaft milling and other system assembly and machining. However, the deliveries and training for certain equipment were delayed due to global travel restrictions. Project expenses are currently in line with budget, and the production process are expected to be fully transferred and ready for operation in the first quarter of 2022. It is expected that such brand-new, modernised plant will significantly enhance our future production capacity and cost competitiveness.

FINANCIAL REVIEW

Listed equity investments

As at 31 December 2020 and 30 June 2021, the Group held shares issued by Peace Map Holding Limited (“PMH”), which were classified as equity investments designated at fair value through other comprehensive income.

PMH’s shares had been suspended for trading since 2018 and delisted on 3 August 2020. The fair values of the shares have been assessed at nil since 2018.

A joint venture and an associate

The Group has discontinued the recognition of its share of losses of a joint venture as the share of losses of the joint venture exceeded the Group’s interest in it and the Group has no obligation to take up further losses. During the period, the Group recorded share of losses of an associate in an aggregate of HK\$2,425,000 (2020: HK\$730,000).

On 30 November 2020, the Group entered into a share purchase agreement with an independent third party, pursuant to which the purchaser agreed to acquire the Group’s equity interest held in the joint venture with a consideration of RMB11,500,000. The disposal was not completed as at 30 June 2021.

Goodwill

The Group’s goodwill acquired through business combination has been allocated to USA CGU and Germany CGU. As at 30 June 2021, the entire amount of goodwill related to the Germany CGU was HK\$15,305,000 (31 December 2020: HK\$14,927,000). The impairment assessment of Germany CGU was performed with the support of Duff & Phelps, LLC., an independent professionally qualified valuer.

During the six months ended 30 June 2020, the goodwill of HK\$377,336,000 directly related to USA CGU was impaired which was mainly due to the COVID-19 pandemic and the deteriorated economic environment.

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 30 June 2021, the Group's other intangible assets were HK\$1,630,082,000 (31 December 2020: HK\$1,657,066,000).

Administrative expenses

Administrative expenses consist of salaries and wages, product liability expenses, engineering expenses, legal and professional expenses and other general expenses. During the period, the Group recorded administrative expenses of HK\$162,086,000 (2020: HK\$149,661,000).

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group has consistently maintained sufficient working capital. As at 30 June 2021, the Group had current assets of HK\$1,403,872,000 (31 December 2020: HK\$1,553,030,000), including cash and bank balances and time deposits in an aggregate of HK\$687,781,000 (31 December 2020: HK\$914,072,000). The Group's current liabilities as at 30 June 2021 were HK\$403,085,000 (31 December 2020: HK\$612,235,000).

As at 30 June 2021, the Group's total equity amounted to HK\$2,879,392,000 (31 December 2020: HK\$2,846,140,000), comprising issued capital of HK\$930,337,000 (31 December 2020: HK\$930,337,000) and reserves of HK\$1,949,055,000 (31 December 2020: HK\$1,915,803,000). The Group's interest-bearing debts included interest-bearing bank borrowings of HK\$57,559,000 (31 December 2020: HK\$252,902,000) and lease liabilities of HK\$314,223,000 (31 December 2020: HK\$314,897,000). 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 11% (31 December 2020: 17%).

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021, there are no assets pledged to secure the Group's bank facilities. The Group has granted a continuing security interest in all assets of Continental Aerospace Technologies, Inc., a subsidiary of the Company and equity interests as the collaterals of certain bank loans as at 31 December 2020.

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 period.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, there were 541 (31 December 2020: 560) employees in the Group. The employees' wages and salaries, excluding directors' remuneration, amounted to HK\$107,565,000 (2020: HK\$96,833,000) for the period. 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

We still continue to face problems such as fragile supply chains and high absenteeism rate as many other companies do before the general population are vaccinated. We are committed to becoming a leader in the innovation of aviation power systems. Our global research and development team is commencing several projects concerning avgas and jet fuel engines. The current progress of all projects are in line with clients' expectations and will significantly contribute to our future growth. The first half of 2021 witnessed a positive growth in performance, and the second half presents both opportunities and challenges to the Group. We expect that the commissioning of the new plant will further streamline our products and processes, creating a safe, innovative and efficient work environment that facilitate the Group's steady growth in the future.

CORPORATE GOVERNANCE

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

Throughout the six months ended 30 June 2021, 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 (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”), except as noted hereunder.

Other than the non-executive Director appointed on 23 June 2015 and the independent non-executive Director appointed on 26 May 2017, the other two independent non-executive Directors are appointed without specific terms, a requirement provided by code provision A.4.1 of the CG Code. In accordance with the Bye-laws of the Company, one-third of the Directors (including non-executive Directors) for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election. Therefore, the Company is of the view that it has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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. Chu Yu Lin, David resigned as independent non-executive director of Zhuhai Holdings Investment Group Limited on 18 June 2021, the shares of which were delisted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 June 2021.

Mr. Li Ka Fai, David resigned as an independent non-executive director of CR Construction Group Holdings Limited (stock code: 1582) on 25 June 2021, 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

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, all of them confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") established in compliance with the Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control systems and the effectiveness of the Company's internal audit function including the review of this announcement. It currently comprises three independent non-executive Directors, namely, Mr. Chu Yu Lin, David (as Chairman), Mr. Li Ka Fai, David and Mr. Zhang Ping.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been reviewed by the Audit Committee, and has also been reviewed by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF INTERIM REPORT

The 2021 interim report will be published on the websites of the Company (www.cath.com.hk) and the Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company in due course.

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
Continental Aerospace Technologies Holding Limited
Lai Weixuan
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises Mr. Lai Weixuan, Mr. Huang Yongfeng, Mr. Zhang Zhibiao, Mr. Yu Xiaodong and Mr. Zhao Yang 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.