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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Continental Aerospace Technologies Holding Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

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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;  
(II) CONTINUING CONNECTED TRANSACTIONS;  
(III) RE-ELECTION OF DIRECTOR;  
AND  
(IV) NOTICE OF SPECIAL GENERAL MEETING**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**

 **SOMERLEY CAPITAL LIMITED**

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A notice convening the special general meeting (the “SGM”) of the Company to be held at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 6 December 2021 at 11:00 a.m. is set out on pages 37 to 39 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

Whether or not you are able to attend the SGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the SGM (i.e. Saturday, 4 December 2021 at 11:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish.

Please see the section headed “Precautionary Measures for the SGM” in this circular for measures being taken to try to prevent and control the spread of the COVID-19 pandemic at the SGM.

18 November 2021

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## **PRECAUTIONARY MEASURES FOR THE SGM**

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Reference is made to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the SGM.

### **VOTING BY PROXY IN ADVANCE OF THE SGM**

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish.

### **PREVENTIVE MEASURES AT THE SGM**

The Company will implement the following preventive measures at the SGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures;
- (ii) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the SGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures;
- (iii) every attendee will be required to wear a surgical face mask throughout the SGM. Please note that no masks will be provided at the SGM venue and attendees should bring and wear their own masks;
- (iv) seating at the SGM will be arranged so as to reduce interaction between participants; and
- (v) no refreshments will be served and there will be no corporate gifts.

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## **PRECAUTIONARY MEASURES FOR THE SGM**

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In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of the COVID-19 pandemic, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the COVID-19 pandemic. The Company will ensure that the SGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the SGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:*

“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
“associates”	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 Latest Practicable Date
“AVIC International”	AVIC International Holding Corporation (中國航空技術國際控股有限公司), a company incorporated with limited liability in the PRC and indirectly owns as to 46.40% of the entire 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
“Continental Aerospace”	Continental Aerospace Technologies, Inc., a company incorporated in the United States of America and a subsidiary of the Company

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## DEFINITIONS

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“Continuing Connected Transactions”	the transactions contemplated under the 2021 Sale Framework Agreement
“controlling shareholder(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 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 SFO, 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
“Independent Third Parties”	the independent third parties who are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) of the Company
“Latest Practicable Date”	15 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Original Annual Cap”	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
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Revised Annual Cap”	the revised 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
“SASAC”	the PRC State-owned Assets Supervision and Administration Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on Monday, 6 December 2021 at 11:00 a.m. for the Independent Shareholders 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 and the re-election of Director
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“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 dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Lai Weixuan (*Chairman*)

Mr. Huang Yongfeng

Mr. Yu Xiaodong

Ms. Jiao Yan

Mr. Zhao Yang (*Chief Executive Officer*)

*Registered office:*

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

*Non-executive Director:*

Mr. Chow Wai Kam

*Head office and principal place of  
business in Hong Kong:*

Unit A, 20/F, Tower 2

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

*Independent non-executive Directors:*

Mr. Chu Yu Lin, David

Mr. Li Ka Fai, David

Mr. Zhang Ping

18 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**(I) REVISION OF ANNUAL CAP OF CONTINUING CONNECTED  
TRANSACTIONS FOR THE YEAR ENDING 31 DECEMBER 2021;  
(II) CONTINUING CONNECTED TRANSACTIONS;  
(III) RE-ELECTION OF DIRECTOR;  
AND  
(IV) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

References are 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, and the announcement of the Company dated 25 October 2021 in respect of the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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On 22 January 2020, the Company entered into the 2020 Sale Framework Agreement with Aviation Industry, pursuant to which the Group will sell engines, engine parts and related services 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 entered into the Supplemental Sale Framework Agreement with Aviation Industry to revise the Original Annual Cap from US\$29 million to US\$31 million.

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.

The purpose of this circular is to provide you with, among other things, (i) further details of the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder and the re-election of Director; (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 of the SGM.

### REVISION OF THE ORIGINAL ANNUAL CAP

#### 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 2020 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

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## LETTER FROM THE BOARD

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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 the 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 as set out above; (ii) the estimated transaction amount of engines, engine parts and related services of approximately US\$7.6 million to be purchased by Aviation Industry and its associates (excluding the Group) for the remaining term for the year ending 31 December 2021; and (iii) an adequate buffer for a potential increase in demand by Aviation Industry and/or its associates (excluding the Group) of approximately US\$0.5 million.

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## LETTER FROM THE BOARD

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### 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, engine parts and related services 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 (including the independent non-executive Directors after considering the 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

#### 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:  (a) the due execution of the 2021 Sale Framework Agreement by the Company and China Aviation; and

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## LETTER FROM THE BOARD

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- (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 the Independent Shareholders at the SGM) from the Stock Exchange and other relevant laws, regulations and rules (including the Listing Rules).

### **Pricing of products and control mechanism of the Company**

The products to be sold by the Group to Aviation Industry, China Aviation and/or its associates are mainly engines and related parts and services to be produced as an OEM. Therefore, the products are usually unique in nature and involve different specifications and configuration. When determining the selling prices of the products, the same policy is adopted for the products to be sold by the Group to Aviation Industry, China Aviation and/or its associates and similar OEM independent third party customers. The process for determining the prices of the products is governed under the standard pricing procedure. This pricing procedure is specific in how the pricing for all customers is determined. It makes reference to a number of factors, including a negotiated price for different products, the specifications and configurations of the products to be sold, the competitiveness of the Group in producing such products and the then market conditions. In addition, the level of pricing is also determined after taking into account, among other things, purchase volume, strategic relationship and new product introduction strategies.

When determining the selling prices of the OEM products, the Group will first understand from the customer the nature, type of the products and any incumbent competitors. An initial price list or individual prices by part number will be set with market alignment. The price lists of the products will be reviewed and set based on several factors including, but not limited to, the specifications and configurations of the products, the complexity of producing the products and the estimated cost to produce such products with the required specifications and configurations. The Group will also consider the then market conditions and the Group's competitiveness (such as experience, capabilities, costs and efficiency). Further pricing considerations may also be given to individual customers with reference to the factors mentioned above, including, among other things, purchase volume, strategic relationship and new product introduction strategies. The prices are then approved in accordance with the pricing administration policy, including approvals from relevant sales director and vice president of sales of Continental Aerospace. The cost accounting department is informed of all the increases in prices as an additional check. Related party pricing (including connected persons of the Company) also requires additional mandated approvals by relevant director of sales, vice president of sales, the chief financial officer or global controller of Continental Aerospace.

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## LETTER FROM THE BOARD

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The Group has also taken into consideration the prevailing prices for similar engines and related parts and services to be produced as an OEM sold by the Group to other Independent Third Parties. The prices of the products to be sold by the Group to Aviation Industry, China Aviation and/or its associates fall within the range of prices for similar engines and related parts and services to be produced as an OEM sold by the Group to not less than 3 other Independent Third Parties, after taking into account differences in the factors set out in the standard pricing procedure.

The Group has formulated internal control measures and procedures in order to ensure that (i) each individual transactions are conducted within the framework of the Supplemental Sale Framework Agreement and 2021 Sale Framework Agreement; and (ii) the pricing mechanism and the terms of the transactions under the Supplemental Sale Framework Agreement and 2021 Sale Framework Agreement are fair and reasonable and no less favourable to the Company than the terms available to or from Independent Third Parties, and in the interest of the Company and its Shareholders as a whole. A control mechanism to segregate duties to notify and review connected transactions has been set up within the Group. The reporting of connected transactions is required to be submitted to the company secretary and financial department of the Company monthly. All selling prices and price lists of the products are analysed and reviewed annually by the Group and documented approval of all pricing is required by the relevant sales director and vice president of sales of Continental Aerospace. In the event that the 2021 Sale Framework Agreement is proposed to be amended during and/or renewed upon expiry of the relevant term, the Group will then compare the prices of products to be sold by the Group to Aviation Industry, China Aviation and/or its associates with the prevailing prices for similar engines and related parts and services to be produced as an OEM sold by the Group to not less than 3 other Independent Third Parties, after taking into account differences in the factors set out in the standard pricing procedure.

Continental Aerospace, a company incorporated in the United States of America and a subsidiary of the Company, which is engaging in the transactions contemplated under the Supplemental Sale Framework Agreement and 2021 Sale Framework Agreement, has adopted internal control procedures in relation to the transactions with customers, including transactions with Aviation Industry, China Aviation and/or its associates. Based on the standard procedures which have been approved by the chief executive officer of Continental Aerospace for setting prices for products and services sold, among others,

- (i) all pricing is analysed and reviewed annually. Documented approval of all pricing is required by the relevant sales director and vice president of sales of Continental Aerospace;
- (ii) negotiated discounts and/or indexed based increases are allowed based on a customer-by-customer basis and business development evaluation. All discounts and/or indexed based increases must be approved by the vice president of sales, chief financial officer and chief executive officer for annual pricing updates; and

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## LETTER FROM THE BOARD

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- (iii) all customers determined to be a related party (including connected persons of the Company) must be approved by the vice president of sales and the chief executive officer. Related party pricing (including connected persons of the Company) shall follow standard pricing guidelines outlined in the procedures.

Taking into that (i) the pricing policies of the Group is based on the standard pricing procedure, which makes reference to a number of factors including, among others, the specifications and configurations of the products to be sold, the Group's competitiveness in producing such products and the then market conditions; and (ii) the prices of the products to be sold by the Group to Aviation Industry, China Aviation and/or its associates fall within the range of prices for similar engines and related parts and services to be produced as an OEM sold by the Group to not less than 3 other Independent Third Parties, after taking into account differences in the factors set out in the standard pricing procedure, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the pricing policies of the Group and pricing of products to be sold by the Group to Aviation Industry, China Aviation and/or its associates under the 2021 Sale Framework Agreement are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Group.

Further, the Company will comply with all relevant requirements under the Listing Rules which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the transactions contemplated under the Supplemental Sale Framework Agreement and 2021 Sale Framework Agreement.

### **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 circular.

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## LETTER FROM THE BOARD

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Pursuant to the 2021 Sale Framework Agreement, it is proposed that the annual cap amounts for the sale of engines, 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:

	For the year ending 31 December		
	2022	2023	2024
	US\$ million	US\$ million	US\$ million
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 sales to Aviation Industry and/or its associates for each of the two financial years ended 31 December 2020 and the nine months ended 30 September 2021, details of which 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 circular; (ii) the estimated transaction amount (the “**Estimated Transaction Amount**”) of engines, engine parts and related services to be purchased by China Aviation and/or its associates (excluding the Group) of approximately US\$36.5 million, US\$36.9 million and US\$37.3 million for the three financial years ending 31 December 2022, 2023 and 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 three financial years ending 31 December 2024. The Estimated Transaction Amount was calculated after taking into consideration of (i) the estimated annualised engine sales order amount of approximately US\$30.8 million for the year ending 31 December 2021 based on the actual engine sales order amount for the nine months ended 30 September 2021; (ii) an estimated annual increase in the engine selling price of approximately 6% for the year ending 31 December 2022 and approximately 1% for each of the two financial years ending 31 December 2024; and (iii) a surcharge of approximately 6% and an estimated annual increase in transaction amount attributable to the provision of engine parts and related services of approximately 6% of the estimated engine sales for each of the three financial years ending 31 December 2024. Taking into account the 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, the estimated transaction amount of engines, engine parts and related services to be purchased by Aviation Industry, China Aviation and/or its associates (excluding the Group) from the Group will be approximately US\$38.3 million, US\$38.7 million and US\$39.2 million for each of the three financial years ending 31 December 2022, 2023 and 2024 respectively.

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## LETTER FROM THE BOARD

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### **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 (including the independent non-executive Directors after considering the 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.

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## LETTER FROM THE BOARD

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### 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.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how to vote on the proposed resolutions to approve the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder at the SGM. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RE-ELECTION OF DIRECTOR

According to Bye-law 102(A), any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy), and shall be eligible for re-election at that meeting.

In accordance with Bye-law 102(A), Ms. Jiao Yan will offer herself for re-election as an executive Director. At the SGM, ordinary resolution will be proposed to re-elect Ms. Jiao Yan as an executive Director.

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## LETTER FROM THE BOARD

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Details of the retiring Director who is proposed to be re-elected at the SGM are set out in Appendix I to this circular.

### **SGM**

The notice convening the SGM is set out on pages 37 to 39 of this circular. The SGM will be convened and held at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 6 December 2021 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve, among others, the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder and the re-election of Director. The voting at the SGM will be taken by way of poll.

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.

Whether or not you are able to attend the SGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the SGM (i.e. Saturday, 4 December 2021 at 11:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of the circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 18 to 32 of this circular, considers that the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement were entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder.

The Board considers that the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole and therefore recommends that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

The Board considers that the re-election of Director is in the interests of the Company and its Shareholders as a whole and therefore recommends that the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

For and on behalf of the Board  
**Continental Aerospace Technologies Holding Limited**  
**Lai Weixuan**  
*Chairman*

# 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)

18 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 18 November 2021 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how the Independent Shareholders should vote on the proposed resolutions to approve the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder at the SGM. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the letter of advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 18 to 32 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 15 of the Circular and the additional information set out in the Appendix II to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder, and the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the Supplemental Sale Framework Agreement and the 2021 Sale Framework Agreement were entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions at the SGM to approve the Supplemental Sale Framework Agreement, the 2021 Sale Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Mr. Chu Yu Lin, David**  
*Independent non-executive  
Director*

**Mr. Li Ka Fai, David**  
*Independent non-executive  
Director*

**Mr. Zhang Ping**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**

**SOMERLEY CAPITAL LIMITED**

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

18 November 2021

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the independent board committee and the independent shareholders of Continental Aerospace Technologies Holding Limited (the “**Company**”) in relation to the revision of annual cap of the continuing connected transactions for the year ending 31 December 2021 (the “**Annual Cap Revision**”) and the entering into of continuing connected transactions for the three years ending 31 December 2024 (the “**Renewal Transaction**”) (the Annual Cap Revision and the Renewal Transaction, collectively, the “**Transactions**”). Details of the Transactions are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 18 November 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 22 January 2020, the Company entered into the 2020 Sale Framework Agreement with Aviation Industry, pursuant to which the Group will sell engines, engine parts and related services 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 for a term from 1 April 2020 to 31 December 2021. The transactions contemplated under the 2020 Sale Framework Agreement was approved by the independent shareholders of the Company at the special general meeting dated 13 March 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 (i.e. the Annual Cap Revision). On the even date, 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 (i.e. the Renewal Transaction).

As Aviation Industry, China Aviation and their associates are connected persons of the Company under Chapter 14A of the Listing Rules, the Transactions 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 Transactions 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.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Zhang Ping, has been established to advise the Independent Shareholders in relation to the Transactions. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley Capital Limited has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) the revision of annual cap of continuing connected transactions and renewal of continuing connected transactions (details of which are set out in the Company's circular dated 5 December 2019); and (ii) continuing connected transactions (details of which are set out in the Company's circular dated 19 February 2020). The past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Somerley Capital Limited received normal professional fees from the Company. Given the independent advisory nature of the past engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and Aviation Industry/China Aviation that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the matters set out above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the “**Management**”) and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group, Aviation Industry or China Aviation, nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion with respect to the Transactions, we have taken into account the principal factors and reasons set out below.

#### **1. Information of the Group**

Based on the Company’s 2020 annual report, the Group is engaged in 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.

#### **2. 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.

#### **3. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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#### 4. Reasons for and benefits of the Transactions

##### *Background of the Transactions*

As mentioned in the section above, the Group is principally engaged in 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.

As advised by the Management, the transactions contemplated under the 2020 Sale Framework Agreement represent the sale of engines, engine parts and related services by the Group to Cirrus Design Corporation (“**Cirrus**”), which is wholly-owned by China Aviation and indirectly owned as to 70% by Aviation Industry.

With reference to the Board Letter, the Group has been selling engines, engine parts and related services to Aviation Industry and/or its associates (excluding the Group), such as Cirrus, 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. Cirrus is the world’s largest producer of piston-powered aircraft located in the United States of America (the “**USA**”).

##### *The Annual Cap Revision*

Due to the increased operation needs of Aviation Industry and its associates, 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 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. In view of the above, the Company entered into the Supplemental Sale Framework Agreement with Aviation Industry to revise the Original Annual Cap to the Revised Annual Cap.

Taking into account that (i) the Renewal Transaction is in line with the Group’s principal business; (ii) the Group has been conducting transactions with Cirrus over the past few years and also under the 2020 Sale Framework Agreement; and (iii) the Revised Annual Cap allows the Group to maintain a stable business relationship with and have sufficient room for conducting further transactions with Aviation Industry and/or its associates, we concur with the Management’s view that the Annual Cap Revision is in the interests of the Company and the Shareholders as a whole and is in the ordinary and usual course of business of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The Renewal Transaction*

We understand from the Management that the Group has maintained good business relationship with Cirrus with no major disputes in the past few years. The Management considers that the past transactions between the Group and Cirrus were conducted under fair and reasonable terms and it is appropriate to continue the business relationship with Cirrus so as to maintain a stable revenue stream of the Group. The Company therefore entered into the 2021 Sale Framework Agreement with China Aviation (which is the holding company of Cirrus) to govern such sales.

Taking into account that (i) the Renewal Transaction is in line with the Group's principal business; and (ii) the Group has been conducting transactions with Cirrus over the past few years and the 2021 Sale Framework Agreement represents a continuation of such business relationship, we concur with the Management's view that the Renewal Transaction is in the interests of the Company and the Shareholders as a whole and is in the ordinary and usual course of business of the Group.

### **5. Principal terms of the Annual Cap Revision**

The Supplemental Sale Framework Agreement, dated 25 October 2021, was entered into between Aviation Industry and the Company, pursuant to which 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 2020 Sale Framework Agreement for the year ending 31 December 2021 shall be revised from the Original Annual Cap of US\$29 million to the Revised Annual Cap of US\$31 million.

The Supplemental Sale Framework Agreement is conditional upon, among other things, the approval from the Independent Shareholders at the SGM. Further details of the Supplemental Sale Framework Agreement are set out in the sub-section headed "Principal terms of the Supplemental Sale Framework Agreement" under the section headed "REVISION OF THE ORIGINAL ANNUAL CAP" of the Board Letter.

In determining the Revised Annual Cap, the Company has considered the factors as set out in the sub-section headed "Basis of determination of the Revised Annual Caps" under the section headed "REVISION OF THE ORIGINAL ANNUAL CAP" of the Board Letter. For our due diligence purpose, we have discussed with the Management the basis for the Revised Annual Cap. We noted that the Revised Annual Cap is determined by (i) the annualized transaction amount of approximately US\$30.5 million, based on the actual transaction amount for the nine months ended 30 September 2021 as recorded by the Group's finance department (i.e. US\$22.9 million/9 x 12 ≈ US\$30.5 million); and (ii) a buffer of approximately US\$0.5 million, which represents less than 2% of the annualized transaction amount. As advised by the Management, such buffer was applied for unforeseeable circumstances such as the unexpected increase in demand from Cirrus. We consider such buffer to be justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account that the Revised Annual Cap is determined based on the actual transaction amount of the nine months ended 30 September 2021 and a reasonable buffer, we consider that the Revised Annual Cap is fair and reasonable. Accordingly, we also consider that the terms of the Annual Cap Revision are fair and reasonable.

### 6. Principal terms of the Renewal Transaction

Set out below is a summary of principal terms of the 2021 Sale Framework Agreement, details of which are set out in the sub-section headed “Principal terms of the 2021 Sale Framework Agreement” under the section headed “CONTINUING CONNECTED TRANSACTIONS” of the Board Letter.

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

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

As advised by the Management, the products sold/to be sold by the Group to China Aviation and/or its associates are mainly engines to be produced as an original equipment manufacturer (“OEM”), the products are usually unique in nature and involve different specifications and configuration. During the term of the 2020 Sale Framework Agreement in 2020 and 2021, the engines sold by the Group to China Aviation and/or its associates were not comparable to those sold to other Independent Third Parties, while the Group did not sell/provide related parts and services to other Independent Third Parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Despite that the products sold by the Group to China Aviation and/or its associates were not comparable to those sold to other Independent Third Parties during 2020 and 2021, we have enquired with the Management into the basis of determining the selling prices of the Group's sales and were advised that both connected customers and Independent Third Party customers are subject to the same pricing policy. The prices of the products are determined with reference to a number of factors, including a negotiated price for different products, the specifications and configurations of the products to be sold, the competitiveness of the Group in producing such products and the then market conditions. In addition, the level of pricing is also determined after taking into account, among other things, purchase volume, strategic relationship and new product introduction strategies.

In relation to the pricing policy as mentioned above, for our due diligence purpose, we have also obtained relevant transaction information in relation to (i) the sale of OEM products by the Group to Cirrus (which covers the two types of OEM products transactions sold by the Group to Cirrus) and (ii) the sale of another type of OEM product by the Group to another Independent Third Party customer randomly selected by us during 2020 and the ten months ended 31 October 2021. Given that (i) the Independent Third Party customer was selected on a random basis; and (ii) the transaction information covers the transactions with Cirrus and the Independent Third Party customer throughout the term of the 2020 Sale Framework Agreement, we consider the transaction information obtained to be fair and representative. For each transaction reviewed, we have discussed with the Management the details of factors taken into consideration when determining the selling price. Based on our discussion with the Management and review of the information, we noted that the Group adopted a consistent approach when determining the selling prices of the OEM products for Cirrus and the Independent Third Party customer (i.e. the Group took into account the same various factors such as the Group's competitiveness in the segment, market condition, purchase volume of the customer, strategic relationship, competition, complexity of products, etc.) ("**Our Findings on the Transaction Pricing**").

We have also obtained and reviewed the standard pricing procedure (the "**Standard Pricing Procedure**") of Continental Aerospace Technologies, Inc. (formerly known as Continental Motors, Inc.), which is the key operating subsidiary of the Group in the USA and conducts transactions with Cirrus. We noted from the Standard Pricing Procedure that (i) the procedure applies to pricing of all commercial goods and services sold by Continental Aerospace Technologies, Inc.; and (ii) the basis of pricing as set out in the procedure is uniform with both related and non-related party customers.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Standard Pricing Procedure:

- (i) All pricings must be analyzed and reviewed annually.
- (ii) Negotiated discounts are allowed on a customer-by-customer volume and business development evaluation. All discounts must be approved by the vice president of sales, president/chief executive officer and chief financial officer.
- (iii) All customers determined to be directly or indirectly owned by a related party must be approved by the vice president of sales and the chief executive officer. Related party pricing will remain under standard pricing guidelines.
- (iv) OEM pricing is based on an average of the producer price index against the customer price index of agreed periods of current and previous year, while aftermarket equipment pricing is based on a formal review of the historical versus the current pricing schedules, current standard cost and the product demand history.

Taking into account (i) that the products sold/to be sold by the Group to China Aviation and/or its associates are mainly engines to be produced as an OEM which are unique in nature; (ii) our enquiry with the Management into the basis of determining the Group's sales where prices of products sold to connected and Independent Third Party customers are both determined by the same various factors; (iii) the Standard Pricing Procedure which is applicable to both connected and Independent Third Party customers; and (iv) our review of the Standard Pricing Procedure, we consider the pricing basis of the Renewal Transaction to be reasonable.

In respect of payment terms, we understand from the Management that specific payment terms will be agreed with China Aviation and/or its associates in the specific agreement, but in any event payments are to be made in US\$ and terms of payment shall not exceed 45 days from invoice date. As confirmed by the Management, such payment terms apply to both connected and Independent Third Party customers. We have reviewed agreements between the Group and Cirrus, and noted that the payment terms offered to Cirrus are consistent with the aforesaid payment terms (which also apply to other Independent Third Party customers of the Group).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Company's 2020 annual report, the independent non-executive Directors have reviewed relevant continuing connected transactions of the Company (including the transactions contemplated under the 2020 Sale Framework Agreement) during the year ended 31 December 2020 and confirmed that such continuing connected transactions had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the terms of the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole (the **"INEDs' Confirmation"**).

The auditors of the Company have performed a review of the continuing connected transactions of the Group, including, among other things, the transactions contemplated under the 2020 Sale Framework Agreement for the year ended 31 December 2020. We noted from the Company's 2020 annual report that the auditors were engaged to report in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules confirming that (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company (the **"Auditors' Confirmation"**).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the above (including (i) that the products sold/to be sold by the Group to China Aviation and/or its associates are mainly engines to be produced as an OEM which are unique in nature; (ii) our enquiry with the Management into the basis of determining the Group's sales where prices of products sold to connected and Independent Third Party customers are both determined by the same various factors; (iii) Our Findings on the Transaction Pricing; (iv) the Standard Pricing Procedure which is applicable to both connected and Independent Third Party customers; (v) our review of the Standard Pricing Procedure; (vi) the payment terms offered to Cirrus are consistent with the standard payment terms which also apply to other Independent Third Party customers of the Group; (vii) the INEDs' Confirmation; and (viii) the Auditors' Confirmation), we are of the view that the terms of the Renewal Transaction are on normal commercial terms and are fair and reasonable.

### ***Proposed annual caps***

Pursuant to the 2021 Sale Framework Agreement, the annual cap amounts for the sale of engines, 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 US\$38.3 million, US\$38.7 million and US\$39.2 million respectively (the "**Proposed Annual Cap(s)**").

In determining the Proposed Annual Caps, the Company has considered the factors as set out in the sub-section headed "Annual caps and basis of determination" under the section headed "CONTINUING CONNECTED TRANSACTIONS" of the Board Letter. For our due diligence purpose, we have obtained and reviewed the calculation of the Proposed Annual Caps (the "**Proposed Annual Caps Calculation**") from the Company and discussed with the Management the basis for the Proposed Annual Caps. We noted from the calculation that, the Proposed Annual Caps are determined by (i) the estimated transaction amount for the year; and (ii) a buffer of 5% (for example, Proposed Annual Cap for the year = the estimated transaction amount for the year x 1.05).

For the year ending 31 December 2022, the estimated transaction amount was approximately US\$36.5 million. We noted from the Proposed Annual Caps Calculation that the estimated transaction amount for the year ending 31 December 2022 is determined by (i) the estimated engine sales order amount with Cirrus of approximately US\$30.8 million for the year ending 31 December 2021; (ii) an estimated annual increase in engine selling price of approximately 6%; (iii) a surcharge on engine selling price of approximately 6%; and (iv) the estimated transaction amount attributable to the provision of engine parts and related services (representing approximately 6% of the estimated engine sales order amount with Cirrus).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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When determining the estimated transaction amount for the year ending 31 December 2022, the Management referred to the estimated engine sales order amount with Cirrus for the year ending 31 December 2021 as determined by the sales department of Continental Aerospace Technologies, Inc. based on the orders on hand. Pursuant to the existing agreement entered into between the Group and Cirrus, effective with deliveries after 1 January 2021, the calendar year prices of engines shall be adjusted. As advised by the Management, the Group has started discussion with Cirrus regarding pricing adjustment of engines for 2022. Despite that the Group has yet to enter into a formal agreement with Cirrus as negotiations on contractual terms are still ongoing, the Management expected that the engine price would increase by approximately 6% starting from 2022 based on current estimation and negotiation with Cirrus. For our due diligence purpose, we obtained previous email correspondence between the Group and Cirrus during September 2021. We noted from such email correspondence that both parties were working to align the calculation of the pricing adjustment, and the upward pricing adjustment of approximately 6% were aligned by the parties. In determining the estimated transaction for the year ending 31 December 2022, the Management expected that the quantity of products sales would be similar to that of 2021. As for the surcharge of approximately 6%, the Management advised us that the Group has imposed a surcharge on OEM engine sales to Cirrus due to the increased material costs and surcharges from the supply side. In this regard, we have obtained a letter issued by Continental Aerospace Technologies, Inc. to Cirrus in August 2021 stating that effective on or after 1 October 2021 (and until further notice), Continental Aerospace Technologies, Inc. will impose a 6% surcharge on the base price of OEM engines for Cirrus.

In addition to engines, the Group would also provide engine parts and related services under the Renewal Transaction. In determining the proposed annual caps, the Management also took into account the estimated transaction amount attributable to the provision of engine parts and related services, which represents approximately 6% of the estimated engine sales order with Cirrus. In this regard, we obtained from the Management a breakdown of historical transaction amount under the 2020 Sale Framework Agreement as recorded by the Group's finance department. We noted from such breakdown that revenue from parts sales and related services represented approximately 4% and 8% of engine sales revenue during the year ended 31 December 2020 and the nine months ended 30 September 2021 respectively. Accordingly, we consider it is reasonable to take into account transactions regarding parts sales and related services in the estimation, and we consider the Management's estimation (that transaction amount attributable to the provision of engine parts and related services represents approximately 6% of the estimated engine sales order with Cirrus) to be within a reasonable range.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For each of the two years ending 31 December 2023 and 2024, we noted from the Proposed Annual Caps Calculation that the estimated transaction amount for each of the two years ending 31 December 2024 is determined by (i) the estimated transaction amount in the previous year; and (ii) a slight estimated annual increase in estimated transaction amount of 1%. As advised by the Management, the estimated annual increase of 1% represent the estimated industry growth. In this regard, we noted from the “FAA Aerospace Forecast Fiscal Years 2021-2041” published by the Federal Aviation Administration (the “**FAA Report**”), which is the agency of the United States Department of Transportation responsible for the regulation and oversight of civil aviation within the USA, that the number of active general aviation fleet is expected to increase by approximately 0.4% from 2020 to 2021 and remain stable from 2021 to 2041 with a compounded annual growth rate of approximately 0.1%. Having considered that (i) the number of active general aviation fleet is growing at a moderate rate according to the FAA Report; (ii) the 1% estimated annual increase is modest; (iii) according to the latest financial results of the Group as contained in the Company’s 2021 interim report, the Group recorded an increase in revenue of approximately 12%; and (iv) it is justifiable for the Group to adopt a higher growth rate than the aforesaid growth of active general aviation fleet as contained in the FAA Report, we consider the 1% estimated increase in estimated transaction amount to be justifiable.

As mentioned above, the Company applied a buffer of 5% to the estimated transaction amount for the year when determining the Proposed Annual Caps. As advised by the Management, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in demand of products; and (b) the unexpected increase in price of the products. Taking into account that (i) the transactions would be based on demand of China Aviation and/or its associates which are not determined by the Group, and (ii) in case of costs increase from the supply side, the Group may further adjust its sales price under the transactions, we consider such buffer to be justifiable.

Taking into account the above, we consider that the Proposed Annual Caps are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **7. Review and conditions of the transactions contemplated under the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and the 2021 Sale Framework Agreement**

In compliance with the Listing Rules, the Transactions are subject to a number of conditions which include, among other things:

- (i) the Revised Annual Cap and the Proposed Annual Caps will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the transactions contemplated under the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and 2021 Sale Framework Agreement and confirm in the Company's annual report whether the transactions contemplated under the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and the 2021 Sale Framework Agreement have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company must, in accordance with the Listing Rules, review annually the transactions contemplated under the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and the 2021 Sale Framework Agreement and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) whether anything has come to their attention that causes them to believe that the transactions:
  - (a) have not been approved by the Board;
  - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and
  - (d) have exceeded the Revised Annual Cap and the Proposed Annual Caps;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required;
- (v) the Company must allow, and ensure that Aviation Industry and China Aviation allow, the auditors of the Company sufficient access to their records of the transactions for the purpose of the auditors' reporting on the transactions contemplated under the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and the 2021 Sale Framework Agreement. The Board must state in the annual report whether the auditors of the Company have confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the transactions contemplated under the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and the 2021 Sale Framework Agreement exceeds the relevant Revised Annual Cap and Proposed Annual Cap(s), or that there is any material amendment to the terms of the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and the 2021 Sale Framework Agreement.

In light of the conditions imposed on the continuing connected transactions, in particular, (1) the limit of the value of the transactions by way of the Revised Annual Cap and the Proposed Annual Caps; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the transactions under the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and the 2021 Sale Framework Agreement; and (3) the on-going review by the auditors of the Company confirming the relevant annual cap(s) not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the transactions contemplated under the 2020 Sale Framework Agreement (as supplemented by the Supplemental Sale Framework Agreement) and the 2021 Sale Framework Agreement and safeguard the interests of the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that (i) the Renewal Transaction is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) the Annual Cap Revision is in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole; (iii) the terms of the Renewal Transaction and Annual Cap Revision are on normal commercial terms and are fair and reasonable; and (iv) the Revised Annual Cap and the Proposed Annual Caps are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the Transactions.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Clifford Cheng**  
*Director*

*Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.*

*Details of the Director who will retire from office at the SGM and being eligible, will offer herself for re-election at the SGM, are set out below:*

**Ms. Jiao Yan (“Ms. Jiao”)**

Ms. Jiao, aged 55, obtained a Bachelor’s Degree in Law from Peking University. She is currently the board secretary and the general counsel of AVIC International. Ms. Jiao also acts as a director of Continental Aerospace Technologies Limited, which is a wholly-owned subsidiary of the Company. Ms. Jiao previously served as a director of regulations, the deputy general counsel and the minister of audit and legal department of AVIC International.

The Company has entered into a service agreement with Ms. Jiao for a term of three years commencing from 30 August 2021, which may be terminated by either party giving to the other not less than one month’s prior notice in writing. Ms. Jiao is entitled to a director’s fee of HK\$36,000 per annum which was determined by the Board with recommendation of the remuneration committee of the Company after considering a range of factors including her experience, her duties and responsibilities in the Group, the remuneration structure of the Group and levels of remuneration for peers in the market. Her directorship is subject to retirement by rotation and re-election at general meetings of the Company in accordance with the bye-laws of the Company.

Save as disclosed above, Ms. Jiao did not hold any other directorship in the last three years in other public company the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company and does not hold any position of the Company and other companies within the Group.

As at the Latest Practicable Date, Ms. Jiao does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no other matter that needs to be brought to the attention of the Shareholders.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as the Directors were aware, the following Directors or proposed Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO:

### **Name of Director**

Mr. Lai Weixuan (*Note*)

*Note:* Mr. Lai Weixuan is a director of AVIC International, which indirectly owns as to 46.40% of the entire issued share capital of the Company and is deemed to be interested in such Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

**4. COMPETING INTERESTS**

None of the Directors or their respective associate(s) are considered to have interests in business which compete or are likely to compete, either directly or indirectly, with the business of the Group which require disclosure under the Listing Rules. In any event, such Directors will be subject to the usual requirement to abstain from voting on resolutions of the Board approving any proposal in which any Director or his associate has a material interest, such that the decision making of the Board should not be affected by such material interest.

**5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group was made up.

**6. INTERESTS IN CONTRACTS, ASSETS AND ARRANGEMENT OF SIGNIFICANCE**

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up.

**7. EXPERT AND CONSENT**

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Somerley Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley Capital Limited did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

#### **8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cath.com.hk>) for a period of 14 days from the date of this circular:

- (a) the Supplemental Sale Framework Agreement;
- (b) the 2021 Sale Framework Agreement; and
- (c) the written consent referred to in the section headed “7. Expert and consent” in this Appendix.

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## NOTICE OF SGM

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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)

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Continental Aerospace Technologies Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 6 December 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions to be proposed as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the supplemental sale framework agreement dated 25 October 2021 (the “**Supplemental Sale Framework Agreement**”) and entered into between the Company and Aviation Industry Corporation of China, Ltd. (a copy of which is marked “A” and produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the revised annual cap for the transactions contemplated under the Supplemental Sale Framework Agreement for the year ending 31 December 2021 be and is hereby approved, confirmed and ratified; and
- (c) any one or more of the directors of the Company (the “**Directors**”) be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Supplemental Sale Framework Agreement and the transactions contemplated thereunder.”

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## NOTICE OF SGM

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2. “**THAT**
- (a) the sale framework agreement dated 25 October 2021 (the “**2021 Sale Framework Agreement**”) and entered into between the Company and China Aviation Industry General Aircraft Co., Ltd. (中航通用飛機有限責任公司)(a copy of which is marked “B” and produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (b) the respective annual caps for the transactions contemplated under the 2021 Sale Framework Agreement for the three years ending 31 December 2024 be and are hereby approved, confirmed and ratified; and
  - (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the 2021 Sale Framework Agreement and the transactions contemplated thereunder.”
3. “**THAT** Ms. Jiao Yan be re-elected as executive Director and to authorise the board of Directors to fix her remuneration.”

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

Hong Kong, 18 November 2021

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint one or, if he is the holder of two or more shares, more than one person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting at the above meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.

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## NOTICE OF SGM

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4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the SGM (i.e. 11:00 a.m. (Hong Kong time) on Saturday, 4 December 2021) or any adjournment thereof.
  
5. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the special general meeting will be Monday, 6 December 2021. For the purposes of holding the SGM, the register of members of the Company will be closed from Wednesday, 1 December 2021 to Monday, 6 December 2021, both days inclusive, during which period no transfer of shares will be registered, in order to determine the entitlement to attend and vote at the SGM. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 30 November 2021.