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

(Incorporated in Bermuda with limited liability)

(Stock code: 232)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “Board”) of directors (the “Directors”) of Continental Aerospace Technologies Holding Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021, together with the comparative figures for 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	4	1,416,409	1,246,809
Cost of sales and services		<u>(1,068,000)</u>	<u>(1,064,610)</u>
Gross profit		348,409	182,199
Other income	4	63,350	22,644
Impairment losses under expected credit loss model, net of reversal	4	4,337	10,556
Other gains and losses	4	1,966	(51,263)
Impairment of property, plant and equipment and other intangible assets		(11,956)	(85,274)
Impairment of goodwill	8	–	(385,770)
Selling and distribution expenses		(57,341)	(127,077)
Administrative expenses		(338,303)	(316,682)
Research and development costs		(16,562)	(37,921)
Share of results of an associate		(4,130)	(1,191)
Finance costs		<u>(14,560)</u>	<u>(18,751)</u>

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

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS BEFORE TAX		(24,790)	(808,530)
Income tax (expense) credit	<i>5</i>	<u>(31,182)</u>	<u>51,792</u>
LOSS FOR THE YEAR	<i>6</i>	<u>(55,972)</u>	<u>(756,738)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	<i>7</i>	<u>(HK0.60 cents)</u>	<u>(HK8.13 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(55,972)</u>	<u>(756,738)</u>
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(12,542)	33,123
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains (losses) on defined benefit plans	7,014	(702)
Income tax effect	<u>(179)</u>	<u>95</u>
	6,835	(607)
Changes in fair value of equity investments designated at fair value through other comprehensive income	<u>–</u>	<u>(3,332)</u>
	6,835	(3,939)
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR, NET OF TAX	<u>(5,707)</u>	<u>29,184</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(61,679)</u>	<u>(727,554)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		458,727	481,329
Right-of-use assets		289,033	301,528
Investment property		123,800	128,200
Goodwill	8	14,163	14,927
Other intangible assets		1,564,078	1,657,066
Interest in an associate		20,371	12,029
Interest in a joint venture		–	–
Financial assets at fair value through profit or loss		1,938	1,938
Equity investments designated at fair value through other comprehensive income		389	389
Deferred tax assets		–	28,120
		<hr/>	<hr/>
Total non-current assets		2,472,499	2,625,526
CURRENT ASSETS			
Inventories		492,972	442,878
Loans to an associate		7,121	11,135
Loans to a joint venture		7	1,046
Trade receivables	9	117,435	122,955
Prepayments, deposits and other receivables		24,282	45,156
Amounts due from fellow subsidiaries		25,823	15,788
Cash and cash equivalents		623,119	914,072
		<hr/>	<hr/>
Total current assets		1,290,759	1,553,030
CURRENT LIABILITIES			
Trade payables	10	133,422	107,783
Other payables and accruals		99,980	116,493
Amounts due to intermediate holding companies		27,495	26,456
Tax payable		40,003	38,283
Contract liabilities		8,139	17,948
Bank borrowings		–	195,343
Provisions		75,291	104,618
Lease liabilities		6,533	5,311
		<hr/>	<hr/>
Total current liabilities		390,863	612,235
NET CURRENT ASSETS			
		<hr/>	<hr/>
		899,896	940,795
		<hr/>	<hr/>
		3,372,395	3,566,321
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY		
Share capital	930,337	930,337
Reserves	<u>1,854,124</u>	<u>1,915,803</u>
Total equity	<u>2,784,461</u>	<u>2,846,140</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	211,518	226,902
Contract liabilities	29,253	28,935
Provisions	32,394	32,529
Lease liabilities	304,485	309,586
Defined benefit plan obligations	10,284	16,773
Bank borrowings	–	57,559
Other financial liabilities	<u>–</u>	<u>47,897</u>
Total non-current liabilities	<u>587,934</u>	<u>720,181</u>
	<u>3,372,395</u>	<u>3,566,321</u>

Notes:

1. BASIS OF PREPARATION

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

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

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

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

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. The Group’s existing policy is consistent with the agenda decision of the Committee.

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

3. OPERATING SEGMENT

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

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

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

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

	General aviation aircraft piston engine business		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue:				
Sales to external customers	<u>1,416,409</u>	<u>1,246,809</u>	<u>1,416,409</u>	<u>1,246,809</u>
Segment results	<u>(23,403)</u>	<u>(801,551)</u>	<u>(23,403)</u>	<u>(801,551)</u>
Unallocated other income			4,260	9,294
Unallocated other gains and losses			14,080	563
Unallocated administrative expenses			(15,597)	(15,645)
Share of results of an associate			<u>(4,130)</u>	<u>(1,191)</u>
Loss before tax			<u>(24,790)</u>	<u>(808,530)</u>

4. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of aircraft engines transferred at a point in time	707,931	701,154
Sale of spare parts transferred at a point in time	580,191	451,753
Rendering of services transferred over time	128,287	93,902
	<u>1,416,409</u>	<u>1,246,809</u>
Other income		
Bank borrowings forgiven (<i>note</i>)	57,559	–
Bank interest income	3,586	8,394
Distributorship fee income	775	775
Interest income on loans to an associate	448	550
Interest income on loans to a joint venture	285	–
Service fee income	–	8,525
Others	697	4,400
	<u>63,350</u>	<u>22,644</u>
 <i>Note:</i> During the year ended 31 December 2021, as part of the US federal government's Paycheck Protection Program to support entities to continue paying salary to their workers, the Group's bank borrowings with a carrying amount of HK\$57,559,000 were forgiven as the Group had fulfilled the conditions as required by the US Federal government which includes, amongst other things, maintaining employees and compensation at required levels.		
Other gains and losses		
Gain on deemed disposal of an associate	11,790	767
Loss on disposal of property, plant and equipment	(7,866)	(58)
Fair value gain (loss) on other financial liabilities	12,525	(47,897)
Fair value loss on an investment property	(4,400)	(23,300)
Foreign exchange differences, net	(10,083)	19,225
	<u>1,966</u>	<u>(51,263)</u>
Impairment losses under expected credit loss model, net of reversal:		
– trade receivables	(426)	(5,510)
– other receivables	2,931	16,066
– a loan to a joint venture	1,832	–
	<u>4,337</u>	<u>10,556</u>

5. INCOME TAX EXPENSE (CREDIT)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong:		
Underprovision in prior years	–	99
Current – Elsewhere:		
Charge for the year	10,386	4,493
Under (over) provision in prior years	3,258	(968)
Deferred tax	17,538	(55,416)
	<u>31,182</u>	<u>(51,792)</u>

6. LOSS FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold*	984,370	942,894
Cost of services provided*	75,433	83,438
Write-down of inventories*	8,197	38,278
Provisions:		
Additional provision	76,906	94,445
Depreciation of property, plant and equipment	46,015	60,131
Depreciation of right-of-use assets	15,834	16,380
Amortisation of other intangible assets	87,094	88,009
	<u>87,094</u>	<u>88,009</u>

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

7. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss attributable to ordinary equity holders of the parent	<u>(55,792)</u>	<u>(756,738)</u>
	Number of shares	
	2021	2020
Weighted average number of ordinary shares in issue during the year	<u>9,303,374,783</u>	<u>9,303,374,783</u>

No diluted loss per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

8. GOODWILL

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

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

Management performed the impairment assessment of USA CGU and Germany CGU with the support of an independent professional valuer, Duff & Phelps, LLC.

As at 31 December 2021, the carrying amount of goodwill allocated to USA CGU was Nil (2020: Nil). During the year ended 31 December 2020, the Group recognised impairment loss to fully write off the goodwill related to the USA CGU of HK\$385,770,000, which was mainly due to the deteriorated economic environment as a result of the outbreak of the COVID-19 pandemic.

As at 31 December 2021, the carrying amount of goodwill allocated to Germany CGU was HK\$14,163,000 (2020: HK\$14,927,000). During the year ended 31 December 2021, the directors of the Company determines that there is no impairment on Germany CGU.

9. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	123,190	131,392
Impairment losses under expected credit loss model	<u>(5,755)</u>	<u>(8,437)</u>
	<u>117,435</u>	<u>122,955</u>

As at 1 January 2020, trade receivables from contracts with customers amounted to HK\$103,672,000.

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

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. As at 31 December 2021, the Group had certain concentrations of credit risk as 50% (2020: 28%) of the Group's trade receivables were due from one of the Group's key customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	88,666	63,372
1 to 2 months	14,509	19,029
2 to 3 months	3,923	2,654
Over 3 months	10,337	37,900
	<u>117,435</u>	<u>122,955</u>

10. TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	99,589	52,282
1 to 2 months	16,146	47,926
2 to 3 months	1,999	5,730
Over 3 months	15,688	1,845
	<u>133,422</u>	<u>107,783</u>

The trade payables are normally settled on 45 days terms.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2021.

OVERALL REVIEW

In 2021, the Group recorded revenue of HK\$1,416,409,000 (2020: HK\$1,246,809,000) and gross profit of HK\$348,409,000 (2020: HK\$182,199,000). The Group recorded loss for the year of HK\$55,972,000 (2020: HK\$756,738,000), which was mainly because of that the global general aviation piston aircraft market has recovered to grow from the Covid-19 pandemic, resulting in an improvement in the performance of the general aviation aircraft piston engine business, as well as the decrease in impairment of goodwill and other intangible assets, which recorded a loss of HK\$48,108,000 (2020: HK\$749,196,000) for the year.

Basic loss per share amounted to HK¢0.60 (2020: HK¢8.13). The return on equity, calculated on the basis of loss attributable to owners of the parent as a percentage of equity attributable to owners of the parent, was -2% (2020: -27%).

BUSINESS REVIEW

During the year, the Group has only one reportable operating segment– the general aviation aircraft piston engine business, which is involved 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.

In 2021, the general aviation aircraft piston engine business recognized revenue of HK\$1,416,409,000 (2020: HK\$1,246,809,000) and gross profit of HK\$348,409,000 (2020: HK\$182,199,000), and recorded loss for the year of HK\$48,108,000 (2020: HK\$749,196,000). The decrease in loss was mainly attributable to (i) decrease in impairment of goodwill and other intangible assets by HK\$464,616,000 during the year; (ii) decrease in selling and distribution expenses by HK\$69,736,000 during the year; other income from bank borrowings forgiveness and fair value gain on other financial liabilities of HK\$57,559,000 and HK\$12,525,000, respectively. Had the effect of the fair value adjustments on the identifiable assets acquired from the acquisition of the business in 2018 charged to current year's profit or loss of HK\$75,804,000 (2020: HK\$44,773,000) been excluded, the general aviation aircraft piston engine business would have recorded a profit of HK\$27,696,000 (2020: loss of HK\$704,423,000).

In 2021, the Covid-19 pandemic was still raging, global spread of Covid-19 coronavirus variants has deeply affected consumer and business behavior. U.S. economic recovery led the way among major developed economies. U.S. economic output has likely surpassed its pre-pandemic peak, jobs lost in 2020 have been recovered and even many of the hardest hit sectors of the economy are seeing recovery, while a labor shortage of 4 million plus is impacting all industries. The number of passengers transported by air continues to climb higher. However, the demand-side of the economy is experiencing robust recovery while the supply-side struggles to catch up from which many problems may arise. Supplier deliveries are historically slow, inventories are unusually low and job openings are at record levels.

According to the General Aviation Manufacturers Association (GAMA) 2021 report, the market for new aircraft with general aviation piston engine increased 5.5% year-on-year compared with the same period in 2020. The first half year showed strong demand across all aircraft types. It is encouraging to see that the industry began to bounce back from the impacts of the global pandemic, although the industry continued to face challenges in the second half year, especially with ongoing supply chain issues and pandemic related restrictions and constraints to global travel. The market for new aircraft with general aviation piston is expected to grow in 2022.

Despite the challenges of cost pressure and supply chain challenges arising from inflation, the Company successfully navigated a turbulent 2020 and rode on the recovery of 2021. The number of orders for the general aviation aircraft piston engine business in 2021 exceeded the same period of last year and the sales revenue for the whole year increased by 13.6% year-on-year. Due to intensifying inflationary cost pressures, the Company executed several pricing increases in 2021 to protect our profitability. We are closely observing the market trend, as well as cost increases, and proactively adjusting our operating strategy accordingly. Like many other companies, the Company still faces fragile supply chains and elevated absenteeism levels. Under the new leadership of the Company, we are determined to be the first choice in general aviation power industry by continuously innovating and returning value to customer and shareholders.

Our modernisation program for the Blue Marlin factory located in Mobile, Alabama USA has successfully completed the production preparation and put-into-operation of the crankshaft production equipment, and has completed the transfer of cylinder barrel machining, fuel/ignition systems, camshaft milling, and cylinder assembly machining. The test bench and thermal surface treatment were also delivered and tested. To continually improve manufacturing efficiency, the Company is also accelerating delivery and production preparation of the crankcase, cylinder, and camshaft by an average of 6 months. Primary product processes will be fully transferred and put into production in early 2023. This brand-new factory is anticipated to significantly increase capacity in the future while ensuring a competitive cost base, therefore improving profit margins.

FINANCIAL REVIEW

Goodwill

The Group's goodwill acquired through business combination has been allocated to a cash-generating unit in USA ("USA CGU") and a cash-generating unit in Germany ("Germany CGU"). As at 31 December 2021, the entire amount of goodwill related to the Germany CGU was HK\$14,163,000 (2020: HK\$14,927,000). The impairment assessment of USA CGU and Germany CGU was performed with the support of Duff & Phelps, LLC., an independent professionally qualified valuer.

No impairment loss has been recognised on goodwill of Germany CGU for the year 31 December 2021. For the last year, the goodwill of HK\$385,770,000 directly related to USA CGU was impaired which was mainly due to the Covid-19 pandemic and the deteriorated economic environment.

Other intangible assets

Other intangible assets consist of development programs in progress, trademarks, product technology, licence and completed programs, customer relationships and others. As at 31 December 2021, the Group's other intangible assets were HK\$1,564,078,000 (2020: HK\$1,657,066,000).

Impairment of other intangible assets of HK\$6,428,000 (2020: HK\$85,274,000) was recognized for the year 31 December 2021.

A joint venture and an associate

The Group has discontinued the recognition of its share of losses of a joint venture as the share of losses of the joint venture exceeded the Group's interest in it and the Group has no obligation to take up further losses. During the year, the Group recorded share of losses of an associate in an aggregate of HK\$4,130,000(2020: HK\$1,191,000).

On 30 November 2020, the Group entered into a share purchase agreement with an independent third party, pursuant to which the purchaser agreed to acquire the Group's equity interest held in the joint venture with a consideration of RMB11,500,000. The disposal was not completed as at 31 December 2021.

Administrative expenses

Administrative expenses consist of salaries and wages, product liability expenses, legal and professional expenses and other general expenses. During the year, the Group recorded administrative expenses of HK\$338,303,000 (2020: HK\$316,682,000).

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group has consistently maintained sufficient working capital. As at 31 December 2021, the Group had current assets of HK\$1,290,759,000 (2020: HK\$1,553,030,000), including cash and bank balances and time deposits in an aggregate of HK\$623,119,000 (2020: HK\$914,072,000). The Group's current liabilities as at 31 December 2021 were HK\$390,863,000 (2020: HK\$612,235,000).

As at 31 December 2021, the Group's total equity amounted to HK\$2,784,461,000 (2020: HK\$2,846,140,000), comprising issued capital of HK\$930,337,000 (2020: HK\$930,337,000) and reserves of HK\$1,854,124,000 (2020: HK\$1,915,803,000). The Group's interest-bearing debts included bank borrowings of HK\$Nil (2020: HK\$252,902,000) and lease liabilities of HK\$311,018,000 (2020: HK\$314,897,000). The Group's gearing ratio, calculated on the basis of the interest-bearing debts as a percentage of total equity plus the interest-bearing debts, was 10% (2020: 17%).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, none of the Group's assets was pledged. As at 31 December 2020, the Group has granted a continuing security interests in all assets of a subsidiary as the collaterals of certain bank loans.

EXPOSURE TO FOREIGN CURRENCY RISK

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

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

ENVIRONMENTAL AND REGULATORY COMPLIANCE

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

The Group strictly complies with all applicable laws and regulations released by the relevant authorities which are material to us. Throughout the year 2021, there was no non-compliance with the relevant laws and regulations that had a significant impact on the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, there were 510 (2020: 560) employees in the Group. The employees' wages and salaries amounted to HK\$208,768,000 (2020: HK\$233,668,000) for the year ended 31 December 2021. The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to employees have contributed to building good staff relations and retention. The Group's remuneration policies are formulated based on the performance of individual employees and market conditions and are reviewed regularly. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

OUTLOOK

Entering 2022, some countries and areas already started reclassifying Covid-19 as an epidemic instead of pandemic. The impact of the pandemic on the economy is expected to be reduced. At the same time, there were signs that global supply chain and logistics bottlenecks were beginning to ease in 2022, and we expect further improvement as we move through the end of this year. But there is still a long way to go before supply chains are functioning normally. With production having been curtailed in 2021, manufacturers and developers ended the year of 2021 with sizable backlogs of unfilled orders. Backfilling these orders will also be a tailwind for sales improvement in 2022.

The Company strives to be the innovative leader in general aviation power system. The Company continually launched a new OEM application platform and won interest and commitment from new and existing OEM clients. We have streamlined the Jet-A product portfolio; focused on adding value to newer products and technologies and developed strategic initiatives in line with feedback of the market and our customers. Currently, the global research and development (R&D) team continues to work on the development of multiple projects for both the Avgas and Jet-A product lines.

In summary, the Company delivered a very strong 2021 result. 2022 presents many growth opportunities with headwinds. The Company looks forward to produce reliable products and serve customer worldwide by building world class facilities that sets the new standard in the GA industry. Along with the recent leadership changes and the new-built facility in Mobile, the Company continues to create a safe, innovative workplace by streamlining products and lean processes, and to increase market share, enhance product support and improve customer satisfaction, ultimately achieving stable and profitable growth for the Company.

CORPORATE GOVERNANCE

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

For the year ended 31 December 2021, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

Other than the non-executive Director appointed on 23 June 2015 and the independent non-executive Director appointed on 26 May 2017, the other two independent non-executive Directors are appointed without specific terms, which is in contrary to code provision A.4.1 of the CG Code (before it was repealed on 1 January 2022). In accordance with the Bye-laws of the Company, one-third of the Directors (including non-executive Directors) for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

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

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

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

Mr. Huang Yongfeng resigned as a chairman of FIYTA Precision Technology Co., Ltd on 1 July 2021, the shares of which are listed on the Shenzhen Stock Exchange.

Mr. Zhang Ping resigned as an independent director of Minsheng Tonghui Asset Management Co., Ltd (民生通惠資產管理有限公司) on 30 December 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2021.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2021 of the Group have been reviewed by the audit committee of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of shares will be registered, in order to determine the entitlement to vote and attend at the forthcoming annual general meeting of the Company to be held on 27 May 2022 ("AGM"). In order to be entitled to vote and attend at the AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged for registration with the Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 23 May 2022.

APPRECIATION

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

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

Hong Kong, 31 March 2022

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