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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 2023**

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 2023, together with the comparative figures for 2022.

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

*Year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	4	<b>1,830,186</b>	1,665,515
Cost of sales		<u><b>(1,262,612)</b></u>	<u>(1,157,027)</u>
Gross profit		<b>567,574</b>	508,488
Other income and gains, net	4	<b>43,554</b>	21,924
Impairment losses under expected credit loss model, net of reversal		<b>(427)</b>	(5,954)
Impairment of other intangible assets		–	(101,142)
Selling and distribution expenses		<b>(69,107)</b>	(41,361)
Administrative expenses		<b>(311,185)</b>	(293,665)
Research and development costs		<b>(53,611)</b>	(38,244)
Other operating expenses		<b>(68,469)</b>	(315)
Finance costs		<b>(13,514)</b>	(14,076)
Share of loss of an associate		<u><b>(4,112)</b></u>	<u>(8,390)</u>

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

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PROFIT BEFORE TAX	5	<b>90,703</b>	27,265
Income tax credit	6	<b>71,506</b>	23,567
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PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<b>162,209</b>	50,832
		<hr/> <hr/>	<hr/> <hr/>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	7	<b>HK1.74 cents</b>	HK0.55 cent
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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>162,209</u></b>	<b><u>50,832</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	13,771	(31,087)
Reclassification of cumulative translation reserve upon disposal of a joint venture	<u>–</u>	<u>7,596</u>
<b>NET OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>	<b>13,771</b>	<b>(23,491)</b>
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit plans, net of tax	<u>590</u>	<u>7,089</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b><u>14,361</u></b>	<b><u>(16,402)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b><u>176,570</u></b>	<b><u>34,430</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		617,935	602,498
Right-of-use assets		252,384	264,010
Goodwill	8	13,841	13,439
Other intangible assets		1,340,863	1,387,327
Investment in an associate		10,029	14,409
Debt investment at fair value through profit or loss		–	1,950
Equity investments designated at fair value through other comprehensive income		2,343	390
Deferred tax assets		–	6,615
Total non-current assets		<b>2,237,395</b>	2,290,638
<b>CURRENT ASSETS</b>			
Inventories		645,985	522,183
Loan to an associate		7,158	6,937
Trade receivables	9	129,444	96,739
Contract assets		24,187	–
Prepayments, deposits and other receivables		52,658	31,001
Amount due from a fellow subsidiary		6,957	27,598
Time deposits		628,863	245,849
Cash and cash equivalents		246,417	578,903
Total current assets		<b>1,741,669</b>	1,509,210
<b>CURRENT LIABILITIES</b>			
Trade payables	10	140,790	138,233
Other payables, accruals and provisions		272,767	182,692
Amount due to a fellow subsidiary		272	5,580
Amount due to an intermediate holding company		25,117	25,739
Lease liabilities		7,149	7,398
Contract liabilities		18,943	16,941
Tax payable		41,821	46,200
Total current liabilities		<b>506,859</b>	422,783
<b>NET CURRENT ASSETS</b>		<b>1,234,810</b>	1,086,427
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,472,205</b>	3,377,065
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		282,199	286,701
Defined benefit plan obligations		2,927	3,630
Contract liabilities		65,369	36,127
Provisions		37,743	55,825
Deferred tax liabilities		88,506	175,891
Total non-current liabilities		<b>476,744</b>	558,174
Net assets		<b>2,995,461</b>	2,818,891

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>EQUITY</b>		
Share capital	<b>930,337</b>	930,337
Reserves	<b>2,065,124</b>	1,888,554
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Total equity	<b>2,995,461</b>	2,818,891
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*Notes:*

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and a debt investment at fair value through profit or loss which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

**2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group’s financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group’s approach and policy align with the amendments, the amendments had no impact on the Group’s financial statements.

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 32 to the consolidated financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the consolidated financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

### 3. OPERATING SEGMENT

For management purposes, the Group has only one reportable operating segment, of which the Group engages in the design, development and production of general aviation aircraft piston engines and spare parts as well as the provision of aftermarket services and support for piston engines. Accordingly, no segment information is presented.

#### Geographical information

(a) *Revenue from external customers*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
USA	1,473,262	1,376,844
Europe	237,151	179,005
Others	119,773	109,666
	<u>1,830,186</u>	<u>1,665,515</u>

The revenue information above is based on the location of the customers.

(b) *Non-current assets*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
USA	1,602,068	1,642,047
Europe	505,879	503,465
Hong Kong	117,076	121,762
Chinese Mainland	10,029	14,409
	<u>2,235,052</u>	<u>2,281,683</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

**Information about major customers**

Revenue from each of the major customers, which individually amounted to 10% or more of the Group's revenue, is set out below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	552,471	540,127
Customer B	340,209	256,659
Customer C	322,694	300,910
	<u>3,215,374</u>	<u>2,401,656</u>

**4. REVENUE, OTHER INCOME AND GAINS, NET**

An analysis of revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
<b>Revenue from contracts with customers</b>		
Sales of aircraft engines and spare parts transferred at a point in time	1,751,844	1,566,916
Rendering of services transferred over time	78,342	98,599
	<u>1,830,186</u>	<u>1,665,515</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	28,052	9,137
Distributorship fee income	783	783
Government grant	–	143
Insurance claim	–	1,078
Interest income on loan to an associate	373	391
Management fee income	1,753	1,265
Royalty income	4,807	–
Others	743	833
	<hr/>	<hr/>
Total other income	36,511	13,630
	<hr/>	<hr/>
<b>Other gains, net</b>		
Gain on deemed disposal of partial interests in an associate	–	3,852
Gain on disposal of a joint venture	–	6,515
Gain on early termination of a lease	–	10
Loss on disposal of other intangible assets	–	(326)
Fair value gain on an investment property	–	700
Foreign exchange differences, net	6,968	(2,457)
Others	75	–
	<hr/>	<hr/>
Total other gains, net	7,043	8,294
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Total	<u>43,554</u>	<u>21,924</u>

## 5. PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold*	1,205,791	1,085,381
Cost of services provided*	56,821	71,646
Write-down/(reversal of write-down) of inventories**	(17,482)	11,557
Depreciation of property, plant and equipment	36,286	32,992
Depreciation of right-of-use assets	14,472	14,194
Amortisation of other intangible assets***	86,669	83,087
Employee benefit expense (including directors' remuneration)		
Wages and salaries	241,520	216,715
Retirement benefits and contributions	16,980	15,584
Defined benefit schemes	2,101	3,112
	<u>260,601</u>	<u>235,411</u>
Provision for product service bulletin****	49,720	–
Loss on disposal of property, plant and equipment*****	18,749	315
<b>Impairment losses under expected credit loss model, net of reversal:</b>		
– trade receivables	427	1,347
– other receivables	–	4,600
– loan to a joint venture	–	7
	<u>427</u>	<u>5,954</u>

\* Included in “cost of sales” in the consolidated statement of profit or loss.

\*\* Included in “cost of inventories sold” above.

\*\*\* Included in “cost of sales”, “selling and distribution expenses”, “administrative expenses” and “research and development costs” in the consolidated statement of profit or loss.

\*\*\*\* During the year, total costs of HK\$49,720,000 (2022: Nil) were provided for the inspection and repair of certain models of aircraft piston engines in connection with a product service bulletin, which were included in “other operating expenses” in the consolidated statement of profit or loss.

\*\*\*\*\* Included in “other operating expenses” in the consolidated statement of profit or loss.

## 6. INCOME TAX 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 the year (2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Elsewhere:		
Charge for the year	12,250	15,326
Overprovision in prior years	(730)	(816)
Deferred tax ( <i>Note</i> )	<u>(83,026)</u>	<u>(38,077)</u>
	<u><u>(71,506)</u></u>	<u><u>(23,567)</u></u>

*Note:* During the year ended 31 December 2023, Continental Aerospace Technologies Inc., the Company's subsidiary in the United States, began to generate taxable profits. It is also expected that Continental Aerospace Technologies Inc. will generate future taxable profits to utilise some of its tax losses. Therefore, the Group has recognised deferred tax credit of HK\$81,255,000 in profit or loss to the extent that the tax losses will be utilised.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 9,303,374,783 (2022: 9,303,374,783) in issue during the year.

The calculation of basic and diluted earnings per share is based on:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit attributable to ordinary equity holders of the Company	<u>162,209</u>	<u>50,832</u>
	<b>Number of shares</b>	
	2023	2022
Weighted average number of ordinary shares in issue during the year	<u>9,303,374,783</u>	<u>9,303,374,783</u>

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023 (2022: Nil).

## 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")

As at 31 December 2023 and 2022, the entire amount of goodwill was related to the Germany CGU. The goodwill related to USA CGU has been fully impaired in prior years.

## 9. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	136,103	103,114
Impairment losses	(6,659)	(6,375)
	<u>129,444</u>	<u>96,739</u>

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 2023, the Group had certain concentrations of credit risk as 40% (2022: 35%) 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	99,239	66,918
1 to 2 months	21,786	15,469
2 to 3 months	3,415	4,041
Over 3 months	5,004	10,311
	<u>129,444</u>	<u>96,739</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	86,981	114,706
1 to 2 months	44,596	12,861
2 to 3 months	7,001	4,479
Over 3 months	2,212	6,187
	<u>140,790</u>	<u>138,233</u>

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

## 11. DIVIDEND

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Proposed final – HK0.5 cent per ordinary share (2022: Nil)	<u>46,517</u>	<u>–</u>

The proposed final dividend for the year ended 31 December 2023 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 12. COMPARATIVE INFORMATION

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

## **DIVIDEND**

For the year ended 31 December 2023, the Board has resolved to recommend the payment of a final dividend of HK0.5 cent (year ended 31 December 2022: nil) per ordinary share to the shareholders (will be subject to approval by the shareholders at the forthcoming annual general meeting for the year ended 31 December 2023).

## **OVERALL REVIEW**

In 2023, the Group recorded a revenue of HK\$1,830,186,000 (2022: HK\$1,665,515,000) and a gross profit of HK\$567,574,000 (2022: HK\$508,488,000). The Group recorded a profit for the year of HK\$162,209,000 (2022: HK\$50,832,000). As demand in the global general aviation market remained strong in 2023, both sales revenue and corresponding gross profit of the Group's general aviation aircraft piston engine business maintained an upward trend. The significant increase in profit for the year ended 31 December 2023 was mainly attributable to (a) the recognition of deferred tax credit in relation to the tax losses of previous years by a subsidiary of the Company in the United States, which has started to generate taxable profits in 2023; and (b) the profit for 2022 included an impairment of other intangible assets.

Basic earnings per share amounted to HK1.74 cents (2022: HK0.55 cent). The return on equity, calculated on the basis of profit attributable to owners of the Company as a percentage of equity attributable to owners of the Company, was 5.4% (2022: 1.8%).

## **BUSINESS REVIEW**

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

Against the backdrop of tightening monetary policies by most central banks, the global economy has shown resilience beyond expectations in 2023. The growth of Global Gross Domestic Product ("GDP") existed a surprisingly sharp rise, with real GDP growth at 2.5%. However, in the last quarter of 2023, the growth of the global economy began to slow down.

Despite a 525 basis point increase in interest rates since March 2022, the United States economy remained more resilient than most forecasts. Retail data has indicated that consumers are continuing to demonstrate sustained purchasing power. Meanwhile, there are signs that the growth of economy is slowing down, and the household consumption sector is beginning to be affected. In 2023, the economy added 2.7 million jobs, which equivalent to 225,000 jobs per month, representing the strongest annual growth in employment since 2015 (excluding the pandemic period from 2020 to 2022). This also represents that the growth of job exceeded the levels in 2019 by nearly 40%.

Although the inflation rates of global and the United States were 6.8% and 3.4% respectively in 2023, there were favorable factors to moderate the growth of revenue and aviation activities on a year-on-year basis. These factors included the avoidance of labor market retrenchment, easing inflation and labor cost compression. According to the 2023 report of General Aviation Manufacturers Association, all categories of general aviation aircraft showed a strong growth in both delivery volumes and sales revenue. The report revealed that 1,682 units of piston-powered fixed-wing aircrafts were delivered globally, representing 11.8% growth yearly.

Despite the challenges posed by significant inflation, rising raw material prices, and labor costs, the Group continued its upward trajectory last year. We experienced notable growth across various aspects, including order volumes, deliveries, profits, and technological innovations.

### **Implementation of Blue Marlin Project**

We are pleased to announce the successful completion of the Blue Marlin project, a significant milestone that reflects the dedication and hard work of our entire United States team. This project aims to enhance the efficiency of manufacturing general aviation aircraft piston engines and parts, reduce delivery lead time, and advance automation production. The factories of Mobile and Fairhope in Alabama, the United States achieved the highest delivery volumes in 2023, the best record recently.

### **Research and Development**

Our engines and parts offer exceptional reliability and have instilled confidence among customers. Our Original Equipment Manufacturer (“OEM”) customers, aircraft owners, and operators expressed high satisfaction with the flight performance of our products and the value we created. Moreover, Tecnam Aircraft Company has announced that our well-known GTSIO engine (GTSIO-520-S) as the powerplant option for the P2012 short takeoff and landing aircraft, and also chose this engine for the P2012 Traveller and Sentinel SMP aircraft. Additionally, Diamond Aircraft Company delivered the DA50 RG aircraft equipped with our CD-300 engine for the first time in the North American market in 2023.

In 2023, the time between replacement for our CD-170 and CD-300 increased from 1,200 hours to 1,800 hours and 2,000 hours respectively, which brought significant advantage to customers. At the same time, more and more innovative designs have been added to our Jet-A engine series, which achieved 10 million flight hours.

Due to improved efficiency, our genuine PRIME and TITAN engines, as well as our PRIME PMA series of parts as options for other engine application, provide customers with excellent performance at very competitive prices. These advantages reinforce our commitment to delivering cutting-edge technology that exceeds customers' expectations.

We invest in research and development not only to enhance our customers' flying experience and satisfaction but also to promote the use of sustainable aviation fuel. Our team has been enthusiastically participated in relevant research to realize our commitment to sustainable aviation fuels. We are working with industry partners to accelerate testing of sustainable aviation fuels in line with global sustainability goals. In 2023, we completed testing of hydrotreated vegetable oil as a sustainable fuel option for CD-100 series engines. The Group will continue to work hard to promote the development of the aviation industry in a more environmentally friendly and sustainable direction.

### **Implementation of New ERP system**

After nearly two years of effort, we are pleased to announce the successful implementation of our new Enterprise Resource Planning ("ERP") system. This significant milestone marks our transition from the outdated Macola system to the well-known Oracle NetSuite system. As we continue our pursuit of operational excellence and efficiency, the new ERP system integrates various processes, streamlines departmental workflows, and enhances overall efficiency, automation, and scalability. Our technology infrastructure is now well-equipped to accommodate the growing demands of our business.

## **FINANCIAL REVIEW**

### **Goodwill**

The Group's goodwill acquired through business combination in prior years 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 2023, the entire amount of the goodwill related to the Germany CGU was HK\$13,841,000 (2022: HK\$13,439,000). The impairment assessment of Germany CGU was performed with the support of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer.

During the year ended 31 December 2023 and 2022, no impairment loss is recognised.

### **Other intangible assets**

Other intangible assets mainly consist of development programs in progress, trademarks, product technology, licence and completed programs, and customer relationships. As at 31 December 2023, the Group's other intangible assets were HK\$1,340,863,000 (2022: HK\$1,387,327,000).

During the year ended 31 December 2022, impairment loss of HK\$101,142,000 was recognised for development programs in progress. No impairment loss is recognised on other intangible assets during the year ended 31 December 2023.

### **Investment in an associate**

During the year, the Group recorded a share of loss of an associate of HK\$4,112,000 (2022: HK\$8,390,000).

### **Administrative expenses**

Administrative expenses consist of salaries and wages, product liability expenses, engineering expenses, legal and professional expenses and other general expenses. During the year, the Group recorded administrative expenses of HK\$311,185,000 (2022: HK\$293,665,000).

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

The Group has consistently maintained sufficient working capital. As at 31 December 2023, the Group had current assets of HK\$1,741,669,000 (2022: HK\$1,509,210,000), including cash and bank balances and bank deposits with original maturity over three months in an aggregate of HK\$875,280,000 (2022: HK\$824,752,000). The Group's current liabilities as at 31 December 2023 were HK\$506,859,000 (2022: HK\$422,783,000).

As at 31 December 2023, the Group's total equity amounted to HK\$2,995,461,000 (2022: HK\$2,818,891,000), comprising issued capital of HK\$930,337,000 (2022: HK\$930,337,000) and reserves of HK\$2,065,124,000 (2022: HK\$1,888,554,000). The Group's interest-bearing debts included lease liabilities of HK\$289,348,000 (2022: HK\$294,099,000). 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 8.8% (2022: 9.4%).

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

As at 31 December 2023 and 2022, there are no assets pledged to secure the Group's bank facilities.

### **EXPOSURE TO FOREIGN CURRENCY RISK**

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

### **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group had no material acquisitions or disposals during the current year.

### **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: 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 2023, 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 2023, there were 567 (2022: 534) employees in the Group. The employees' wages and salaries amounted to HK\$241,520,000 (2022: HK\$216,715,000) for the year ended 31 December 2023. 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 performance related bonuses to eligible staff based on their performance and contributions to the Group.

## **OUTLOOK**

In 2023, global GDP experienced robust growth, however as we head into 2024, economic forecasts remain uncertain. The primary projection for mid-2024 is a modest contraction in real GDP. Specifically, we anticipate a decline of approximately 0.5% between the first and third quarters of 2024. If this projection materializes, it would be the smallest contraction in real GDP among the 12 post-World War II economic recessions.

Our commitment to operational excellence, World Class Manufacturing ("WCM"), will be fully implemented in all factories by 2024. We have embarked on a journey to implement WCM practices globally and will achieve the highest standards of efficiency, quality and innovation through 10 technical pillars and 10 managerial foundations.

As we reflect on our achievements in 2023, we are pleased to announce our business growth plans in 2024.

1. **Product/Service Expansion:** We will focus on expanding our global service network to meet the changing needs and preferences of our customers. By introducing innovative solutions and enhancing existing products, we aim to capture new market segments and drive revenue growth.
2. **Market Penetration:** We will intensify our presence in existing markets, explore emerging regional markets, and establish connections with new OEMs. Through strategic partnerships and optimal customer experience initiatives, we will further strengthen our market position and increase market share.
3. **Customer Retention and Training:** We continually listen to our customers' feedback, understand their needs, establish strong partnerships, and support their growth objectives. We meet their needs by delivering an exceptional experience, personalized support, and on-site and face-to-face training that shares our expertise.
4. **Operational Efficiency and Cost Optimization:** Simplifying operations and optimizing internal processes are integral to our growth. We will leverage innovative technology, data analytics and best practices to enhance efficiency, reduce costs and provide the most valuable and highest quality products to customers in 78 countries.
5. **Employee Development and Engagement:** Our most valuable asset is our team of professionals. We are committed to fostering a T.E.A.M. culture of continuous development, empowerment and collaboration. By continually investing in team growth and creating a positive work environment, we will unlock the full potential of our teams and drive collective success.

In 2023, our performance was exceptionally strong, allowing us to look forward optimistically to the prospects of 2024. Over the past year, we achieved numerous significant accomplishments and milestones, which serve as the foundation for continued success in the coming year.

In 2024, we plan to strategically expand our market share, target untapped opportunities, further integrate cutting-edge technologies to enhance our operations, and provide innovative solutions. More importantly, we need to continually invest in employee development, fostering a skilled and proactive workforce, focusing on financial sustainability and R&D to support the Group's long-term growth. With the support of the global WCM, we look forward to a more successful 2024.

## **CORPORATE GOVERNANCE**

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

For the year ended 31 December 2023, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Part 2 of Appendix C1 of the Listing Rules.

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

## **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 C3 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 2023.

## **SCOPE OF WORK OF ERNST & YOUNG**

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 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 March 2024. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the preliminary announcement.

## **REVIEW BY AUDIT COMMITTEE**

The annual results for the year ended 31 December 2023 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, 28 May 2024 to Friday, 31 May 2024, 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 31 May 2024 (“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, 27 May 2024.

## **PUBLICATION OF THE 2023 RESULTS AND ANNUAL REPORT**

This results announcement is published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.cath.com.hk](http://www.cath.com.hk). The annual report will be published on the websites of the Company and the Stock Exchange in due course.

## **APPRECIATION**

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

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

Hong Kong, 28 March 2024

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