# 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)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "Board") of directors (the "Directors") of Continental Aerospace Technologies Holding Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2024, together with the comparative figures for the corresponding period of last year.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2024** | 2023 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **781,805** | 928,696 |
| Cost of sales | | **(580,954)** | (632,371) |
| Gross profit | | **200,851** | 296,325 |
| Other income and gains, net | | **21,226** | 16,449 |
| Selling and distribution expenses | | **(40,475)** | (33,518) |
| Administrative expenses | | **(154,023)** | (152,938) |
| Research and development costs | | **(22,294)** | (27,522) |
| Other operating income/(expenses) | | **12,044** | (54,810) |
| Finance costs | | **(6,561)** | (6,623) |
| Share of loss of an associate | | **(2,201)** | (2,418) |
| **PROFIT BEFORE TAX** | *5* | **8,567** | 34,945 |
| Income tax credit/(expense) | *6* | **(1,514)** | 45,535 |
| **PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **7,053** | 80,480 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | |
| Basic and diluted | *7* | **HK0.08 cent** | HK0.87 cent |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **PROFIT FOR THE PERIOD** | **7,053** | 80,480 |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | **(14,422)** | 3,601 |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX** | **(14,422)** | 3,601 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY** | **(7,369)** | 84,081 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 June 2024 (Unaudited) *HK$'000*** | 31 December 2023 (Audited) *HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *9* | **616,545** | 617,935 |
| Right-of-use assets | | **247,032** | 252,384 |
| Goodwill | *10* | **13,439** | 13,841 |
| Other intangible assets | | **1,316,526** | 1,340,863 |
| Investment in an associate | | **17,732** | 10,029 |
| Equity investments designated at fair value through other comprehensive income | | **2,346** | 2,343 |
| Total non-current assets | | **2,213,620** | 2,237,395 |
| **CURRENT ASSETS** | | | |
| Inventories | | **787,523** | 645,985 |
| Loan to an associate | | **–** | 7,158 |
| Trade receivables | *11* | **149,771** | 129,444 |
| Contract assets | | **7,462** | 24,187 |
| Prepayments, deposits and other receivables | | **49,604** | 52,658 |
| Amount due from a fellow subsidiary | | **36,914** | 6,957 |
| Time deposits | | **545,956** | 628,863 |
| Cash and cash equivalents | | **104,828** | 246,417 |
| Total current assets | | **1,682,058** | 1,741,669 |

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

| | Note | **30 June 2024 (Unaudited) *HK$'000*** | 31 December 2023 (Audited) *HK$'000* |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **156,951** | 140,790 |
| Other payables, accruals and provisions | | **224,602** | 272,767 |
| Amount due to a fellow subsidiary | | **566** | 272 |
| Amount due to an intermediate holding company | | **24,482** | 25,117 |
| Lease liabilities | | **6,853** | 7,149 |
| Contract liabilities | | **19,788** | 18,943 |
| Tax payable | | **41,544** | 41,821 |
| Total current liabilities | | **474,786** | 506,859 |
| **NET CURRENT ASSETS** | | **1,207,272** | 1,234,810 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,420,892** | 3,472,205 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **280,396** | 282,199 |
| Defined benefit plan obligations | | **3,127** | 2,927 |
| Contract liabilities | | **75,876** | 65,369 |
| Provisions | | **37,686** | 37,743 |
| Deferred tax liabilities | | **82,232** | 88,506 |
| Total non-current liabilities | | **479,317** | 476,744 |
| Net assets | | **2,941,575** | 2,995,461 |
| **EQUITY** | | | |
| Share capital | | **930,337** | 930,337 |
| Reserves | | **2,011,238** | 2,065,124 |
| Total equity | | **2,941,575** | 2,995,461 |

## 1. Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2024 is unaudited and has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). This unaudited interim financial information does not include all the information and disclosures required for a full set of annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

The unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income which are measured at fair values, and is 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 accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback* |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current* (the "2020 Amendments") |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants* (the "2022 Amendments") |
| Amendments to HKAS 7 and HKFRS 7 | *Supplier Finance Arrangements* |

The adoption of the above revised standards has had no significant financial effect on the Group's unaudited interim condensed consolidated financial information.

## 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.

## 4. Revenue

An analysis of revenue is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers** | | |
| Sales of aircraft engines and spare parts | **729,799** | 894,629 |
| Rendering of services | **52,006** | 34,067 |
| | **781,805** | 928,696 |
| **Disaggregated revenue information for revenue from contracts with customers – Geographical markets** | | |
| USA | **621,202** | 747,421 |
| Europe | **112,032** | 112,383 |
| Others | **48,571** | 68,892 |
| | **781,805** | 928,696 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **729,799** | 894,629 |
| Services transferred over time | **52,006** | 34,067 |
| | **781,805** | 928,696 |

## 5. Profit before tax

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

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold* | **549,392** | 602,272 |
| Cost of services provided* | **31,562** | 30,099 |
| Write-down of inventories** | **5,230** | 3,089 |
| Depreciation of property, plant and equipment | **20,580** | 17,427 |
| Depreciation of right-of-use assets | **7,109** | 7,092 |
| Amortisation of other intangible assets | **42,838** | 43,864 |
| Gain on deemed disposal of an associate*** | **(10,011)** | – |
| Provision for/(reversal of provision for) product service bulletin**** | **(12,044)** | 54,810 |

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

** *Included in "cost of inventories sold" above.*

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

**** *In the prior period, total costs of HK$54,810,000 were provided for the inspection and repair of certain models of aircraft piston engines in connection with a product service bulletin. During the current period, the Group has reassessed the provision and a reversal of HK$12,044,000 was credited to "other operating income/(expenses)" in the condensed consolidated statement of profit or loss.*

## 6. Income tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2024 as the Group did not generate any assessable profits arising in Hong Kong during the period (2023: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current – Elsewhere: | | |
| Charge for the period | **5,296** | 7,879 |
| Deferred tax *(note)* | **(3,782)** | (53,414) |
| | **1,514** | (45,535) |

*Note:*

In the prior period, Continental Aerospace Technologies Inc., the Company's subsidiary in the United States, began to generate taxable profits. It was also expected that Continental Aerospace Technologies Inc. would generate future taxable profits to utilise some of its tax losses. Therefore, the Group recognised deferred tax credit of HK$49,920,000 in profit or loss to the extent that the tax losses would 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 period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

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

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings:** | | |
| Profit attributable to ordinary equity holders of the Company | **7,053** | 80,480 |

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| **Shares:** | | |
| Weighted average number of ordinary shares in issue during the period | **9,303,374,783** | 9,303,374,783 |

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## 8. Dividend

No dividends in respect of the period ended 30 June 2024 were paid, declared or proposed.

The 2023 final dividend of HK$46,517,000 was approved by the Company's shareholders at the annual general meeting.

## 9. Property, plant and equipment

During the six months ended 30 June 2024, the Group had additions of items of property, plant and equipment of HK$20,894,000 (six months ended 30 June 2023: HK$31,322,000).

## 10. Goodwill

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

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

As at 30 June 2024 and 31 December 2023, the entire amount of goodwill was related to the Germany CGU. The goodwill related to the USA CGU was fully impaired in prior years.

## 11. Trade receivables

| | **30 June 2024 (Unaudited) *HK$'000*** | 31 December 2023 (Audited) *HK$'000* |
|---|---|---|
| Trade receivables | **156,436** | 136,103 |
| Impairment losses | **(6,665)** | (6,659) |
| Net carrying amount | **149,771** | 129,444 |

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

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. As at 30 June 2024, the Group had certain concentrations of credit risk as 45% (31 December 2023: 40%) of the Group's trade receivables were due from one of the Group's key customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

| | **30 June 2024 (Unaudited) *HK$'000*** | 31 December 2023 (Audited) *HK$'000* |
|---|---|---|
| Within 1 month | **102,368** | 99,239 |
| 1 to 2 months | **32,004** | 21,786 |
| 2 to 3 months | **9,327** | 3,415 |
| Over 3 months | **6,072** | 5,004 |
| | **149,771** | 129,444 |

## 12. Trade payables

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

| | **30 June 2024 (Unaudited)** ***HK$'000*** | 31 December 2023 (Audited) *HK$'000* |
|---|---|---|
| Within 1 month | **98,488** | 86,981 |
| 1 to 2 months | **40,065** | 44,596 |
| 2 to 3 months | **10,977** | 7,001 |
| Over 3 months | **7,421** | 2,212 |
| | **156,951** | 140,790 |

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

## OVERALL REVIEW

For the first half of 2024, the Group recorded a revenue of HK$781,805,000 (2023: HK$928,696,000) and a gross profit of HK$200,851,000 (2023: HK$296,325,000). The Group recorded a profit for the period of HK$7,053,000 (2023: HK$80,480,000), which was mainly because of the general aviation aircraft piston engine business recorded a loss for the period of HK$3,277,000 (2023: profit of HK$78,978,000).

Basic and diluted earnings per share amounted to HK ¢ 0.08 (2023: HK ¢ 0.87). 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 0.2% (2023: 2.8%).

## BUSINESS REVIEW

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

For the first half of 2024, the general aviation aircraft piston engine business recognised a revenue of HK$781,805,000 (2023: HK$928,696,000) and a gross profit of HK$200,851,000 (2023: HK$296,325,000), and recorded a loss for the period of HK$3,277,000 (2023: profit of HK$78,978,000). The change from profit to loss was mainly due to the subsidiary in the United States encountering optimization and run-in challenges in the process of implementing the new NetSuite enterprise resource planning system. These challenges have increased the difficulties of controlling business operations, management, and security management, which required more energy and cost than before. At the same time, like most companies in the industry, the Group dealt with a tight supply chain, resulting in a year-to-year decrease in revenue and gross profit in the first half of this year.

In May 2024, the General Aviation Manufacturers Association ("GAMA"), reported flat deliveries for piston airplanes and piston helicopters, with a decrease in deliveries for turboprops and turbine helicopters. "While the first three months of the year produced a mixed report, the health of the industry remains solid with robust order backlogs strong across all segments. Our industry continues to be challenged by significant supply chain issues across the board that range from raw materials, through forgings and castings, to basic parts availability. These challenges are most acute in our engine sector… Workforce availability is yet another area that is constraining production," as reported by Pete Bunce, president and Chief Executive Officer of GAMA, said.

Along with other General Aviation ("GA") companies, the Group is continually navigating through significant global supply chain challenges and rising operating costs from, including increasing costs of materials, shipment, labor, rental, and depreciation. Internally, the Group launched the final stage of transition to the new North America facility (known as the Blue Marlin Project) from 2023 end and implemented the new NetSuite Enterprise Resource Planning ("ERP") system at the beginning of February 2024.

Like most companies transiting to a new facility and implementing a new ERP system, the Group went through multiple phases of implementation, facing significant challenges in planning, configuring, and resource allocation. These challenges have increased the difficulties of controlling business operations, management, and security management, which required more effort and cost than before.

With the optimization, run-in, and other situations faced during a new facility transition and a new ERP implementation coupled with global economic challenges, the Group's performance in the first half of 2024 was lower than anticipated. The Group's sales were around HK$782 million in the first half year, which was 15.8% lower than the same period in 2023.

However, with great dedication and commitment, the Group achieved significant accomplishments and has observed clear indications of recovery.

- **Manufacturing Automation**

  The Group is pleased to announce the successful completion of the Blue Marlin project. Additionally, two more new crankcase machining centers have been added and are in the Pre-Production Approval Process.

- **Research and Development ("R&D")**

  Following 2023's exceptional R&D momentum and commitment, the Group submitted the CD-170R engine model certification to the European Union Aviation Safety Agency ("EASA"). Announced at Aero Friedrichshafen, Germany, this Jet-A piston engine is Full Authority Digital Engine Control ("FADEC")-controlled with rotorcraft-specific software mapping that will dramatically transform the pilot's experience. The CD-170R has the best power-weight ratio because it does not utilize a gearbox. This is a significant milestone in the Group's innovation history and is expected to expand the Group's product lines and assist the Group in tapping into new market segments.

- **Strategic Partnerships**

  During the 2024 EAA AirVenture Show Oshkosh, the Group and its strategic partner, APUS Zero Emission GmbH, an award-winning pioneer in sustainable aviation solutions, announced a joint collaboration focused on exploring sustainable, cutting-edge piston engine technology that could significantly reduce GA's climate impact. Together, the Group and APUS are committed to leading the way in sustainable aviation, shaping a future where engine technology and environmental responsibility coexist. APUS went on to announce a Supplemental Type Certificate ("STC") for the CD-300 engine that will bring Jet-A power to the popular Cessna 206 aircraft.

- **Application Highlights**

  Cirrus Aircraft: Announced the G7 series aircraft, including the SR22 and SR22T powered by the Group's robust 550 series engine. They also commemorated the 10,000th delivery of the SR aircraft line.

  Tecnam Aircraft: The P2012 Short Takeoff and Landing aircraft, equipped with twin GTSIO-520 engines, has recently reached monumental milestones whereby it completed its first Atlantic crossing for delivery in the Caribbean Islands and received EASA certification for steep approaches of up to 10°, significantly expanding the aircraft's operability.

- **Training Landmark**

  The Group announced new training programs as part of the newly launched Continental Aerospace Technologies Academy™ during the 2024 EAA AirVenture Show Oshkosh, offering multiple levels of training for aviation professionals on-site at the Group's facility and off-site at remote locations. One of the successful off-site trainings had just completed in South Africa. The on-site factory training courses are offered at both facilities in Mobile, Alabama, USA, and Sankt Egidien, Germany. The Group's training programs provide a comprehensive curriculum from piston engine theory to practical, hands-on instruction and isolation procedures. These training courses are designed for both Avgas and Jet-A engines with two levels of training available for each engine type.

## FINANCIAL REVIEW

### Goodwill

The Group's goodwill acquired through business combination has been allocated to USA CGU and Germany CGU. As at 30 June 2024, the entire amount of the goodwill related to the Germany CGU was HK$13,439,000 (31 December 2023: HK$13,841,000). The impairment assessment of the USA CGU and the Germany CGU was performed with the support of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer.

During the six months ended 30 June 2024 and 2023, no impairment loss is recognised.

### Other intangible assets

Other intangible assets consist of development programs in progress, trademarks, product technology, licence and completed programs and customer relationships. As at 30 June 2024, the Group's other intangible assets were HK$1,316,526,000 (31 December 2023: HK$1,340,863,000).

### Investment in an associate

During the period, the Group recorded a share of loss of an associate in an aggregate of HK$2,201,000 (2023: HK$2,418,000), and gain on deemed disposal of an associate of HK$10,011,000 (2023: Nil).

### Administrative expenses

Administrative expenses consist of salaries and wages, product liability expenses, engineering expenses, legal and professional expenses and other general expenses. During the period, the Group recorded administrative expenses of HK$154,023,000 (2023: HK$152,938,000).

## LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group has consistently maintained sufficient working capital. As at 30 June 2024, the Group had current assets of HK$1,682,058,000 (31 December 2023: HK$1,741,669,000), including cash and cash equivalents and time deposits with original maturity over three months in an aggregate of HK$650,784,000 (31 December 2023: HK$875,280,000). The Group's current liabilities as at 30 June 2024 were HK$474,786,000 (31 December 2023: HK$506,859,000).

As at 30 June 2024, the Group's total equity amounted to HK$2,941,575,000 (31 December 2023: HK$2,995,461,000), comprising share capital of HK$930,337,000 (31 December 2023: HK$930,337,000) and reserves of HK$2,011,238,000 (31 December 2023: HK$2,065,124,000). The Group's interest-bearing debts included lease liabilities of HK$287,249,000 (31 December 2023: HK$289,348,000). 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 8.9% (31 December 2023: 8.8%).

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2024 and 31 December 2023, 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

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

## EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the six months ended 30 June 2024 and up to the date of this announcement.

## CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, there were 600 (31 December 2023: 567) employees in the Group. The employees' wages and salaries, amounted to HK$135,092,000 (2023: HK$135,999,000) for the period. The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to employees have contributed to building good staff relations and retention. The Group's remuneration policies are formulated based on the performance of individual employees and market conditions and are reviewed regularly. The Group also provides other staff benefits including medical and life insurance and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

## OUTLOOK

In the second half of 2024, the Group will focus on the following strategic areas to ensure sustained growth and market leadership:

- **Product and Service Growth**

  The Group will tap into new GA product segments and markets by leveraging innovative technologies and products including reverse engineering products from its competitors and supply chain. For example, the Group has several STCs available to retrofit the well selling Cessna 172, Piper PA28, and DA40 from their conventional gasoline engines to the Group's FADEC-controlled Jet-A engines. Meanwhile, the Group will extend and expand its global service network to meet its customers' changing needs and preferences. Additionally, through the Continental Aerospace Technologies Academy programs, the Group will provide high-quality factory training for internal and external professionals to promote quality and safety practices.

- **Advances towards World Class Manufacturing**

  As a leader in GA, the Group is making substantial strides towards a global World Class Manufacturing system. With committed resources in place, the Group is focused on strengthening its processes by aligning cross-functional teams to find ways to enhance its systems. The Group will continually optimize the new ERP system and internal processes integral to its growth. The Group will leverage best practices to enhance efficiency, reduce costs, and provide the most valuable and highest-quality products to its global customers.

- **Prime and Titan Engines and Parts Productions**

  The Group continues to offer a variety of fuel-injected Prime IO-370 engine models ranging from 180 to 195hp. The Continental IO-370-DA3A2B offers a drop-in replacement option certified under Federal Aviation Administration STC for selected Cessna 172 R and S models. This engine is also offered for other STC applications for various Cessna 170 and 172 aircraft installations, increasing the aircraft horsepower and adding a constant-speed operation. The Group will continue to innovate in technologies that can further extend the life of its cylinders.

By focusing on these strategic areas, the Group is well-positioned to navigate the economic challenges and capitalize on growth opportunities in the second half of 2024 through. The Group's commitment to innovation, quality, and customer satisfaction will drive it forward and help achieve its goals.

## 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 six months ended 30 June 2024, 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 (including sale of treasury shares) during the period.

As at 30 June 2024, there is no treasury share held by the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 of all the Directors, all of them confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2024.

## AUDIT COMMITTEE

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

## REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been reviewed by the Audit Committee, and has also been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## PUBLICATION OF INTERIM REPORT

The 2024 interim report will be published on the websites of the Company (www.cath.com.hk) and the Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders of the Company, if necessary, in due course.

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

Hong Kong, 28 August 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.*