彼岸
PEIPORT

Peiport Holdings Ltd.

彼岸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2885)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Peiport Holdings Ltd. (the "**Company**") herein announces the unaudited interim condensed consolidated financial results of the Company and its subsidiaries (collectively known as the "**Group**") for the six months ended 30 June 2020 (the "**Period**") together with the comparative unaudited figures for the six months ended 30 June 2019 and certain comparative audited figures as at 31 December 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**102,092**	97,493
Cost of sales		**(64,551)**	(62,464)
Gross profit		**37,541**	35,029
Other income and gains, net	*4*	**835**	2,877
Selling and distribution expenses		**(12,478)**	(12,730)
Administrative expenses		**(12,664)**	(13,315)
Other expenses		**(3,153)**	(2)
Finance costs		**(165)**	(269)
PROFIT BEFORE TAX	*5*	**9,916**	11,590
Income tax expense	*6*	**(2,508)**	(2,112)
PROFIT FOR THE PERIOD		**7,408**	9,478

	Note	Six months ended 30 June **2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Unaudited)
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		**(591)**	(69)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(591)**	(69)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**6,817**	9,409
Profit attributable to:			
Owners of the parent		**7,408**	9,478
Total comprehensive income attributable to:			
Owners of the parent		**6,817**	9,409
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**HK1.85 cents**	HK2.40 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	**30 June 2020 *HK$'000* (Unaudited)**	31 December 2019 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**9,696**	11,443
Right-of-use assets		**5,079**	6,809
Intangible assets		**683**	869
Deferred tax assets		**2,242**	2,063
Total non-current assets		**17,700**	21,184
CURRENT ASSETS			
Inventories		**69,022**	48,926
Trade and bills receivables	*9*	**81,229**	106,637
Prepayments, deposits and other receivables		**7,946**	6,243
Cash and bank balances		**204,495**	177,127
Total current assets		**362,692**	338,933
CURRENT LIABILITIES			
Trade payables	*10*	**14,569**	7,247
Other payables and accruals		**2,689**	9,793
Contract liabilities		**22,766**	7,430
Lease liabilities		**3,806**	4,907
Tax payable		**6,745**	7,086
Total current liabilities		**50,575**	36,463
NET CURRENT ASSETS		**312,117**	302,470
TOTAL ASSETS LESS CURRENT LIABILITIES		**329,817**	323,654
NON-CURRENT LIABILITIES			
Lease liabilities		**1,668**	2,322
Total non-current liabilities		**1,668**	2,322
Net assets		**328,149**	321,332
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**4,000**	4,000
Reserves		**324,149**	317,332
Total equity		**328,149**	321,332

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2020

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as consolidated and revised) of the Cayman Islands on 19 December 2017. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 January 2019 (the "**Listing Date**").

In the opinion of the Directors, the ultimate holding company of the Group is Peiport Alpha Ltd., which was incorporated in the British Virgin Islands with limited liability and is controlled by Mr. YEUNG Lun Ching and Ms. WONG Kwan Lik.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The preparation of the unaudited interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The new and revised HKFRSs do not have material impact on the unaudited interim condensed consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group was principally engaged in the provision of thermal imaging products and services, self-stabilised imaging products and services and general aviation products and services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland China *(as defined in note 6)*	**56,778**	77,802
Hong Kong and Macau	**44,292**	18,522
Overseas	**1,022**	1,169
	102,092	97,493

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

(b) Non-current assets

	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China *(as defined in note 6)*	**12,987**	15,018
Hong Kong	**2,471**	4,103
	15,458	19,121

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

Information about major customers

Revenue derived from sales to individual customers which contributed over 10% of the total revenue of the Group during the six months ended 30 June 2020 and 2019 are as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**13,277**	22,863
Customer B	**17,008**	N/A*
Customer C	**N/A***	10,962

* The corresponding revenues from these customers are not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the respective periods.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

Revenue

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Thermal imaging products and services		
— Sales of goods [Note (A)]	**62,073**	32,376
— Rendering of maintenance services and equipment rental [Note (B)]	**6,741**	6,000
	68,814	38,376
Self-stabilised imaging products and services		
— Sales of goods [Note (A)]	**8,080**	16,207
— Rendering of maintenance services and equipment rental [Note (B)]	**1,798**	2,502
	9,878	18,709
General aviation products and services		
— Sales of goods [Note (A)]	**23,020**	39,857
— Rendering of maintenance services [Note (B)]	**380**	551
	23,400	40,408
Total	**102,092**	97,493

Note (A): The revenue from sales of goods was recognised at a point in time.

Note (B): The revenue from rendering of maintenance services and equipment rental was recognised over time, which included operating lease income of HK$1,780,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$2,013,000).

Other income and gains, net

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**443**	313
Government grants	**297**	–
Recovery of written-off trade receivables	**26**	1,346
Foreign exchange differences, net	**–**	1,173
Others	**69**	45
	835	2,877

5. PROFIT BEFORE TAX

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

	Note	Six months ended 30 June **2020** ***HK$'000*** **(Unaudited)**	 2019 *HK$'000* (Unaudited)
Cost of inventories sold		**62,339**	59,872
Cost of services provided		**2,212**	2,592
Depreciation of property, plant and equipment		**1,519**	1,468
Depreciation of right-of-use assets		**2,661**	2,581
Amortisation of intangible assets		**170**	–
Research and development costs		**2,888**	1,917
Recovery of written-off trade receivables	*4*	**(26)**	(1,346)
Provision for doubtful receivables, net		**113**	–
Employee benefit expense (excluding Directors' and chief executive's remuneration):			
Wages and salaries		**17,601**	14,491
Pension scheme contributions (defined contribution scheme)		**772**	1,040
		18,373	15,531
Foreign exchange differences, net		**2,933**	(1,173)
Loss on disposal of items of property, plant and equipment		**86**	–

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (six months ended 30 June 2019: Nil) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Pursuant to the People's Republic of China (the "**PRC**" or "**Mainland China**") Income Tax Law and the respective regulations, corporate income tax ("**CIT**") has been provided at the rate of 25% (six months ended 30 June 2019: 25%) on the taxable income of the subsidiaries operating in Mainland China during the Period, except for certain subsidiaries of the Group, which are qualified small and micro-sized enterprises ("**SMEs**") under Caishui [2019] No.13. According to Caishui [2019] No.13 effective from 1 January 2019 to 31 December 2021, qualified SMEs refer to enterprises that do not engage in any restricted or prohibited industries in the PRC and meet the criteria of (i) number of staff not exceeding 300; (ii) total assets not exceeding RMB50,000,000; and (iii) annual taxable income not exceeding RMB3,000,000. Qualified SMEs are eligible for a reduced CIT rate of 20%, 75% reduction of taxable income for the first RMB1,000,000 taxable income and 50% reduction of taxable income for the remaining taxable income.

	Six months ended 30 June **2020** ***HK$'000*** **(Unaudited)**	 2019 *HK$'000* (Unaudited)
Current	**2,693**	2,061
Deferred	**(185)**	51
Total tax charge for the period	**2,508**	2,112

7. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (six months ended 30 June 2019: 394,475,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

Earnings	**Six months ended 30 June**	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**7,408**	9,478

Shares		**Number of shares Six months ended 30 June**	
		2020	2019
		'000	*'000*
	Notes	**(Unaudited)**	(Unaudited)
Number of issued shares on 1 January		**400,000**	380
Effect of Capitalisation Issue on 11 January 2019	*(i)*	**–**	299,620
Weighted average number of ordinary shares in issue upon completion of global offering on 11 January 2019	*(ii)*	**–**	94,475
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations		**400,000**	394,475

Notes:

(i) Pursuant to a written resolution of the shareholders of the Company passed on 18 December 2018, a total of 299,620,000 shares of HK$0.01 each were allotted and issued at par value to the shareholders of the Company as of the date immediately before Listing Date on a pro rata basis by way of capitalisation of HK$2,996,200 (the "**Capitalisation Issue**") from the Company's share premium account on the Listing Date.

(ii) On the Listing Date, 100,000,000 new shares were issued at a price of HK$1.25 per share in connection with the Company's initial public offering on the Stock Exchange.

9. TRADE AND BILLS RECEIVABLES

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Trade receivables	**73,837**	90,040
Bills receivables	**8,575**	17,673
	82,412	107,713
Impairment	**(1,183)**	(1,076)
	81,229	106,637

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing.

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

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Less than 3 months	**26,263**	67,563
3 to 6 months	**18,309**	14,502
6 to 12 months	**18,392**	7,662
Over 1 year	**18,265**	16,910
	81,229	106,637

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:

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Within 1 month	**12,273**	5,100
1 to 3 months	**830**	461
Over 3 months	**1,466**	1,686
	14,569	7,247

The trade payables are interest-free and are normally settled ranging from 30 to 90 days.

11. SHARE CAPITAL

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
400,000,000 (31 December 2019: 400,000,000) ordinary shares of HK$0.01 each	**4,000**	4,000

12. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 26 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of thermal imaging products and services, self-stabilised imaging products and services, and general aviation products and services in the PRC and Hong Kong.

During the Period, the outbreak of the coronavirus disease 2019 ("**COVID-19**") had a material impact to the global economic environment and created uncertainties for market demand. The pandemic significantly affected the business and the operation of the Group that has caused disruption to our customers, suppliers and staff. We took immediate action to help ensure the safety of our staff, to support our customers and to maintain our business operations. Business contingency plans were implemented to deal with the issues against the epidemic.

Meanwhile, in Hong Kong, the social issue had been continued to have a negative impact to the business environment during the Period, posing an uncertain outlook on the development in Hong Kong.

Despite these challenging market environments and conditions, we maintained a growth during the Period. The Group's revenue and gross profit recorded an increase of 4.7% and 7.1%, respectively, on a period-to-period basis. There are strong growth in the demand of our thermal imaging products and services; while the sales performance of self-stabilised imaging products and services and general aviation products and services have been adversely affected by the COVID-19 pandemic.

The Group continues to enhance its research and development. The new research and development centre in Hong Kong enable us to have additional capabilities to develop infrared body temperature screening systems and self-stabilised imaging products for vessels. During the Period, the Group invested approximately HK$2.9 million in research and development (six months ended 30 June 2019: HK$1.9 million), an increase of approximately 52.6% on a period-to-period basis.

A summary of revenue from different segments of the Group is set out below:

(1) Sale of thermal imaging products and provision of services

Our products and services in this segment can broadly be divided into three categories: (i) products under our own brand name, PTi; (ii) products of other brands; and (iii) thermal imaging inspection services.

During the Period, the Group recorded a significant increase in revenue of approximately 79.2% from this segment. It is mainly attributable to the rapid growth in demand of our thermal imaging products for health quarantine arrangements in Hong Kong.

Revenue from this segment during the Period was approximately HK$68.8 million (six months ended 30 June 2019: HK$38.4 million). It accounted for approximately 67.4% (six months ended 30 June 2019: 39.4%) of the Group's revenue during the Period.

(2) Sale of self-stabilised imaging products and provision of services

The products in this segment are designed to be mounted on moving platforms such as aircrafts, helicopters, vessels and ships. The Group deploys a self-stabilisation technology whereby the imaging products are mounted on a multiple-axis gimbaled structure so as to achieve maximum stabilisation. The products are traded under own brand name, SkyEye, SeaVision and PGs. In addition, we rent our self-stabilised imaging products for aircrafts to customers for a fixed period at a rental fee. We also provide product training and technical assistance to our customers based on their requirements.

During the Period, revenue generated from this segment was approximately HK$9.9 million (six months ended 30 June 2019: HK$18.7 million), a decline of approximately 47.1% on a period-to-period basis. This weak performance was caused primarily by the impact of COVID-19. In response to the outbreak of COVID-19, the PRC government has implemented widespread disease containment and treatment measures in early 2020, including but not limited to extending Chinese New Year holidays and restricting on-site office works. The outbreak of COVID-19 resulted in disruption of our supply chains and lowering industry demand in the PRC.

Revenue from this segment accounted for approximately 9.7% (six months ended 30 June 2019: 19.2%) of the Group's revenue during the Period.

(3) Sale of general aviation products and provision of services

The products and services in this segment can be broadly divided into three categories, namely (i) light and ultra-light aircraft engines and related components distribution; (ii) maintenance training courses; and (iii) maintenance and support services. Our maintenance training courses and maintenance and support services are mainly carried out in our maintenance centre with a gross floor area of approximately 1,200 square metres which is located in Zhuhai City, Guangdong Province. Our customers in this segment include light and ultra-light aircraft manufacturers, flight schools, flying entertainment clubs, light aircraft research institutions and private flight owners.

Revenue from this segment during the Period was approximately HK$23.4 million (six months ended 30 June 2019: HK$40.4 million), which represented a decrease of approximately 42.1% on a period-to-period basis, owing to the impact of COVID-19. It accounted for approximately 22.9% (six months ended 30 June 2019: 41.4%) of the Group's revenue during the Period.

PROSPECT

Looking ahead, there are many uncertainties in the global economic conditions, in particular the COVID-19 pandemic is likely to continue for a period of time, the impact to the operating environment and the demand of our products are difficult to predict. The economic recovery may take time for gaining momentum. The Group will continue to closely monitor and evaluate the challenges and adjust its business strategies in response to the changing market conditions, as necessary. We remain prudent in financial management and in the utilisation of our proceeds from the listing of the Company's shares on the Main Board of the Stock Exchange (the "**Listing**").

The year of 2020 is a year with both challenges and opportunities. We would closely monitor the development in the industries and capture the opportunities from the technological innovation by continually focusing on our research and development to provide better services and product offering. We remain optimistic about the growth and development of the Group, in particular in the general aviation market.

The Group has full confidence in overcoming the difficulties arising from the social incidents and the pandemic of COVID-19, and well poised to embark on opportunities when they arise.

FINANCIAL REVIEW

Revenue

The revenue of the Group was derived from business consisting of: (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services.

For the six months ended 30 June 2020, the total revenue of the Group increased by 4.7% from approximately HK$97.5 million for the six months ended 30 June 2019 to approximately HK$102.1 million. The increase was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services increased by approximately HK$30.4 million, or 79.2%, from approximately HK$38.4 million for the six months ended 30 June 2019 to approximately HK$68.8 million for the six months ended 30 June 2020. The increase was primarily attributable to an increase in sales of PTi products from our new and existing customers as a result of health quarantine arrangements in Hong Kong.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services decreased by approximately HK$8.8 million, or 47.1%, from approximately HK$18.7 million for the six months ended 30 June 2019 to approximately HK$9.9 million for the six months ended 30 June 2020. The decrease was mainly attributable to a decrease in demand for self-stabilised imaging products for aircraft from our existing customers.

(iii) General aviation products and services

Revenue derived from general aviation products and services decreased by approximately HK$17.0 million, or 42.1%, from approximately HK$40.4 million for the six months ended 30 June 2019 to approximately HK$23.4 million for the six months ended 30 June 2020. The decrease was mainly attributable to the decrease in demand from our existing customers as a result of a decrease in market demand for light and ultra-light aircraft engine.

Gross Profit and Gross Profit Margin

Gross profit for the Group increased from approximately HK$35.0 million for the six months ended 30 June 2019 to approximately HK$37.5 million for the six months ended 30 June 2020, while the gross profit margin also increased by approximately 0.8% from approximately 35.9% for the six months ended 30 June 2019 to approximately 36.7% for the six months ended 30 June 2020.

(i) Gross profit margin of thermal imaging products and services

The gross profit margin of thermal imaging products and services increased from approximately 32.2% for the six months ended 30 June 2019 to approximately 35.2% for the six months ended 30 June 2020. The increase was primarily attributable to a decrease in the average cost for a certain series of products under our own brand name, PTi and infrared cameras.

(ii) Gross profit margin of self-stabilised imaging products and services

The gross profit margin of self-stabilised imaging products and services remained relatively stable at approximately 50.1% and 50.3% for the six months ended 30 June 2019 and 2020, respectively.

(iii) Gross profit margin of general aviation products and services

The gross profit margin of general aviation products and services increased from approximately 33.0% for the six months ended 30 June 2019 to approximately 35.7% for the six months ended 30 June 2020. The increase was primarily attributable to an increase in the average selling price for our 4-Stroke engine products.

Other Income and Gains, Net

The Group's other income and gains decreased by approximately HK$2.1 million, or 72.4%, from approximately HK$2.9 million for the six months ended 30 June 2019 to approximately HK$0.8 million for the six months ended 30 June 2020. The decrease was mainly attributable to the absence of foreign exchange gain and a decrease of recovery of written-off trade receivables for the six months ended 30 June 2020 as compared to the foreign exchange gain and recovery of written-off trade receivables of approximately HK$1.2 million and HK$1.3 million recognised for the six months ended 30 June 2019, respectively.

Selling and Distribution Expenses

The Group's selling and distribution expenses remained relatively stable at approximately HK$12.7 million and HK$12.4 million for the six months ended 30 June 2019 and 2020, respectively.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK$0.6 million, or by 4.5%, from approximately HK$13.3 million for the six months ended 30 June 2019 to approximately HK$12.7 million for the six months ended 30 June 2020, which was primarily attributable to a decrease of entertainment expenses as a result of the outbreak of COVID-19.

Other Expenses

The Group's other expenses increased by approximately HK$3.2 million, which was primarily attributable to the recognition of foreign exchange loss for the six months ended 30 June 2020 as compared to the foreign exchange gain recognised for the six months ended 30 June 2019.

Income Tax Expenses

The Group's income tax expenses increased by approximately HK$0.4 million, or 19.0%, from approximately HK$2.1 million for the six months ended 30 June 2019 to approximately HK$2.5 million for the six months ended 30 June 2020, which was primarily attributable to an increase in effective tax rates by approximately 7.1% from approximately 18.2% for the six months ended 30 June 2019 to approximately 25.3% for the six months ended 30 June 2020.

Profit for the Period Attributable to Owners of the Parent

As a result of the cumulative effect of the above factors, the Group's profit for the period attributable to the owners of the parent decreased by approximately HK$2.1 million, or 22.1%, from approximately HK$9.5 million for the six months ended 30 June 2019 to approximately HK$7.4 million for the six months ended 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group maintained a healthy liquidity position, with working capital financed mainly by internal resources.

As at 30 June 2020, the Group reported net current assets of approximately HK$312.1 million, as compared with approximately HK$302.5 million as at 31 December 2019. As at 30 June 2020, the Group's cash and bank balances was approximately HK$204.5 million, representing an increase of approximately HK$27.4 million as compared to approximately HK$177.1 million as at 31 December 2019.

For the six months ended 30 June 2020, the net cash generated from operating activities was approximately HK$30.9 million (six months ended 30 June 2019: HK$9.7 million). The cash generated from operating activities was mainly from the profits during the Period.

The net cash used in investing activities was approximately HK$0.1 million (six months ended 30 June 2019: HK$2.1 million). The net cash used in financing activities was approximately HK$2.7 million (six months ended 30 June 2019: net cash generated from financing activities of approximately HK$97.1 million). The net cash used in investing activities was mainly for the acquisition of property, plant and equipment. The net cash used in financing activities was mainly attributable to the principal portion of lease payment.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had no significant capital commitments (31 December 2019: Nil).

FOREIGN EXCHANGE EXPOSURE

Functional currency of the Group's operating subsidiaries is either Hong Kong dollar or Renminbi, while some of the Group's business transactions and cost of sales are denominated in United States dollar ("**US$**") and Euro.

The Group has transactional currency exposures and such exposures arise from sales or purchases made by subsidiaries in currencies other than the subsidiaries' functional currencies. The Group's foreign currency exposure also comprises assets and liabilities denominated in US$. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

PLEDGE OF ASSETS

As at 30 June 2020, the Group did not pledge any assets (31 December 2019: Nil).

GEARING RATIO

As at 30 June 2020, since we did not have any bank borrowings, gearing ratio was not applicable to our Group.

USE OF PROCEEDS

The final offer price for the Listing was HK$1.25 per share, and the actual net proceeds from the Listing were approximately HK$81.2 million (after deduction of the listing expenses). As at the date of this interim results announcement, the net proceeds from the Listing were utilised as follows:

	Actual net proceeds *HK$'000*	Amount utilised as at the date of this interim results announcement *HK$'000*	Amount unutilised as at the date of this interim results announcement *HK$'000*
Establish new research and development centres in the PRC and Hong Kong	39,600	(1,927)	37,673
Enhance the recognition and qualification of our products	17,300	(5,674)	11,626
Strengthen our sales capacity and capture new sales opportunities	21,100	(10,864)	10,236
Purchase new information technology hardware and software	2,500	(2,197)	303
Working capital	700	(700)	–
	81,200	(21,362)	59,838

As at the date of this interim results announcement, the Company intends to continue to apply the net proceeds in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus dated 31 December 2018. In view of the slowdown in growth of the global economy and the outbreak of COVID-19, the Company has been taking a more prudent approach in the utilisation of proceeds for establishing new research and development centres in the PRC and Hong Kong and enhancing the recognition and qualification of our products. Going forward, the Directors will monitor the outbreak of COVID-19 and its impact to the global economy to evaluate the Group's business objective and will change or modify the plans according to the changing market condition to create greater value for the shareholders of the Company.

All the unutilised balances have been placed in a licensed bank in Hong Kong.

RESTRUCTURING AND SIGNIFICANT INVESTMENTS

During the Period, the Group did not have any restructuring and significant investments. There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim results announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 145 (31 December 2019: 145) employees. Total staff costs of the Group (excluding the Directors' and chief executive's remuneration) for the Period was approximately HK$18.4 million (six months ended 30 June 2019: approximately HK$15.5 million). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Board is of the view that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors in the securities of the Company and other matters covered by the Model Code.

Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") was established by our Company pursuant to a resolution of the Board on 18 December 2018 with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. NIU Zhongjie, Ms. YEUNG Hiu Fu Helen and Mr. HOU Min. Ms. YEUNG Hiu Fu Helen is the chairwoman of the Audit Committee.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee. The Audit Committee considers that this interim results announcement had been prepared in accordance with appropriate accounting policies and the applicable requirements of the Listing Rules and adequate disclosures have been made.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULT ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement for the six months ended 30 June 2020 required by the Listing Rules will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.peiport.com. The 2020 interim report containing all the information will be dispatched to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to the management and the staff of the Group for their hard work and dedication, as well as its shareholders, customers, suppliers, business partners and other stakeholders for their continuous support to the Group.

By order of the Board
Peiport Holdings Ltd.
YEUNG Lun Ching
Chairman and Executive Director

Hong Kong, 26 August 2020

As at the date of this announcement, the executive Directors are Mr. YEUNG Lun Ching, Ms. WONG Kwan Lik and Mr. YEUNG Chun Tai, and the independent non-executive Directors are Mr. NIU Zhongjie, Ms. YEUNG Hiu Fu Helen and Mr. HOU Min.