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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 2021

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 2021 (the “**Period**”) together with the comparative unaudited figures for the six months ended 30 June 2020 and certain comparative audited figures as at 31 December 2020.

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

Six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	121,604	102,092
Cost of sales		(82,764)	(64,551)
Gross profit		38,840	37,541
Other income and gains, net	4	650	835
Selling and distribution expenses		(13,928)	(12,478)
Administrative expenses		(13,988)	(12,664)
Other expenses		(1,483)	(3,153)
Finance costs		(219)	(165)
PROFIT BEFORE TAX	5	9,872	9,916
Income tax expense	6	(1,992)	(2,508)
PROFIT FOR THE PERIOD		7,880	7,408

	Six months ended 30 June	
	2021	2020
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>614</u>	<u>(591)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		
	<u>614</u>	<u>(591)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
	<u><u>8,494</u></u>	<u><u>6,817</u></u>
Profit attributable to:		
Owners of the parent	7,921	7,408
Non-controlling interests	<u>(41)</u>	<u>–</u>
	<u><u>7,880</u></u>	<u><u>7,408</u></u>
Total comprehensive income attributable to:		
Owners of the parent	8,535	6,817
Non-controlling interests	<u>(41)</u>	<u>–</u>
	<u><u>8,494</u></u>	<u><u>6,817</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	8 <u><u>HK1.98 cents</u></u>	<u><u>HK1.85 cents</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

		30 June	31 December
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		7,359	9,011
Right-of-use assets		7,812	6,902
Intangible assets		1,420	726
Deferred tax assets		2,350	2,029
		<hr/>	<hr/>
Total non-current assets		18,941	18,668
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		69,740	70,018
Trade and bills receivables	9	77,103	83,683
Prepayments, deposits and other receivables		15,072	22,987
Cash and cash equivalents		224,217	210,150
		<hr/>	<hr/>
Total current assets		386,132	386,838
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	10	14,186	14,638
Other payables and accruals		10,493	13,416
Contract liabilities		11,369	15,108
Lease liabilities		5,462	4,502
Tax payable		5,356	3,525
		<hr/>	<hr/>
Total current liabilities		46,866	51,189
		<hr/>	<hr/>
NET CURRENT ASSETS		339,266	335,649
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		358,207	354,317
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		2,930	3,034
		<hr/>	<hr/>
Total non-current liabilities		2,930	3,034
		<hr/>	<hr/>
Net assets		355,277	351,283
		<hr/> <hr/>	<hr/> <hr/>

		30 June 2021	31 December 2020
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>11</i>	4,000	4,000
Reserves		350,418	347,283
		354,418	351,283
Non-controlling interests		859	–
Total equity		355,277	351,283

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

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.

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 2021 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 of Hong Kong Limited (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 2020.

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 2020, 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 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Covid-19-Related Rent Concessions

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 purposes of resource 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Mainland China	101,634	56,778
Hong Kong and Macau	18,876	44,292
Overseas	1,094	1,022
	<u>121,604</u>	<u>102,092</u>

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

(b) *Non-current assets*

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
	Mainland China	10,041
Hong Kong	6,550	5,028
	<u>16,591</u>	<u>16,639</u>

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 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	N/A*	13,277
Customer B	N/A*	17,008
Customer C	12,174	N/A*

* 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Thermal imaging products and services		
— Sales of goods ^{Note (A)}	37,483	62,073
— Rendering of maintenance services and equipment rental ^{Note (B)}	5,704	6,741
	43,187	68,814
Self-stabilised imaging products and services		
— Sales of goods ^{Note (A)}	19,441	8,080
— Rendering of maintenance services and equipment rental ^{Note (B)}	3,924	1,798
	23,365	9,878
General aviation products and services		
— Sales of goods ^{Note (A)}	54,141	23,020
— Rendering of maintenance services ^{Note (B)}	911	380
	55,052	23,400
Total	121,604	102,092

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\$1,029,000 for the six months ended 30 June 2021 (six months ended 30 June 2020:HK\$1,780,000).

Other income and gains, net

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Foreign exchange differences, net	402	–
Bank interest income	113	443
Government grants	100	297
Recovery of written-off trade receivables	–	26
Others	35	69
	650	835

5. PROFIT BEFORE TAX

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

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Cost of inventories sold		79,174	62,339
Cost of services provided		3,590	2,212
Depreciation of property, plant and equipment		1,482	1,519
Depreciation of right-of-use assets		2,814	2,661
Amortisation of intangible assets		214	170
Research and development costs		3,350	2,888
Recovery of written-off trade receivables	4	–	(26)
Provision for doubtful receivables, net		901	113
Reversal of inventory obsolescence		(75)	–
Employee benefit expense (excluding directors' and chief executive officer's remuneration):			
Wages and salaries		18,525	17,601
Pension scheme contributions (defined contribution scheme)		3,035	772
		21,560	18,373
Foreign exchange differences, net		(402)	2,933
Loss on disposal of items of property, plant and equipment		579	86

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 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 2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2020: 16.5%).

Pursuant to the People's Republic of China (the "PRC" or "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 2020: 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current	2,310	2,693
Deferred	(318)	(185)
Total tax charge for the period	<u>1,992</u>	<u>2,508</u>

7. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 of HK\$7,921,000 (six months ended 30 June 2020: HK\$7,408,000), and the weighted average number of ordinary shares of 400,000,000 (six months ended 30 June 2020: 400,000,000) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

9. TRADE AND BILLS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	76,695	73,478
Bills receivables	3,082	11,975
	79,777	85,453
Impairment	(2,674)	(1,770)
	77,103	83,683

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Less than 3 months	27,920	45,363
3 to 6 months	4,525	10,728
6 to 12 months	21,321	2,341
Over 1 year	23,337	25,251
	77,103	83,683

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	1,732	6,354
1 to 3 months	3,614	4,115
Over 3 months	8,840	4,169
	14,186	14,638

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

11. SHARE CAPITAL

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Issued and fully paid:		
400,000,000 (31 December 2020: 400,000,000) ordinary shares of HK\$0.01 each	<u>4,000</u>	<u>4,000</u>

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 2021.

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 Mainland China and Hong Kong.

During the Period under review, the economy in the PRC maintained the momentum of recovery under the effective containment of Coronavirus Disease 2019 (“**COVID-19**”). The gross domestic product (“**GDP**”) of the PRC grows 12.7% in the first half of 2021 powered by strong exports and gradual recovery in household consumption.

Meanwhile, the economy of Hong Kong was still adversely affected by the ongoing COVID-19 pandemic though there were signals that showed gradual improvement. The unemployment rate for the three months ended 30 June 2021 fell to 5.5% compared to the peak of 7.2% in February 2021.

We recorded a substantial increase in revenue during the Period by 19.1% on a period-to-period basis. The previously delayed orders due to the impact of the pandemic resumed. There are strong growth in the demand of our self-stabilised imaging products and services and general aviation products and services. The net profit of the Group increased by 6.8% to approximately HK\$7.9 million 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. Our products are widely used in general consumption, commercial and industrial fields.

During the Period, the Group recorded a decline in revenue of approximately 37.2% from this segment. It is mainly attributable to the effect of high base period in prior year, which the sales of our thermal imaging products had been accelerated for health quarantine arrangements under the pandemic for the first half of 2020.

Revenue generated from this segment during the Period was approximately HK\$43.2 million (six months ended 30 June 2020: HK\$68.8 million). It accounted for approximately 35.6% (six months ended 30 June 2020: 67.4%) 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. We also rent our self-stabilised imaging products for aircrafts to our 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, the Group recorded a substantial increase in revenue from this segment. Benefitted from the robust growth in demand from our new and existing customers, the revenue generated from this segment was approximately HK\$23.4 million (six months ended 30 June 2020: HK\$9.9 million), which represented a growth of approximately 136.4% on a period-to-period basis.

Revenue from this segment accounted for approximately 19.2% (six months ended 30 June 2020: 9.7%) of the Group's revenue during the Period.

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

The services and products 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.

For the first half of 2021, the total general aviation flight time in the PRC was 526,000 hours, representing an increase of 50.3% on a period-to-period basis. The revenue from this segment increased by 135.0% on a period-to-period basis, from approximately HK\$23.4 million for the six months ended 30 June 2020 to approximately HK\$55.0 million for the six months ended 30 June 2021. We are confident that this segment is one of the future growth drivers for the Group.

It accounted for approximately 45.2% (six months ended 30 June 2020: 22.9%) of the Group's revenue during the Period.

PROSPECT

The economies in Hong Kong and Mainland China are anticipated to recover gradually in the second half of 2021, alongside with the increasing uptake of COVID-19 vaccinations and the introduction of supportive government policies.

However, various factors such as the mutation of the COVID-19 virus and the persistent tensions between China and the United States of America clouded the economic outlook in 2021.

We are determined to continue deploying technology and innovation to support customer needs in the post-pandemic recovery. We would continue to explore cooperation opportunities with professional institutions and actively develop new products and services. Leveraging our advantages in research and development, we will further extend our foothold in the industry.

We are also exploring opportunities to expand our business in the education industry. In April 2021, we entered into a cooperation agreement with, among others, Menlo Education Inc. (“**Menlo**”), a company which provides STEM education (including but not limited to science, technology, engineering, mathematics, coding and robotics) to children under the registered business name of “Dr X Academy” in Canada. The parties incorporated a company in Hong Kong which is owned as to 70% by the Group and 30% by Menlo and such company will be principally engaged in provision of STEM education mainly in Hong Kong.

STEM is a curriculum aimed to strengthen students’ ability to integrate and apply knowledge and skills across different STEM disciplines, and to nurture their creativity, collaboration and problem-solving skills. The provision of such services has been commenced since August 2021.

We are optimistic in the development of our businesses. We would continue focusing on our core value and strive to create better value for our shareholders.

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 2021, the total revenue of the Group increased by 19.1% from approximately HK\$102.1 million for the six months ended 30 June 2020 to approximately HK\$121.6 million. The increase was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services decreased by approximately HK\$25.6 million, or 37.2%, from approximately HK\$68.8 million for the six months ended 30 June 2020 to approximately HK\$43.2 million for the six months ended 30 June 2021. The decrease was primarily attributable to a decrease in sales of PTi products from our new and existing customers as a result of the decrease in market demand under existing health quarantine arrangements in Hong Kong.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services increased by approximately HK\$13.5 million, or 136.4%, from approximately HK\$9.9 million for the six months ended 30 June 2020 to approximately HK\$23.4 million for the six months ended 30 June 2021. The increase was mainly attributable to an increase in demand for self-stabilised imaging products for aircraft from our new and existing customers.

(iii) General aviation products and services

Revenue derived from general aviation products and services increased by approximately HK\$31.6 million, or 135.0%, from approximately HK\$23.4 million for the six months ended 30 June 2020 to approximately HK\$55.0 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase in demand from our existing customers as a result of an increase in demand for light and ultra-light aircraft engine.

Gross Profit and Gross Profit Margin

Gross profit for the Group increased from approximately HK\$37.5 million for the six months ended 30 June 2020 to approximately HK\$38.8 million for the six months ended 30 June 2021, while the gross profit margin decreased by approximately 4.8% from approximately 36.7% for the six months ended 30 June 2020 to approximately 31.9% for the six months ended 30 June 2021.

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

The gross profit margin of thermal imaging products and services decreased from approximately 35.2% for the six months ended 30 June 2020 to approximately 26.2% for the six months ended 30 June 2021. The decrease was primarily attributable to the decrease in sales of products under our own brand name, PTi products which have a higher profit margin.

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

The gross profit margin of self-stabilised imaging products and services decreased from approximately 50.3% for the six months ended 30 June 2020 to approximately 45.2% for the six months ended 30 June 2021. The decrease was primarily attributable to an increase in the average costs for our self-stabilised imaging products for aircraft system.

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

The gross profit margin of general aviation products and services decreased from approximately 35.7% for the six months ended 30 June 2020 to approximately 30.8% for the six months ended 30 June 2021. The decrease was primarily attributable to an increase in the average costs for our 4-Stroke engine products and engine parts.

Other Income and Gains, Net

The Group's other income and gains remained relatively stable at approximately HK\$0.8 million and HK\$0.7 million for the six months ended 30 June 2020 and 2021, respectively.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately HK\$1.5 million, or by 12.1%, from approximately HK\$12.4 million for the six months ended 30 June 2020 to approximately HK\$13.9 million for the six months ended 30 June 2021, which was primarily attributable to an increase in staff costs of our sales and marketing personnel resulting from the increase in sales commission along with the increase in our overall revenue for the six months ended 30 June 2021.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$1.3 million, or by 10.2%, from approximately HK\$12.7 million for the six months ended 30 June 2020 to approximately HK\$14.0 million for the six months ended 30 June 2021, which was primarily attributable to an increase in research and development expenses as a result of more staff being recruited for the research and development centres in Hong Kong and Mainland China and an increase in staff costs, which was primarily attributable to the increase in salary.

Other Expenses

The Group's other expenses decreased by approximately HK\$1.7 million, or by 53.1%, which was primarily attributable to the recognition of 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 2021.

Income Tax Expense

The Group's income tax expense decreased by approximately HK\$0.5 million, or 20.0%, from approximately HK\$2.5 million for the six months ended 30 June 2020 to approximately HK\$2.0 million for the six months ended 30 June 2021, which was primarily attributable to a decrease in effective tax rates by approximately 5.1% from approximately 25.3% for the six months ended 30 June 2020 to approximately 20.2% for the six months ended 30 June 2021.

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 increased by approximately HK\$0.5 million, or 6.8%, from approximately HK\$7.4 million for the six months ended 30 June 2020 to approximately HK\$7.9 million for the six months ended 30 June 2021.

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 2021, the Group reported net current assets of approximately HK\$339.3 million, as compared with approximately HK\$335.6 million as at 31 December 2020. As at 30 June 2021, the Group's cash and cash equivalents was approximately HK\$224.2 million, representing an increase of approximately HK\$14.0 million as compared to approximately HK\$210.2 million as at 31 December 2020.

For the six months ended 30 June 2021, the net cash generated from operating activities was approximately HK\$16.6 million (six months ended 30 June 2020: HK\$30.9 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\$0.3 million (six months ended 30 June 2020: HK\$0.1 million). The net cash used in financing activities was approximately HK\$2.9 million (six months ended 30 June 2020: HK\$2.7 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 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had no significant capital commitments (31 December 2020: 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 (the "US\$") and Euro.

The Group has transactional currency exposures and such exposures arise from sales or purchases 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 2021, the Group did not pledge any assets (31 December 2020: Nil).

GEARING RATIO

As at 30 June 2021, 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 of the Company's shares (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	(6,373)	33,227
Enhance the recognition and qualification of our products	17,300	(10,520)	6,780
Strengthen our sales capacity and capture new sales opportunities	21,100	(19,905)	1,195
Purchase new information technology hardware and software	2,500	(2,411)	89
Working capital	700	(700)	–
	<u>81,200</u>	<u>(39,909)</u>	<u>41,291</u>

As at the date of this interim results announcement, the Company intends to continue to apply the net proceeds according to the purposes as set out 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 the unutilised proceeds from the Listing. Furthermore, as a result of the COVID-19 pandemic, countries or cities have adopted quarantine measures and/or closure of borders which led to restriction on travelling of the Company's management, hence leading to delay in implementation of the Company's use of proceeds on establishing new research and development centres in the PRC and Hong Kong and enhancing the recognition and qualification of our products. Subject to weakening of the COVID-19 pandemic and the lifting of travelling and quarantine restrictions, the Directors expect the use of unutilised proceeds for the above purposes will be delayed by one year to the second half year of 2023 and the second half year of 2022, respectively. The Directors expect that there will be no change in the expected timeline for strengthening our sales capacity and capture new sales opportunities and purchasing new information technology hardware and software.

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 significant investments or acquisition or sale of subsidiaries. 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 2021, the Group had a total of 149 (31 December 2020: 147) employees. Total staff costs of the Group (excluding the Directors' and chief executive officer's remuneration) for the Period was approximately HK\$21.6 million (six months ended 30 June 2020: HK\$18.4 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 2021.

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 2021.

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 2021 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 2020: Nil).

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

Throughout the six months ended 30 June 2021, 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 2021 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 2021 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 our 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 2021

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.