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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 2022

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 2022 (the “**Period**”) together with the comparative unaudited figures for the six months ended 30 June 2021 and certain comparative audited figures as at 31 December 2021.

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

Six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	119,397	121,604
Cost of sales		<u>(80,873)</u>	<u>(82,764)</u>
Gross profit		38,524	38,840
Other income and gains, net	4	1,532	650
Selling and distribution expenses		(12,187)	(13,928)
Administrative expenses		(15,639)	(13,988)
Other expenses		(8,764)	(1,483)
Finance costs		<u>(268)</u>	<u>(219)</u>
PROFIT BEFORE TAX	5	3,198	9,872
Income tax expense	6	<u>(669)</u>	<u>(1,992)</u>
PROFIT FOR THE PERIOD		<u>2,529</u>	<u>7,880</u>

	Six months ended 30 June	
	2022	2021
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(2,162)</u>	<u>614</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(2,162)</u>	<u>614</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>367</u>	<u>8,494</u>
Profit/(loss) attributable to:		
Owners of the parent	<u>2,756</u>	<u>7,921</u>
Non-controlling interests	<u>(227)</u>	<u>(41)</u>
	<u>2,529</u>	<u>7,880</u>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	<u>594</u>	<u>8,535</u>
Non-controlling interests	<u>(227)</u>	<u>(41)</u>
	<u>367</u>	<u>8,494</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	8 <u>HK0.69 cents</u>	<u>HK1.98 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2022

		30 June	31 December
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		6,429	8,078
Right-of-use assets		11,154	5,070
Intangible assets		1,104	1,088
Deferred tax assets		2,872	3,442
		<hr/>	<hr/>
Total non-current assets		21,559	17,678
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		72,512	68,251
Trade and bills receivables	9	92,074	100,520
Prepayments, deposits and other receivables		22,133	22,074
Cash and cash equivalents		213,565	223,963
		<hr/>	<hr/>
Total current assets		400,284	414,808
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	10	21,353	27,091
Other payables and accruals		9,038	14,881
Contract liabilities		16,119	14,754
Lease liabilities		5,700	4,166
Tax payable		3,667	4,952
		<hr/>	<hr/>
Total current liabilities		55,877	65,844
		<hr/>	<hr/>
NET CURRENT ASSETS		344,407	348,964
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		365,966	366,642
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		5,705	1,348
Deferred tax liabilities		119	119
		<hr/>	<hr/>
Total non-current liabilities		5,824	1,467
		<hr/>	<hr/>
Net assets		360,142	365,175
		<hr/> <hr/>	<hr/> <hr/>

		30 June 2022	31 December 2021
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>11</i>	4,000	4,000
Reserves		355,711	360,517
		359,711	364,517
Non-controlling interests		431	658
Total equity		360,142	365,175

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act (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 2022 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 2021.

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 2021, 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	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendment to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Mainland China	95,061	101,634
Hong Kong and Macau	20,592	18,876
Overseas	3,744	1,094
	<u>119,397</u>	<u>121,604</u>

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

(b) *Non-current assets*

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
	Mainland China	11,962
Hong Kong	6,725	6,811
	<u>18,687</u>	<u>14,236</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 2022 and 2021 is as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	N/A*	12,174
Customer B	<u>20,022</u>	<u>N/A*</u>

* 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Thermal imaging products and services		
— Sales of goods ^{Note (A)}	38,129	37,483
— Rendering of maintenance services and equipment rental ^{Note (B)}	<u>4,174</u>	<u>5,704</u>
	<u>42,303</u>	<u>43,187</u>
Self-stabilised imaging products and services		
— Sales of goods ^{Note (A)}	3,744	19,441
— Rendering of maintenance services and equipment rental ^{Note (B)}	<u>8,841</u>	<u>3,924</u>
	<u>12,585</u>	<u>23,365</u>
General aviation products and services		
— Sales of goods ^{Note (A)}	63,785	54,141
— Rendering of maintenance services ^{Note (B)}	<u>497</u>	<u>911</u>
	<u>64,282</u>	<u>55,052</u>
Others	<u>227</u>	<u>—</u>
Total	<u>119,397</u>	<u>121,604</u>

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

Note (B): The revenue from the rendering of maintenance services and equipment rental was recognised over time, which included operating lease income of HK\$268,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$1,029,000).

Other income and gains, net

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Reversal of doubtful receivables, net	1,008	–
Government grants	339	100
Bank interest income	75	113
Foreign exchange differences, net	–	402
Others	110	35
	<u>1,532</u>	<u>650</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories sold	76,194	79,174
Cost of services provided	4,679	3,590
Depreciation of property, plant and equipment	1,513	1,482
Depreciation of right-of-use assets	3,247	2,814
Amortisation of intangible assets	321	214
Research and development costs	3,935	3,350
(Reversal of)/Provision for doubtful receivables, net	(1,008)	901
Written-off of trade receivables	3,317	–
Reversal of inventory obsolescence	(343)	(75)
Employee benefit expense (excluding Directors' and chief executive officer's remuneration):		
Wages and salaries	16,973	18,525
Pension scheme contributions (defined contribution scheme)	3,136	3,035
	<u>20,109</u>	<u>21,560</u>
Foreign exchange differences, net	5,447	(402)
Loss on disposal of items of property, plant and equipment	–	579
	<u>–</u>	<u>579</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 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 2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2021: 16.5%).

Pursuant to the People's Republic of China (the "PRC") Income Tax Law and the respective regulations, corporate income tax ("CIT") has been provided at the rate of 25% (six months ended 30 June 2021: 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. According to Caishui [2021] No. 12 effective from 1 January 2021 to 31 December 2022, qualified SMEs are eligible for a further 12.5% reduction of taxable income for the first RMB1,000,000 taxable income.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current	132	2,310
Deferred	537	(318)
Total tax charge for the period	<u>669</u>	<u>1,992</u>

7. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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\$2,756,000 (six months ended 30 June 2021: HK\$7,921,000), and the weighted average number of ordinary shares of 400,000,000 (six months ended 30 June 2021: 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 2022 and 2021.

9. TRADE AND BILLS RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	82,383	98,108
Bills receivables	11,463	5,198
	93,846	103,306
Impairment	(1,772)	(2,786)
	92,074	100,520

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 the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Less than 3 months	20,645	56,982
3 to 6 months	5,724	3,787
6 to 12 months	44,228	8,455
Over 1 year	21,477	31,296
	92,074	100,520

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	2,287	18,471
1 to 3 months	3,320	368
Over 3 months	15,746	8,252
	21,353	27,091

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

11. SHARE CAPITAL

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Issued and fully paid:		
400,000,000 (31 December 2021: 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 2022.

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 Coronavirus Disease 2019 (“**COVID-19**”) pandemic continues to adversely affect the recovery of the world economy, especially the wave of infections driven by Omicron variant of COVID-19. The PRC has faced its worst COVID-19 outbreak since the pandemic in 2020. In face of the outbreak, the PRC government adapted zero-COVID-19 policy to prevent the spread of virus, included the lockdown of Shanghai for about 2 months. Lockdown restrictions hit private spending, logistics and factory activities as well as the economic sentiment in the market. For the first half of 2022, the gross domestic product (“**GDP**”) of the PRC grows 2.5%, significantly below the 5.5% annual target set by the PRC government.

In Hong Kong, due to the fifth wave of COVID-19, the economy was still adversely affected. The GDP of Hong Kong in the second quarter of 2022 contracted 1.4% on a year-on-year basis.

In the face of the complex and severe market situations, we closely focused on the annual goals and worked relentlessly to maintain effective operations and overcame a variety of challenges. During the Period, the Group recorded the revenue of approximately HK\$119.4 million, a decrease of approximately 1.8% on a period-to-period basis. The net profit attributable to owners of the parent declined by approximately 64.6% to approximately HK\$2.8 million on a period-to-period basis.

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

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

Our products and services in this business 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 and rental services. Our products are widely used in general consumption, commercial and industrial fields.

During the Period, the Group recorded a slight decrease in revenue of approximately 2.1% from this business segment. Revenue generated from this business segment during the Period was approximately HK\$42.3 million (six months ended 30 June 2021: HK\$43.2 million). It accounted for approximately 35.3% (six months ended 30 June 2021: 35.6%) of the Group’s revenue during the Period.

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

The products in this business 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 gimballed 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 revenue generated from this business segment decreased by approximately HK\$10.8 million on a period-to-period basis, from approximately HK\$23.4 million for the six months ended 30 June 2021 to approximately HK\$12.6 million during the Period, which represented a decline of approximately 46.2%. The decline was mainly attributable to the delay of delivery schedule for self-stabilised imaging products for aircraft during the Period. It accounted for approximately 10.6% (six months ended 30 June 2021: 19.2%) of the Group's revenue during the Period.

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

The services and products in this business 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 business segment include light and ultra-light aircraft manufacturers, flight schools, flying entertainment clubs, light aircraft research institutions and private flight owners.

The revenue from this business segment increased by approximately 16.9% on a period-to-period basis, from approximately HK\$55.0 million for the six months ended 30 June 2021 to approximately HK\$64.3 million during the Period.

There are continuously growth for the contributions from this business segment. It contributed for approximately 53.9% (six months ended 30 June 2021: 45.2%) of the Group's revenue during the Period.

PROSPECT

The outlook for the world economy is still uncertain. The rapidly spreading variant of COVID-19, elevated inflation in the advanced economies amid supply-side disruptions and the continuously tightening of monetary policies by many major central banks are expected to dampen economic growth significantly and clouded the economic outlook in 2022. All these bring great uncertainties to the Group's businesses and will continue to weigh on the performance of the Group on the remainder of 2022.

Despite the foregoing, the Group is conservatively optimistic to the long-term prospect of the Group's businesses. The Group would continuously explore various opportunities to develop its businesses. The Group would strive to optimise the resource allocation including the unutilised proceeds from the listing of the Company's shares (the "Listing") and would formulate different business strategies to utilise its resources effectively to maintain sustainable long-term growth.

The Group is well placed to meet the challenging environment. 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 principally 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 2022, the total revenue of the Group decreased by approximately 1.8% from approximately HK\$121.6 million for the six months ended 30 June 2021 to approximately HK\$119.4 million. The decrease was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services remained relatively stable at approximately HK\$43.2 million and HK\$42.3 million for the six months ended 30 June 2021 and 2022, respectively.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services decreased by approximately HK\$10.8 million, or 46.2%, from approximately HK\$23.4 million for the six months ended 30 June 2021 to approximately HK\$12.6 million for the six months ended 30 June 2022. The decrease was mainly attributable to the delay of delivery schedule for self-stabilised imaging products for aircraft.

(iii) General aviation products and services

Revenue derived from general aviation products and services increased by approximately HK\$9.3 million, or 16.9%, from approximately HK\$55.0 million for the six months ended 30 June 2021 to approximately HK\$64.3 million for the six months ended 30 June 2022. The increase was mainly attributable to the increase in demand from our new and existing customers as a result of an increase in market demand for light and ultra-light aircraft engines.

Gross Profit and Gross Profit Margin

Gross profit for the Group remained relatively stable at approximately HK\$38.8 million and HK\$38.5 million for the six months ended 30 June 2021 and 2022, respectively, while the gross profit margin also remained relatively stable at approximately 31.9% and 32.2% for the six months ended 30 June 2021 and 2022, respectively.

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

The gross profit margin of thermal imaging products and services remained relatively stable at approximately 26.2% and 26.5% for the six months ended 30 June 2021 and 2022, respectively.

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

The gross profit margin of self-stabilised imaging products and services increased from approximately 45.2% for the six months ended 30 June 2021 to approximately 57.9% for the six months ended 30 June 2022. The increase was primarily attributable to an increase in the rendering of maintenance services and equipment rental to the existing customers, which had a relatively higher gross profit margin.

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

The gross profit margin of general aviation products and services remained relatively stable at approximately 30.8% and 31.1% for the six months ended 30 June 2021 and 2022, respectively.

Other Income and Gains, Net

The Group's other income and gains increased by approximately HK\$0.8 million, or by 114.3%, from approximately HK\$0.7 million for the six months ended 30 June 2021 to approximately HK\$1.5 million for the six months ended 30 June 2022, which was primarily attributable to the reversal of doubtful receivables, net during the Period.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately HK\$1.7 million, or by 12.2%, from approximately HK\$13.9 million for the six months ended 30 June 2021 to approximately HK\$12.2 million for the six months ended 30 June 2022, which was primarily attributable to a decrease in staff costs of our sales and marketing personnel resulting from the decrease in sales commission.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$1.6 million, or by 11.4%, from approximately HK\$14.0 million for the six months ended 30 June 2021 to approximately HK\$15.6 million for the six months ended 30 June 2022, which was primarily attributable to an increase in research and development costs 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 increased by approximately HK\$7.3 million, or by 486.7%, which was primarily attributable to the recognition of foreign exchange loss and written-off of trade receivables for the six months ended 30 June 2022.

Income Tax Expense

The Group's income tax expense decreased by approximately HK\$1.3 million, or 65.0%, from approximately HK\$2.0 million for the six months ended 30 June 2021 to approximately HK\$0.7 million for the six months ended 30 June 2022, which was primarily resulting from a decrease in taxable profits during the six months ended 30 June 2022. The Group's effective tax rates remained relatively stable at approximately 20.2% and 20.9% for the six months ended 30 June 2021 and 2022, respectively.

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\$5.1 million, or 64.6%, from approximately HK\$7.9 million for the six months ended 30 June 2021 to approximately HK\$2.8 million for the six months ended 30 June 2022.

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 2022, the Group reported net current assets of approximately HK\$344.4 million, as compared with approximately HK\$349.0 million as at 31 December 2021. As at 30 June 2022, the Group's cash and cash equivalents was approximately HK\$213.6 million, representing a decrease of approximately HK\$10.4 million as compared to approximately HK\$224.0 million as at 31 December 2021.

For the six months ended 30 June 2022, the net cash used in operating activities was approximately HK\$4.0 million (six months ended 30 June 2021: net cash generated from operating activities was approximately HK\$16.6 million). The cash used in operating activities was mainly from the settlement of other payables and accruals during the Period.

The net cash used in investing activities was approximately HK\$0.4 million (six months ended 30 June 2021: HK\$0.3 million). The net cash used in financing activities was approximately HK\$3.4 million (six months ended 30 June 2021: HK\$2.9 million). The net cash used in investing activities was mainly for the acquisition of intangible assets. The net cash used in financing activities was mainly attributable to the principal portion of lease payment.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

CAPITAL STRUCTURE

There was no material change in the capital structure of the Company during the six months ended 30 June 2022.

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 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 2022, the Group did not pledge any assets (31 December 2021: Nil).

GEARING RATIO

As at 30 June 2022, 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 30 June 2022, the net proceeds from the Listing were utilised as follows:

	Actual net proceeds <i>HK\$'000</i>	Amount utilised as at 30 June 2022 <i>HK\$'000</i>	Amount unutilised as at 30 June 2022 <i>HK\$'000</i>
Establish new research and development centres in the PRC and Hong Kong	39,600	(11,063)	28,537
Enhance the recognition and qualification of our products	17,300	(16,717)	583
Strengthen our sales capacity and capture new sales opportunities	21,100	(21,100)	–
Purchase new information technology hardware and software	2,500	(2,500)	–
Working capital	700	(700)	–
	<u>81,200</u>	<u>(52,080)</u>	<u>29,120</u>

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 prolonged 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 a delay in the 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 the 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.

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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 148 (31 December 2021: 147) employees. Total staff costs of the Group (excluding the Directors' and chief executive officer's remuneration) for the Period was approximately HK\$20.1 million (six months ended 30 June 2021: HK\$21.6 million). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

OTHER INFORMATION

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 Part 2 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022.

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 2022.

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 2022 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 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Throughout the six months ended 30 June 2022, 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 2022 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 2022 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 2022

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.