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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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK LEASE AGREEMENT

References are made to the announcement of the Company dated 15 December 2020 in relation to the two individual lease agreements entered into between Peiport Guangzhou and Ms. WONG on 1 November 2019 and 5 January 2020 and five individual lease agreements entered into between Peiport Aero and Peiport Guangzhou and the Landlords on 15 December 2020 which will be expired on 31 December 2022.

On 15 December 2022, the Company, on behalf of its associates as the tenants, and Ms. WONG, Mr. YEUNG and Peiport Scientific as the landlords, entered into the Framework Lease Agreement in respect of the properties provided by the Landlords to the Group to streamline the leasing relationship in respect of the Leased Properties between the Group and the Landlords. The Framework Lease Agreement shall become effective on 1 January 2023 and be valid for a term of two years.

As at the date of this announcement, Mr. YEUNG and Ms. WONG are the Controlling Shareholders and executive Directors, while Peiport Scientific is owned as to 70% and 30% by Mr. YEUNG and Ms. WONG, respectively and is an associate of the Controlling Shareholders. Accordingly, each of Mr. YEUNG, Ms. WONG and Peiport Scientific is a connected person of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the continuing connected transactions under the Framework Lease Agreement exceeds 0.1% but is less than 5%, the transactions under the Framework Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

References are made to the announcement of the Company dated 15 December 2020 in relation to the two individual lease agreements entered into between Peiport Guangzhou and Ms. WONG on 1 November 2019 and 5 January 2020 and five individual lease agreements entered into between Peiport Aero and Peiport Guangzhou and the Landlords on 15 December 2020 which will be expired on 31 December 2022.

The Board hereby announces that on 15 December 2022, the Company, on behalf of its associates as the tenants, and Ms. WONG, Mr. YEUNG and Peiport Scientific as the landlords, entered into the Framework Lease Agreement in respect of the properties leased by the Landlords to the Group to streamline the leasing relationship in respect of the Leased Properties between the Group and the Landlords. The Framework Lease Agreement shall become effective on 1 January 2023 and be valid for a term of two years.

THE FRAMEWORK LEASE AGREEMENT

Date:	15 December 2022
Parties:	The Company (on behalf its associates) and Landlords
Landlords:	(i) Ms. WONG, the owner of Property A, Property B and Properties C to D; (ii) Peiport Scientific, the owner of Property E, Property F and Properties G to J; and (iii) Mr. YEUNG, the owner of Property K
Tenants:	Peiport Guangzhou, Peiport Beijing, Peiport Industries and Peiport Aero
Leased Properties:	Properties A to K As at the date of this announcement, the total leased gross floor area of the Leased Properties was approximately 1,630 square meters. The tenants may, according to their future needs, increase, decrease or adjust the leased area of the Leased Properties during the term of the Framework Lease Agreement.
Term:	Two years from 1 January 2023 Upon expiry, the Framework Lease Agreement may, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of two years.

Rentals etc.: The rentals, property management fees of the relevant units and other fees being various sundry charges actually incurred (including but not limited to parking space rentals, car-park management fees, parking fees, water, electricity and gas charges, telephone tariffs, overtime air-conditioning fees, maintenance and catering fees, etc., where applicable) shall be set out in the relevant individual lease agreements and shall be paid by the tenants according to the provisions of the individual lease agreements.

PRICING BASIS

The rentals, property management fees and other fees of the relevant units will be determined through arm's length negotiations between the Group and the Landlords based on the prevailing market rates and on normal commercial terms. When determining the prevailing market rates, the relevant subsidiaries of the Company will make reference to the historical fees paid by the lessees for the relevant Leases and the market rentals, property management fees and other fees of similar types of properties in the surrounding areas. Having obtained various reference prices, the general manager of the relevant subsidiaries of the Company will determine the rentals and fees for the relevant units.

HISTORICAL FIGURES

The historical amounts relating to the leasing of properties from the Landlords to the Group are as follows:

	For the year ended 31 December 2020 Approx. (HK\$'000)	For the year ended 31 December 2021 Approx. (HK\$'000)	For the year ending 31 December 2022 Approx. (HK\$'000)
Right-of-use assets in respect of leases of Properties A to K	4,300	400	6,100

ANNUAL CAPS

Pursuant to HKFRS 16, the Leases to be entered into by the Company as lessee under the Framework Lease Agreement will be recognised as right-of-use assets. The proposed annual cap is set on the total value of the right-of-use assets relating to the individual leasing agreements expected to be entered into by the Company for the year ending 31 December 2022, which are calculated with reference to the aggregate annual rent under the full lease term of each individual leasing agreement newly entered into for the year ending 31 December 2022, discounted by the Company's incremental borrowing rate.

The Company estimates the annual caps of such right-of-use assets for the two years ending 31 December 2024 as follows:

	For the year ending 31 December 2023 (HK\$'000)	For the year ending 31 December 2024 (HK\$'000)
Estimated annual caps	2,500	6,000

The Directors have taken into account the following principal factors in estimating the above annual caps:

- (a) the leases in relation to Properties B to K were renewed in 2022;
- (b) the leases in relation to Property A and Properties C to D will be renewed in 2023;
- (c) the leases in relation to Properties C to D, Property E, Properties G to J and Property K will be renewed in 2024;
- (d) the expected market rental of the Leased Properties for each of the two years ending 31 December 2024;
- (e) the anticipated adjustment of the number, area and size of properties to be leased by the Company for each of the two years ending 31 December 2024;
- (f) the potential fluctuation in the exchange rate of RMB and other foreign currencies against HK\$;
- (g) the potential fluctuation in market rental as affected by the general property market condition in the location of the Leased Properties; and
- (h) a buffer for the possible demand of the Group for new Leases for its business or operations.

Pursuant to HKFRS 16, the value of the right-of-use assets expected to be recognised by the Company as a result of the entry into the Leasing Framework Agreement for the years ending 31 December 2023 and 2024 amounts to approximately HK\$2,500,000 and HK\$6,000,000. An average incremental borrowing rate of approximately 5.19% and 4.55%

is applied to compute the present value of the right-of-use assets recognised by the Company for the properties in Hong Kong and the PRC, respectively, as a result of the entry into the Leasing Framework Agreement.

INTERNAL CONTROL MEASURES

In order to ensure that the pricing policies as contained in the Framework Lease Agreement and the annual caps are complied with, the Company has adopted the following internal control measures:

- (i) the Group will keep track of the market rental and terms in future and gather rental information gathered by the Group of certain comparable premises of similar specifications, size and nature in the vicinity of the Leased Properties, for the purpose of ensuring that the prices and terms for the Leases will be based on prevailing market terms and be no less favourable to the Group than those offered by other independent third-parties to the Group;
- (ii) the relevant departments of Group will regularly monitor and review the prices of and terms of the Leases in order to ensure that the Leases are conducted on normal commercial terms, in accordance with the annual caps set by the Company, and the terms are no less favourable to the Group than those available to independent third parties;
- (iii) the Company will designate specific personnel to monitor the Leases and any irregularities in respect of the continuing connected transactions will be reported to the senior management of the Group in a timely manner;
- (iv) the Company's external auditors will review the transactions under the Framework Lease Agreement annually to check and confirm, among others, whether the pricing policies have been adhered to, whether the transactions were conducted in accordance with the Framework Lease Agreement and whether the relevant annual caps have been exceeded; and
- (v) the independent non-executive Directors will review the transactions under the Framework Lease Agreement annually to check and confirm whether such Leases have been conducted in the ordinary and usual course of business of the Company, on normal commercial terms, in accordance with the Framework Lease Agreement governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such Leases are conducted in accordance with the pricing policies set out in the Framework Lease Agreement.

REASONS FOR AND BENEFITS OF THE FRAMEWORK LEASE AGREEMENT

The properties leased under the Existing Lease Agreements have been used as office for the Group's operations in Shaanxi, Sichuan and Guangdong provinces of the PRC, and warehouse, system integration and service centre and car parking spaces in Hong Kong for more than 10 years. The existing lease agreements for Properties G to J and Property K will be expired on 31 December 2022 and the Landlords offered to renew the leases of these properties at the existing rental or market rates. With a view to continue the Group's present usage purpose of the properties leased under the Existing Lease Agreements and given the increasing number of leased properties, by consolidating the management of all existing and future individual leasing relationship in respect of the Leased Properties under one framework agreement, regardless of the location of the Leased Properties, the Company can streamline and optimize the regulation and control of the leasing relationship with the Landlords.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Framework Lease Agreement was negotiated by the parties on arm's length basis, made on normal commercial terms or better and are fair and reasonable. They also believe that the Framework Lease Agreement are entered into in the ordinary and usual course of business and in the interests of the Company and its shareholders as a whole. The executive Directors, Mr. YEUNG and Ms. WONG, abstained from voting on the board resolution approving the Framework Lease Agreement in view of their conflict of interests or potential interests in the Framework Lease Agreement. Mr. YEUNG Chun Tai, an executive Director, being the son of Mr. YEUNG and Ms. WONG and therefore an associate of each of Mr. YEUNG and Ms. WONG under the Listing Rules, has also abstained from voting on the relevant board resolution. Save as aforesaid, none of the Directors has any material interest in the above-mentioned transactions nor any of them is required to abstain from voting on the relevant board resolution.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. YEUNG and Ms. WONG are the Controlling Shareholders and executive Directors, while Peiport Scientific is owned as to 70% and 30% by Mr. YEUNG and Ms. WONG, respectively and is an associate of the Controlling Shareholders. Accordingly, each of Mr. YEUNG, Ms. WONG and Peiport Scientific is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Framework Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the continuing connected transactions under the Framework Lease Agreement exceeds 0.1% but is less than 5%, the transactions under the Framework Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company is an investment holding company and the Group is principally engaged in the provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services.

Mr. YEUNG is the founder of the Group, a Controlling Shareholder and an executive Director of the Company. Mr. YEUNG is the spouse of Ms. WONG.

Ms. WONG is a Controlling Shareholder and an executive Director of the Company. Ms. WONG is the spouse of Mr. YEUNG.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Peiport Holdings Ltd. (彼岸控股有限公司) (stock code: 2885), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Framework Lease Agreement”	the framework lease agreement for the leasing of the Leased Properties entered into between the Company and Mr. YEUNG and Ms. WONG on 15 December 2022
“Leases”	the leases which may be entered into by the Group with the Landlords under the Framework Lease Agreement from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. YEUNG”	Mr. YEUNG Lun Ching (楊倫楨), the spouse of Ms. WONG and the founder of the Group, the chairman of the Board and also one of the Controlling Shareholders and the executive Directors
“Ms. WONG”	Ms. WONG Kwan Lik (王群力), the spouse of Mr. YEUNG and the chief executive officer and also one of the Controlling Shareholders and the executive Directors

“Peiport Aero”	Peiport Scientific Aero Limited (彼岸科航有限公司), a company incorporated in Hong Kong with limited liability on 18 December 2017 and an indirect wholly-owned subsidiary of the Company
“Peiport Beijing”	Beijing Peiport Jingdu Technology Limited* (北京彼岸京都科技有限公司), a limited liability company established in the PRC on 26 March 2001 and an indirect wholly-owned subsidiary of the Company
“Peiport Guangzhou”	Guangzhou Peiport Sijing Optoelectronics System Limited* (廣州彼岸思精光電系統有限公司), a limited liability company established in the PRC on 19 November 2003 and an indirect wholly-owned subsidiary of the Company
“Peiport Industries”	Peiport Industries Limited (彼岸實業有限公司), a company incorporated in Hong Kong with limited liability on 1 March 2006 and an indirect wholly-owned subsidiary of the Company
“Peiport Scientific”	Peiport Scientific Limited (彼岸科儀有限公司), a company incorporated in Hong Kong with limited liability on 15 April 1998 and owned as to 70% and 30% by Mr. YEUNG and Ms. WONG respectively
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Property A”	Unit 1102, Block C, Hesheng Jingguang Centre, No. 11 Tangyan Road, Xi’an Hi-tech Industries Development Zone, Yantat District, Xi’an, Shaanxi Province, the PRC
“Property B”	Unit 2301, Office Block 1, Jinniu Wanda Plaza, No. 118 Renmin North Road, 2nd Section, Jinniu District, Chengdu, Sichuan Province, the PRC
“Properties C to D”	Flats 2–7 and 2–8 on level 121, Block 1, Yuetan Mansion, No. 2 Yuetan North Street, Xicheng District, Beijing, the PRC
“Properties E”	Car Parking Space, No. 59 on the Ground Floor, Harbour View Gardens, Taikoo Shing, Hong Kong
“Properties F”	Room 706, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong
“Properties G to J”	Rooms 1301, 1302, 1307 and Car Parking Space No. P18 on 1st Floor, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong

“Property K”	Unit 2523, Wuyang Xincheng Plaza, No.111 Siyou New Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules

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

Hong Kong, 15 December 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.