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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Peiport Holdings Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	245,612	279,371
Cost of sales		<u>(172,883)</u>	<u>(197,020)</u>
Gross profit		72,729	82,351
Other income and gains, net	4	2,302	3,068
Selling and distribution expenses		(30,461)	(30,735)
Administrative expenses		(34,907)	(30,101)
Other expenses		(14,405)	(4,184)
Finance costs	6	<u>(525)</u>	<u>(488)</u>
(LOSS)/PROFIT BEFORE TAX	5	(5,267)	19,911
Income tax credit/(expense)	7	<u>1,659</u>	<u>(3,171)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(3,608)</u>	<u>16,740</u>

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(3,725)</u>	<u>1,652</u>
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX		<u>(3,725)</u>	<u>1,652</u>
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		<u><u>(7,333)</u></u>	<u><u>18,392</u></u>
(Loss)/profit attributable to:			
Owners of the parent		(3,195)	16,982
Non-controlling interests		<u>(413)</u>	<u>(242)</u>
		<u>(3,608)</u>	<u>16,740</u>
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(6,920)	18,634
Non-controlling interests		<u>(413)</u>	<u>(242)</u>
		<u>(7,333)</u>	<u>18,392</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u>HK(0.80) cents</u>	<u>HK4.25 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		7,688	8,078
Right-of-use assets		9,317	5,070
Intangible assets		883	1,088
Deferred tax assets		7,274	3,442
Total non-current assets		<u>25,162</u>	<u>17,678</u>
CURRENT ASSETS			
Inventories		52,938	68,251
Trade and bills receivables	10	75,098	100,520
Prepayments, deposits and other receivables		21,983	22,074
Cash and cash equivalents		244,598	223,963
Total current assets		<u>394,617</u>	<u>414,808</u>
CURRENT LIABILITIES			
Trade payables	11	20,759	27,091
Other payables and accruals		17,250	14,881
Contract liabilities		15,460	14,754
Lease liabilities		5,142	4,166
Tax payable		4,268	4,952
Total current liabilities		<u>62,879</u>	<u>65,844</u>
NET CURRENT ASSETS		<u>331,738</u>	<u>348,964</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>356,900</u>	<u>366,642</u>
NON-CURRENT LIABILITIES			
Lease liabilities		4,382	1,348
Deferred tax liabilities		76	119
Total non-current liabilities		<u>4,458</u>	<u>1,467</u>
Net assets		<u>352,442</u>	<u>365,175</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		4,000	4,000
Reserves		348,197	360,517
		<u>352,197</u>	<u>364,517</u>
Non-controlling interests		<u>245</u>	<u>658</u>
Total equity		<u>352,442</u>	<u>365,175</u>

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments 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 adoption of the revised HKFRSs does not have any material impact on the consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

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. 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	206,465	233,145
Hong Kong and Macau	34,481	42,769
Overseas	4,666	3,457
	<u>245,612</u>	<u>279,371</u>

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

(b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	7,080	7,425
Hong Kong	10,808	6,811
	<u>17,888</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 customer which contributed over 10% of the total revenue of the Group during the years ended 31 December 2022 and 2021 is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	<u>49,111</u>	<u>N/A*</u>

* The corresponding revenue from this customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the respective period.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

Revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Thermal imaging products and services		
— Sales of goods <i>Note (A)</i>	67,231	102,357
— Rendering of maintenance services and equipment rental <i>Note (B)</i>	<u>9,276</u>	<u>12,225</u>
	<u>76,507</u>	<u>114,582</u>
Self-stabilised imaging products and services		
— Sales of goods <i>Note (A)</i>	31,880	34,505
— Rendering of maintenance services and equipment rental <i>Note (B)</i>	<u>19,066</u>	<u>14,525</u>
	<u>50,946</u>	<u>49,030</u>
General aviation products and services		
— Sales of goods <i>Note (A)</i>	116,274	113,832
— Rendering of maintenance services <i>Note (B)</i>	<u>1,167</u>	<u>1,678</u>
	<u>117,441</u>	<u>115,510</u>
Others	<u>718</u>	<u>249</u>
Total	<u>245,612</u>	<u>279,371</u>

Note (A): The revenue from the sale 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\$612,000 (2021: HK\$2,256,000) for the year ended 31 December 2022.

Performance obligations

The performance obligation for the sales of goods is satisfied upon delivery of the goods and the performance obligation for the rendering of maintenance services and equipment rental is satisfied over time as services are rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	7,235	8,313
After one year	11,176	13,799
	<u>18,411</u>	<u>22,112</u>

For contracts of the sale of goods with original expected duration of less than one year, the Group has elected not to disclose information about the remaining performance obligations. All considerations from contracts with customers with original expected duration of not less than one year have been included in the transaction prices and, therefore, were included in the information disclosed in the above table.

Other income and gains, net

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	345	170
Recovery of written-off trade receivables	–	1
Government grants*	885	336
Foreign exchange differences, net	–	2,524
Reversal of doubtful receivables, net	502	–
Others	570	37
	<u>2,302</u>	<u>3,068</u>

* Government grants mainly represented subsidies obtained from local government authorities. There are no unfulfilled conditions or contingencies relating to these grants.

5. (LOSS)/PROFIT BEFORE TAX

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

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Cost of inventories sold		160,085	186,218
Cost of services provided		12,798	10,802
Depreciation of property, plant and equipment		2,382	3,158
Depreciation of right-of-use assets		6,939	5,938
Amortisation of intangible assets		523	553
Research and development costs		8,732	6,183
(Reversal of)/provision for doubtful receivables, net		(502)	1,009
Recovery of written-off trade receivables	4	–	(1)
Written-off of trade receivables		3,413	2,053
(Reversal of)/provision for inventory obsolescence, net		(405)	347
Lease payments not included in the measurement of lease liabilities		96	–
Employee benefit expense (excluding directors' and chief executive officer's remuneration):			
Wages and salaries		41,117	37,927
Pension scheme contributions (defined contribution scheme)*		6,177	6,005
		47,294	43,932
Auditor's remuneration		1,280	1,300
Foreign exchange differences, net**		10,470	(2,524)
Loss on disposal of items of property, plant and equipment		–	581
Bank interest income	4	(345)	(170)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** The foreign exchange differences, net is included in "Other expenses" (2021: "Other income and gains, net") in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Interest on lease liabilities	525	488

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Pursuant to the People's Republic of China (the "PRC") Income Tax Law and the respective regulations, corporate income tax has been provided at the rate of 25% (2021: 25%) on the taxable income of the subsidiaries operating in Mainland China during the year, except for certain subsidiaries of the Group, which are qualified small and micro-sized enterprises under preferential tax treatment. Pursuant to the preferential tax policy, the first RMB1,000,000 of taxable income and the remaining part within RMB1,000,000 to RMB3,000,000 shall be calculated at 12.5% and 25% (2021: 12.5% and 50%) of taxable income respectively, with a reduced tax rate of 20%.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current	2,396	4,447
Deferred	(4,055)	(1,276)
	<u>(1,659)</u>	<u>3,171</u>
Total tax (credit)/charge for the year	<u>(1,659)</u>	<u>3,171</u>

A reconciliation of the tax (credit)/expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2022 <i>HK\$'000</i>		2021 <i>HK\$'000</i>	
		%		%
(Loss)/profit before tax	<u>(5,267)</u>		<u>19,911</u>	
Tax at the statutory tax rate of 16.5%	(869)	16.5	3,285	16.5
Effect on different taxation rate in Mainland China	(1,174)	22.3	151	0.8
Lower tax rates enacted by local tax authorities	(309)	5.9	(1,197)	(6.0)
Income not subject to tax	(150)	2.8	(113)	(0.6)
Expenses not deductible for tax	843	(16.0)	1,075	5.4
Tax concession	<u>–</u>	<u>–</u>	<u>(30)</u>	<u>(0.2)</u>
Total tax (credit)/charge for the year	<u>(1,659)</u>	<u>31.5</u>	<u>3,171</u>	<u>15.9</u>

8. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Proposed final — HK1.35 cents (2021: HK1.35 cents) per ordinary share	<u>5,400</u>	<u>5,400</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (2021: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of basic and diluted (loss)/earnings per share are based on:

(Loss)/earnings	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	<u>(3,195)</u>	<u>16,982</u>
Shares	Number of shares	
	2022 <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares used in the basic and diluted (loss)/earnings per share calculations	<u>400,000</u>	<u>400,000</u>

10. TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	66,125	98,108
Bills receivable	<u>11,245</u>	<u>5,198</u>
	77,370	103,306
Impairment	<u>(2,272)</u>	<u>(2,786)</u>
	<u>75,098</u>	<u>100,520</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 3 months	27,093	56,982
3 to 6 months	2,183	3,787
6 to 12 months	3,056	8,455
Over 1 year	42,766	31,296
	<u>75,098</u>	<u>100,520</u>

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	2,786	1,770
Provision for doubtful receivables, net	2,911	3,062
Amount written-off as uncollectible (<i>note 5</i>)	(3,413)	(2,053)
Exchange realignment	(12)	7
	<u>2,272</u>	<u>2,786</u>
At end of year	<u>2,272</u>	<u>2,786</u>

An impairment analysis of trade and bills receivables is performed at each reporting date using a provision matrix to measure expected credit losses ("ECLs"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than three years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2022

	Current	Past due within 1 year	Past due more than 1 year but within 2 years	Past due more than 2 years but within 3 years	Past due over 3 years	Total
ECLs rate	0%–0.5%	3.1%	6.8%	33.3%	100.0%	0%–3.4%
Gross carrying amount (HK\$'000)	63,018	6,624	4,479	2,616	633	77,370
ECLs (HK\$'000)	258	205	305	871	633	2,272

As at 31 December 2021

	Current	Past due within 1 year	Past due more than 1 year but within 2 years	Past due more than 2 years but within 3 years	Past due over 3 years	Total
ECLs rate	0%–0.8%	5.4%	15.2%	52.7%	100.0%	0%–2.8%
Gross carrying amount (HK\$'000)	83,922	13,114	5,641	81	548	103,306
ECLs (HK\$'000)	630	708	857	43	548	2,786

11. 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:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	6,894	18,471
1 to 3 months	1,005	368
Over 3 months	12,860	8,252
	<u>20,759</u>	<u>27,091</u>

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

12. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after 31 December 2022 and up to the approval date of this results announcement (the “**Results Announcement**”).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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 Mainland China and Hong Kong.

2022 has been a challenging year. During the year under review, the Group operating performance was adversely impacted by subdued demand in the thermal imaging products and services, stemming from market volatilities arising from resurgence of the pandemic, international geopolitical tensions and global economic conditions. As a result, during the year ended 31 December 2022, the Group recorded a decrease in revenue of approximately HK\$33.8 million to approximately HK\$245.6 million and incurred loss attributable to owners of the parent of approximately HK\$3.2 million.

During the year, the effects of the 2019 Coronavirus Disease (“**COVID-19**”) pandemic continued to pose challenges to our business operations, including our employees, customers and partners, particularly in Mainland China. Mainland China continued to adopt a dynamic zero COVID-19 policy in response to the pandemic in the first half of 2022. Affected by recurring pandemic waves as well as large-scale lockdowns and controls, the consumption in the market have been suppressed.

In view of the challenging economic environment, the Board, as disclosed in the announcement dated 18 October 2022, considered that there is a more imminent need of the Group to enhance the recognition and qualifications of the Group’s products and strengthen the sales capacity and capture new sales opportunities in Hong Kong, Mainland China and other locations and therefore resolved to reallocate the unutilised net proceed from the listing of the Company’s shares (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as set out in the section headed “Use of Proceeds” on page 19 of this Results Announcement.

PERFORMANCE OF BUSINESS SEGMENTS

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 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 year ended 31 December 2022, the revenue from this business segment reduced by 33.2% on a year-to-year basis. It is mainly due to the weak demand in sales of ultraviolet cameras, SF6 gas imaging cameras and ultrasonic products from our existing customers.

Revenue from this business segment during the year ended 31 December 2022 was approximately HK\$76.5 million (2021: HK\$114.6 million). It accounted for approximately 31.2% (2021: 41.1%) of the Group's revenue during the year.

(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 aircraft, helicopters, vessels and ships. The Group deploys a self-stabilisation technology whereby the imaging products are mounted on a multiple-axis gimballed structure and achieve maximum stabilisation. The products are traded under own brand name, SkyEye, SeaVision and PGs. We also rent our self-stabilised imaging products for aircraft to our customers for a fixed period at a rental fee as well as provide product training and technical assistance to our customers based on their requirements.

During the year ended 31 December 2022, the revenue from this business segment raise 3.9% on a year-to-year basis. Revenue from this business segment during the year ended 31 December 2022 was approximately HK\$50.9 million (2021: HK\$49.0 million). It accounted for approximately 20.7% (2021: 17.5%) of the Group's revenue during the year.

(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.

In accordance with “Fourteenth Five-Year Plan Special Plan for General Aviation Development” (Minhangfa 2022 No.8) issued by Civil Aviation Administration of China, the total general aviation flight time (included drone) in the PRC would reach 3.5 million in 2022 and further grow to 4.5 million by 2025. The Group sees great potential for this business segment, which could provide boost for the long term growth of business for the Group. The Group will continue to focus on the development of the general aviation value chain in the PRC.

Revenue from this business segment during the year ended 31 December 2022 raised 1.7% on a year-to-year basis. Revenue from this business segment was approximately HK\$117.5 million (2021: HK\$115.5 million). It accounted for approximately 47.8% (2021: 41.3%) of the Group's revenue during the year.

PROSPECT

Looking forward, the economies of Mainland China and Hong Kong are expected to regain momentum and recover from the relaxation of COVID-19 controls and social distancing measures.

By the reallocation of unutilised net proceed from the Listing, the Group gains the flexibility to use the resources in promoting our brands and capture the new sales opportunities. The Group stands ready for the normalisation, while the Group remain alert to adapt to the changing dynamics in the market trend and development.

The Group will continue to invest in the research and development in order to maintain its competitive edges and will continue to explore other suitable business opportunities to pursue long-term business growth.

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 year ended 31 December 2022, the total revenue of the Group decreased by approximately HK\$33.8 million, or 12.1% from approximately HK\$279.4 million for the year ended 31 December 2021 to approximately HK\$245.6 million. The decrease 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\$38.1 million, or 33.2%, from approximately HK\$114.6 million for the year ended 31 December 2021 to approximately HK\$76.5 million for the year ended 31 December 2022. The decrease was primarily attributable to a decrease in sales of ultraviolet cameras, SF6 gas imaging cameras and ultrasonic products from our existing customers due to decrease in demand of the relevant products.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services remained relatively stable at approximately HK\$49.0 million and HK\$50.9 million for the years ended 31 December 2021 and 2022, respectively.

(iii) General aviation products and services

Revenue derived from general aviation products and services remained relatively stable at approximately HK\$115.5 million and HK\$117.5 million for the years ended 31 December 2021 and 2022, respectively.

Gross Profit and Gross Profit Margin

Gross profit for the Group decreased from approximately HK\$82.4 million for the year ended 31 December 2021 to approximately HK\$72.7 million for the year ended 31 December 2022, and the gross profit margin remained relatively stable at approximately 29.5% and 29.6% for the years ended 31 December 2021 and 2022, respectively.

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

The gross profit margin of thermal imaging products and services decreased by approximately 2.7% from approximately 21.3% for the year ended 31 December 2021 to approximately 18.6% for the year ended 31 December 2022. The decrease in our gross profit margin was primarily attributable to the decrease in sales of ultraviolet cameras and SF6 gas imaging cameras which had a relatively higher gross profit margin.

(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 46.9% and 46.4% for the years ended 31 December 2021 and 2022, respectively.

(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 30.2% and 29.5% for the years ended 31 December 2021 and 2022, respectively.

Other Income and Gains, Net

The Group's other income and gains remained relatively stable at approximately HK\$3.1 million and HK\$2.3 million for the years ended 31 December 2021 and 2022, respectively.

Selling and Distribution Expenses

The Group's selling and distribution expenses remained relatively stable at approximately HK\$30.7 million and HK\$30.5 million for the years ended 31 December 2021 and 2022, respectively.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$4.8 million, or 15.9%, from approximately HK\$30.1 million for the year ended 31 December 2021 to approximately HK\$34.9 million for the year ended 31 December 2022. The increase was mainly attributable to an increase in research and development expenses of approximately HK\$2.5 million as a result of more research and development projects undertaken during the year ended 31 December 2022, increase in depreciation of right-of-use assets of approximately HK\$1.2 million and increase in staff welfare of approximately HK\$0.6 million.

Other Expenses

The Group's other expenses increased by approximately HK\$10.2 million, or 242.9%, from approximately HK\$4.2 million for the year ended 31 December 2021 to approximately HK\$14.4 million for the year ended 31 December 2022. The increase in other expenses was primarily attributable to the recognition of foreign exchange loss of approximately HK\$10.5 million in 2022.

Finance Costs

According to the adoption of the HKFRS 16 *Leases* issued by the HKICPA effective as of 1 January 2019, at the commencement date of a lease, a lessee is required to recognise a liability of lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). As a result, finance costs of approximately HK\$0.5 million and HK\$0.5 million for the years ended 31 December 2021 and 2022 were recognised, respectively.

Income Tax Credit/(Expense)

Our income tax credit/(expense) represented our total current income tax and deferred tax credit/(expense) under the relevant PRC and Hong Kong income tax laws and regulations. The Group recorded an income tax credit of approximately HK\$1.7 million for the year ended 31 December 2022 as compared to an income tax expense of approximately HK\$3.2 million for the year ended 31 December 2021.

(Loss)/Profit for the Year Attributable to Owners of the Parent

As a result of the cumulative effect of the above factors, the Group recorded the loss attributable to the owners of the parent of approximately HK\$3.2 million for the year ended 31 December 2022 as compared to the profit for the year attributable to the owners of the parent of approximately HK\$17.0 million for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group maintained a healthy liquidity position, with working capital financed mainly by internal resources. As at 31 December 2022, the Group reported net current assets of approximately HK\$331.7 million, as compared with approximately HK\$349.0 million as at 31 December 2021.

As at 31 December 2022, the Group's cash and cash equivalents was approximately HK\$244.6 million, representing an increase of approximately HK\$20.6 million as compared to approximately HK\$224.0 million as at 31 December 2021.

For the year ended 31 December 2022, the net cash generated from operating activities was approximately HK\$40.8 million (2021: HK\$26.2 million). The cash generated from operating activities was mainly from the decrease in inventories and trade and bills receivables balances during the year ended 31 December 2022. The net cash used in investing activities was approximately HK\$41.7 million (2021: HK\$2.6 million). The net cash used in financing activities was approximately HK\$12.6 million (2021: HK\$11.5 million). The net cash used in investing activities was mainly attributable to the investment of time deposits and acquisition of property, plant and equipment during the year. The net cash used in financing activities was mainly arising from the payment of lease liabilities and the payment of final dividend.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had no significant capital commitments (31 December 2021: 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 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 United States dollar. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

PLEDGE OF ASSETS

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

GEARING RATIO

As at 31 December 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).

The net proceeds had been intended to be used in accordance with the purposes as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company issued on 31 December 2018 (the “**Prospectus**”).

As disclosed in the announcement of the Company dated 18 October 2022 (the “**Announcement**”), the ongoing COVID-19 pandemic, which had led to travel restrictions and/or quarantine requirements, has made it more difficult for the Company’s management to locate suitable premise and develop the research and development centre in the PRC in 2022. The Board considers it is appropriate to reallocate the unutilised net proceeds initially intended for the establishment of research and development centre in the PRC to other imminent needs of the Group. For further details, please refer to the Announcement.

As at the date of this Results Announcement, the net proceeds from the Listing were utilised as follows:

	Original allocation of net proceeds according to the Prospectus <i>HK\$'000</i>	Revised allocation of the proceeds <i>HK\$'000</i>	Amount utilised as at the date of this Results Announcement <i>HK\$'000</i>	Amount unutilised as at the date of this Results Announcement <i>HK\$'000</i>	Expected timeline for utilisation of the remaining proceeds
Establish new research and development centres in the PRC and Hong Kong	39,600	19,600	(13,972)	5,628	By the end of 2024
Enhance the recognition and qualification of our products	17,300	27,300	(20,635)	6,665	By the end of 2024
Strengthen our sales capacity and capture new sales opportunities	21,100	31,100	(24,409)	6,691	By the end of 2024
Purchase new information technology hardware and software	2,500	2,500	(2,500)	–	N/A
Working capital	700	700	(700)	–	N/A
	<u>81,200</u>	<u>81,200</u>	<u>(62,216)</u>	<u>18,984</u>	

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

RESTRUCTURING AND SIGNIFICANT INVESTMENTS

During the years ended 31 December 2021 and 2022, the Group did not have any restructuring and significant investments.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 149 (31 December 2021: 147) employees as at 31 December 2022. Total staff costs of the Group (excluding the Directors' and chief executive officer's remuneration) for the year ended 31 December 2022 was approximately HK\$47.3 million (2021: HK\$43.9 million). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

Since 11 January 2019, the listing date, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

In the opinion of the Board, the Company has complied with all the applicable code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code throughout the year ended 31 December 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.

Specific enquiry has been made to all Directors and they have confirmed that they have complied with the Model Code throughout the year under review.

AUDIT COMMITTEE

The audit committee of the Company (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 Audit Committee has reviewed the accounting principles and practices adopted by the Group, discussed risk management, internal controls and financial reporting matters with management and the Board, including review of the annual results of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this Results Announcement have been agreed by the Company’s independent auditor, Ernst & Young, to the amounts set out in the Group’s audited consolidated financial statements for the year.

The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on this Results Announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Results Announcement, at least 25% of the Company’s total number of issued shares were held by the public.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held on Friday, 9 June 2023. A notice convening the AGM will be issued and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

DIVIDENDS

Having considered the financial and cash flow position of the Company, as well as to reward the shareholders of the Company for their continued support during the challenging economic environment brought about by the COVID-19 pandemic and enhance investors' confidence in the Company, the Board recommended the payment of a final dividend of HK1.35 cents per share for the year ended 31 December 2022 (the “**Proposed Final Dividend**”) to the shareholders whose names appear on the register of members of the Company on Wednesday, 21 June 2023, subject to the shareholders' approval at the forthcoming AGM to be held on Friday, 9 June 2023. It is expected that the Proposed Final Dividend will be paid on or before Friday, 7 July 2023. The Proposed Final Dividend shall be declared and distributed in Hong Kong dollars.

CLOSURE OF REGISTER OF MEMBERS

(A) for determining the entitlement to attend and vote at the AGM

The register of members of the Company will be closed from Friday, 2 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending and voting at the AGM to be held on Friday, 9 June 2023, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with the Hong Kong share registrar of the Company, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Thursday, 1 June 2023.

(B) for determining the entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from Monday, 19 June 2023 to Wednesday, 21 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with the Hong Kong share registrar of the Company, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Friday, 16 June 2023.

PUBLICATION OF ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the year ended 31 December 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 annual report containing all the information will be dispatched to the shareholders of the Company and made available on the above websites in due course in accordance with Rule 13.46 of the Listing Rules.

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, 29 March 2023

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.