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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 2021**

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 2021, together with comparative figures for the year ended 31 December 2020, as follows:

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

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	4	279,371	290,590
Cost of sales		<u>(197,020)</u>	<u>(207,334)</u>
Gross profit		82,351	83,256
Other income and gains, net	4	3,068	8,406
Selling and distribution expenses		(30,735)	(29,132)
Administrative expenses		(30,101)	(28,316)
Other expenses		(4,184)	(1,293)
Finance costs	6	<u>(488)</u>	<u>(383)</u>
PROFIT BEFORE TAX	5	19,911	32,538
Income tax expense	7	<u>(3,171)</u>	<u>(5,352)</u>
PROFIT FOR THE YEAR		<u>16,740</u>	<u>27,186</u>

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>1,652</u>	<u>2,765</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>1,652</u>	<u>2,765</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>18,392</u></u>	<u><u>29,951</u></u>
Profit/(loss) attributable to:			
Owners of the parent		<u>16,982</u>	<u>27,186</u>
Non-controlling interests		<u>(242)</u>	<u>–</u>
		<u><u>16,740</u></u>	<u><u>27,186</u></u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		<u>18,634</u>	<u>29,951</u>
Non-controlling interests		<u>(242)</u>	<u>–</u>
		<u><u>18,392</u></u>	<u><u>29,951</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u><u>HK4.25 cents</u></u>	<u><u>HK6.80 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		8,078	9,011
Right-of-use assets		5,070	6,902
Intangible assets		1,088	726
Deferred tax assets		3,442	2,029
Total non-current assets		17,678	18,668
CURRENT ASSETS			
Inventories		68,251	70,018
Trade and bills receivables	<i>10</i>	100,520	83,683
Prepayments, deposits and other receivables		22,074	22,987
Cash and cash equivalents		223,963	210,150
Total current assets		414,808	386,838
CURRENT LIABILITIES			
Trade payables	<i>11</i>	27,091	14,638
Other payables and accruals		14,881	13,416
Contract liabilities		14,754	15,108
Lease liabilities		4,166	4,502
Tax payable		4,952	3,525
Total current liabilities		65,844	51,189
NET CURRENT ASSETS		348,964	335,649
TOTAL ASSETS LESS CURRENT LIABILITIES		366,642	354,317
NON-CURRENT LIABILITIES			
Lease liabilities		1,348	3,034
Deferred tax liabilities		119	–
Total non-current liabilities		1,467	3,034
Net assets		365,175	351,283
EQUITY			
Equity attributable to owners of the parent			
Share capital		4,000	4,000
Reserves		360,517	347,283
		364,517	351,283
Non-controlling interests		658	–
Total equity		365,175	351,283

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 2021.

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).

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform — Phase 2*

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	233,145	222,878
Hong Kong and Macau	42,769	65,282
Overseas	3,457	2,430
	<u>279,371</u>	<u>290,590</u>

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

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	7,425	11,611
Hong Kong	6,811	5,028
	<u>14,236</u>	<u>16,639</u>

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

Information about major customers

Revenue derived from sales to individual customers which contributed over 10% of the total revenue of the Group during the years ended 31 December 2021 and 2020 is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	N/A*	45,676
Customer B	N/A*	37,153

* 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Thermal imaging products and services		
— Sales of goods <i>Note (A)</i>	102,357	150,430
— Rendering of maintenance services and equipment rental <i>Note (B)</i>	12,225	12,411
	<u>114,582</u>	<u>162,841</u>
Self-stabilised imaging products and services		
— Sales of goods <i>Note (A)</i>	34,505	21,148
— Rendering of maintenance services and equipment rental <i>Note (B)</i>	14,525	11,701
	<u>49,030</u>	<u>32,849</u>
General aviation products and services		
— Sales of goods <i>Note (A)</i>	113,832	93,737
— Rendering of maintenance services <i>Note (B)</i>	1,678	1,163
	<u>115,510</u>	<u>94,900</u>
Others	249	—
Total	<u>279,371</u>	<u>290,590</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\$2,256,000 (2020: HK\$3,625,000) for the year ended 31 December 2021.

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 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	8,313	9,732
After one year	13,799	19,614
	<u>22,112</u>	<u>29,346</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	170	587
Recovery of written-off trade receivables	1	32
Government grants*	336	1,679
Foreign exchange differences, net	2,524	5,991
Others	37	117
	<u>3,068</u>	<u>8,406</u>

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

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold		186,218	198,071
Cost of services provided		10,802	9,263
Depreciation of property, plant and equipment		3,158	3,035
Depreciation of right-of-use assets		5,938	5,532
Amortisation of intangible assets		553	351
Research and development costs		6,183	5,593
Provision for doubtful receivables, net		1,009	677
Recovery of written-off trade receivables	4	(1)	(32)
Written-off of trade receivables	10	2,053	–
Provision for inventory obsolescence, net		347	1,898
Employee benefit expense (excluding directors' and chief executive officer's remuneration):			
Wages and salaries		37,927	40,001
Pension scheme contributions (defined contribution scheme)*		6,005	2,709
		43,932	42,710
Auditor's remuneration		1,300	1,280
Foreign exchange differences, net**	4	(2,524)	(5,991)
Loss on disposal of items of property, plant and equipment		581	90
Bank interest income	4	(170)	(587)

* 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 gain, net is included in "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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	488	383

7. INCOME TAX EXPENSE

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% (2020: 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 (2020:HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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% (2020: 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 ("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.

	2021 HK\$'000	2020 HK\$'000
Current	4,447	5,301
Deferred	<u>(1,276)</u>	<u>51</u>
Total tax charge for the year	<u><u>3,171</u></u>	<u><u>5,352</u></u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax 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:

	2021 HK\$'000	%	2020 HK\$'000	%
Profit before tax	<u>19,911</u>		<u>32,538</u>	
Tax at the statutory tax rate of 16.5%	3,285	16.5	5,369	16.5
Effect on different taxation rate in Mainland China	151	0.8	882	2.7
Lower tax rates enacted by local tax authorities	(1,197)	(6.0)	(1,273)	(3.9)
Income not subject to tax	(113)	(0.6)	(299)	(0.9)
Expenses not deductible for tax	1,075	5.4	700	2.1
Tax losses utilised from previous periods	–	–	(27)	(0.1)
Tax concession	<u>(30)</u>	<u>(0.2)</u>	<u>–</u>	<u>–</u>
Total tax charge for the year	<u><u>3,171</u></u>	<u><u>15.9</u></u>	<u><u>5,352</u></u>	<u><u>16.4</u></u>

8. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Proposed final — HK1.35 cents (2020: 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. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (2020: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

Earnings	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>16,982</u>	<u>27,186</u>
Shares	Number of shares	
	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations	<u>400,000</u>	<u>400,000</u>

10. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	98,108	73,478
Bills receivables	<u>5,198</u>	<u>11,975</u>
	103,306	85,453
Impairment	<u>(2,786)</u>	<u>(1,770)</u>
	<u>100,520</u>	<u>83,683</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than 3 months	56,982	45,363
3 to 6 months	3,787	10,728
6 to 12 months	8,455	2,341
Over 1 year	31,296	25,251
	<u>100,520</u>	<u>83,683</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	1,770	1,076
Provision for doubtful receivables, net	3,062	677
Amount written-off as uncollectible (<i>note 5</i>)	(2,053)	–
Exchange realignment	7	17
	<u>2,786</u>	<u>1,770</u>
At end of year	2,786	1,770

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 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

As at 31 December 2020

	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%–0.3%	3.0%	12.2%	43.8%	100.0%	0%–2.4%
Gross carrying amount (HK\$'000)	68,656	13,218	2,689	26	864	85,453
ECLs (HK\$'000)	170	397	328	11	864	1,770

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:

	2021 HK\$'000	2020 HK\$'000
Within 1 month	18,471	6,354
1 to 3 months	368	4,115
Over 3 months	8,252	4,169
	<u>27,091</u>	<u>14,638</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 2021 and up to the approval date of this 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 Mainland China and Hong Kong.

During the year under review, the economy was still adversely affected by the ongoing Coronavirus Disease 2019 (“**COVID-19**”) pandemic and this brought unprecedented challenges to our businesses. During the year ended 31 December 2021, the Group recorded the revenue of HK\$279.4 million, a decrease of 3.9% on a year-to-year basis. Net profit attributable to owners of the parent was HK\$17.0 million, representing a drop of 37.5% or HK\$10.2 million on a year-to-year basis.

Since the outbreak of COVID-19, the Group worked relentlessly to maintain effective operations and remained highly alert to the development of the pandemic by adhering to the implementation of stringent pandemic prevention and control measures. The Group achieved various work progress and attained work outcomes as scheduled in general.

The Group has committed to enhancing its competitiveness by continuously investing in research and development activities to expand its product portfolio and to optimise its product mix. During the year, the Group has spent HK\$6.2 million in research and development, which represented an increase of 10.7% on a year-to-year basis. The Group is committed to bringing better experience to customers and further enhancing product competitiveness. Leverage our knowledge and commitments, the Group expects that more advanced products will be introduced in the future.

The Group has been exploring opportunities to create value for the shareholders. During the year, the Group has expanded its business to the education industry. We started to provide STEM education (including science, technology, engineering, mathematics, coding and robotics) to children in August 2021.

COVID-19

The COVID-19 pandemic continues to have widespread and unpredictable impacts on social, economic, and business practices, and continues to impact our business operations, including our employees, customers and partners. We continued to evaluate the impact of the COVID-19 pandemic on our business operations and financial results, including but not limited to the provision for doubtful receivables and impairment of non-financial assets. For the year ended 31 December 2021, we had recognised written-off of trade receivables of HK\$2.1 million. The COVID-19 pandemic may continue to impact our business operations and financial operating results, and there is uncertainty in the nature and degree of its continued effects over time.

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 2021, the revenue from this business segment reduced by 29.7% on a year-to-year basis. It is mainly attributable to the high base period in prior year, which the sales of thermal imaging products had been accelerated for health quarantine arrangements under the COVID-19 pandemic in prior year.

Revenue from this business segment during the year ended 31 December 2021 was approximately HK\$114.6 million (2020: HK\$162.9 million). It accounted for approximately 41.1% (2020: 56.0%) of the Group's revenue during the year.

(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 aircraft, helicopters, vessels and ships. The Group deploys a self-stabilisation technology whereby the imaging products are mounted on a multiple-axis gimbaled 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 2021, the revenue from this business segment increased by HK\$16.2 million or 49.4% on a year-to-year basis. The increase was mainly attributable to the recovery of market demand for our self-stabilised imaging products.

Revenue from this business segment during the year ended 31 December 2021 was approximately HK\$49.0 million (2020: HK\$32.8 million). It accounted for approximately 17.5% (2020: 11.3%) 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 course; 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 development of general aviation industry would continue to be one of the major national development strategies in the PRC. In 2021, the total general aviation flight time in the PRC was 1.182 million hours, representing an increase of 20.1% on a year-to-year basis. 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 2021 increased by HK\$20.6 million or 21.7% on a year-to-year basis to approximately HK\$115.5 million (2020: HK\$94.9 million). It accounted for approximately 41.3% (2020: 32.7%) of the Group's revenue during the year.

PROSPECT

The economies of Hong Kong and Mainland China are anticipated to continue on a gradual recovery path in year 2022, but the prospects remain uncertain. Due to the fifth wave of COVID-19, a series of stringent measures were implemented in Hong Kong to further safeguard the community. Since the outbreak is still ongoing, the Group's business will continue to face great uncertainties.

Despite the foregoing, the Group is conservatively optimistic towards the outlook and long-term prospects of the Group's business. 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.

The Group remains confident in the prospects of Hong Kong and Mainland China. With our strong financial position, close relationship with customers, suppliers and business partners, and flexible business strategy, the Group is well placed to meet the challenging economic environment and to seize opportunities to create value to the shareholders of the Company.

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 2021, the total revenue of the Group decreased by approximately HK\$11.2 million, or 3.9% from approximately HK\$290.6 million for the year ended 31 December 2020 to approximately HK\$279.4 million. The decrease was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services decreased by approximately HK\$48.3 million, or 29.7%, from approximately HK\$162.9 million for the year ended 31 December 2020 to approximately HK\$114.6 million for the year ended 31 December 2021. The decrease was primarily attributable to a decrease in sales of PTi products and SF6 gas imaging camera 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 increased by approximately HK\$16.2 million, or 49.4%, from approximately HK\$32.8 million for the year ended 31 December 2020 to approximately HK\$49.0 million for the year ended 31 December 2021. The increase was mainly attributable to an increase in demand for self-stabilised imaging products for aircraft from our new customers.

(iii) General aviation products and services

Revenue derived from general aviation products and services increased by approximately HK\$20.6 million, or 21.7%, from approximately HK\$94.9 million for the year ended 31 December 2020 to approximately HK\$115.5 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in demand for light and ultra-light aircraft engine, leading to an increase in demand from our new and existing customers.

Gross Profit and Gross Profit Margin

Gross profit for the Group decreased from approximately HK\$83.3 million for the year ended 31 December 2020 to approximately HK\$82.4 million for the year ended 31 December 2021, and the gross profit margin increased by approximately 0.8% from approximately 28.7% for the year ended 31 December 2020 to approximately 29.5% for the year ended 31 December 2021.

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

The gross profit margin of thermal imaging products and services decreased by approximately 2.2% from approximately 23.5% for the year ended 31 December 2020 to approximately 21.3% for the year ended 31 December 2021. The decrease in our gross profit margin was primarily attributable to the decrease in sales of SF6 gas imaging camera 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 decreased by approximately 1.6% from approximately 48.5% for the year ended 31 December 2020 to approximately 46.9% for the year ended 31 December 2021. The decrease in our gross profit margin was primarily attributable to the increase in demand of SkyEye 3X-F series, self-stabilised imaging product with a lower gross profit margin as compared to the provision of maintenance services and equipment rental.

(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 30.7% and 30.2% for the years ended 31 December 2020 and 2021, respectively.

Other Income and Gains, Net

The Group's other income and gains decreased by approximately HK\$5.3 million, or 63.1%, from approximately HK\$8.4 million for the year ended 31 December 2020 to approximately HK\$3.1 million for the year ended 31 December 2021. The decrease was mainly attributable to a decrease in foreign exchange gain of approximately HK\$3.5 million and the decrease in government grants of approximately HK\$1.4 million in relation to the absence of subsidies obtained from "Employment Support Scheme" under the "Anti-epidemic Fund" launched by the Hong Kong Special Administrative Region Government.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately HK\$1.6 million, or 5.5%, from approximately HK\$29.1 million for the year ended 31 December 2020 to approximately HK\$30.7 million for the year ended 31 December 2021. The increase was mainly attributable to an increase in social security fee and housing fund of approximately HK\$1.6 million due to the absence of government subsidies launched by the PRC.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$1.8 million, or 6.4%, from approximately HK\$28.3 million for the year ended 31 December 2020 to approximately HK\$30.1 million for the year ended 31 December 2021. The increase was mainly attributable to an increase in research and development expenses of approximately HK\$0.6 million as a result of more research and development projects undertaken during the year ended 31 December 2021 and increase in office expenses of approximately HK\$0.6 million.

Other Expenses

The Group's other expenses increased by approximately HK\$2.9 million, or 223.1%, from approximately HK\$1.3 million for the year ended 31 December 2020 to approximately HK\$4.2 million for the year ended 31 December 2021. The increase in other expenses was primarily attributable to the recognition of written-off trade receivables of HK\$2.1 million in 2021.

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\$0.4 million and HK\$0.5 million for the years ended 31 December 2020 and 2021 were recognised, respectively.

Income Tax Expense

The Group's income tax expense decreased by approximately HK\$2.2 million, or 40.7%, from approximately HK\$5.4 million for the year ended 31 December 2020 to approximately HK\$3.2 million for the year ended 31 December 2021, which was primarily resulting from a decrease in taxable profits during the year ended 31 December 2021. The Group's effective tax rates remained relatively stable at approximately 16.4% and 15.9% for the years ended 31 December 2020 and 2021, respectively.

Profit for the Year Attributable to Owners of the Parent

As a result of the cumulative effect of the above factors, the Group's profit for the year attributable to the owners of the parent decreased by approximately HK\$10.2 million, or 37.5%, from approximately HK\$27.2 million for the year ended 31 December 2020 to 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 2021, the Group reported net current assets of approximately HK\$349.0 million, as compared with approximately HK\$335.6 million as at 31 December 2020.

As at 31 December 2021, the Group's cash and cash equivalents was approximately HK\$224.0 million, representing an increase of approximately HK\$13.8 million as compared to HK\$210.2 million as at 31 December 2020.

For the year ended 31 December 2021, the net cash generated from operating activities was approximately HK\$26.2 million (2020: HK\$35.3 million). The cash generated from operating activities was mainly from the profits during the year ended 31 December 2021. The net cash used in investing activities was approximately HK\$2.6 million (2020: HK\$0.4 million). The net cash used in financing activities was approximately HK\$11.5 million (2020: HK\$5.3 million).

The net cash used in investing activities was mainly attributable to the 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 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no significant capital commitments (31 December 2020: Nil).

FOREIGN EXCHANGE EXPOSURE

Functional currency of the Group's operating subsidiaries is either Hong Kong dollar or Renminbi, while some of the Group's business transactions and cost of sales are denominated in United States dollar 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 2021, the Group did not pledge any assets (31 December 2020: Nil).

GEARING RATIO

As at 31 December 2021, since we did not have any bank borrowings, gearing ratio was not applicable to our Group.

USE OF PROCEEDS

The final offer price for the listing of the Company's shares (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was HK\$1.25 per share, and the actual net proceeds from the Listing were approximately HK\$81.2 million (after deduction of the listing expenses). As at the date of this results announcement, the net proceeds from the Listing were utilised as follows:

	Actual net 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>
Establish new research and development centres in the PRC and Hong Kong	39,600	(8,799)	30,801
Enhance the recognition and qualification of our products	17,300	(13,775)	3,525
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>(46,874)</u>	<u>34,326</u>

As at the date of this results announcement, the Company intends to continue to apply the net proceeds according to the purposes as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus dated 31 December 2018.

In view of the slowdown in growth of the global economy and the outbreak of COVID-19, the Company has been taking a more prudent approach in the utilisation of the unutilised proceeds from the Listing. Furthermore, as a result of the COVID-19 pandemic, countries or cities have adopted quarantine measures and/or closure of borders which led to restriction on travelling of the Company’s management, hence leading to delay in implementation of the Company’s use of proceeds on establishing new research and development centres in the PRC and Hong Kong and enhancing the recognition and qualification of our products. Subject to the weakening of the COVID-19 pandemic and the lifting of travelling and quarantine restrictions, the Directors expect the use of unutilised proceeds for and Hong Kong 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 years ended 31 December 2020 and 2021, the Group did not have any restructuring and significant investments.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 147 (31 December 2020: 147) employees as at 31 December 2021. Total staff costs of the Group (excluding the Directors’ and chief executive officer’s remuneration) for the year ended 31 December 2021 was approximately HK\$43.9 million (2020: HK\$42.7 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 THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2021 and up to the date of this results announcement, 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.

The Company has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) as previously set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) during the year on the Stock Exchange.

In the opinion of the Board, the Company has complied with all the applicable code provisions set out in the CG Code throughout year ended 31 December 2021.

On 1 January 2022, the amendments to the Corporate Governance Code (the “**New CG Code**”) came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2021.

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 2021 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, 10 June 2022. 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 2021 (the “**Proposed Final Dividend**”) to the shareholders whose names appear on the register of members of the Company on Wednesday, 22 June 2022, subject to the shareholders' approval at the forthcoming AGM to be held on Friday, 10 June 2022. It is expected that the Proposed Final Dividend will be paid on or before Friday, 8 July 2022. 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 Thursday, 2 June 2022 to Friday, 10 June 2022, 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, 10 June 2022, 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 Wednesday, 1 June 2022.

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

The register of members of the Company will be closed from Monday, 20 June 2022 to Wednesday, 22 June 2022, 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, 17 June 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the year ended 31 December 2021 required by the Listing Rules will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.peiport.com. The 2021 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, 30 March 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.