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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 2023**

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 2023, together with comparative figures for the year ended 31 December 2022, as follows:

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

For the years ended 31 December

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
REVENUE	4	264,037	245,612
Cost of sales		(182,608)	(172,883)
Gross profit		81,429	72,729
Other income and gains, net	4	4,903	2,302
Selling and distribution expenses		(33,313)	(30,461)
Administrative expenses		(38,541)	(34,907)
Other expenses		(18,268)	(14,405)
Finance costs	6	(576)	(525)
LOSS BEFORE TAX	5	(4,366)	(5,267)
Income tax credit	7	770	1,622
LOSS FOR THE YEAR		(3,596)	(3,645)

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000 (Restated)
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(1,240)</u>	<u>(3,725)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<u>(1,240)</u>	<u>(3,725)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(4,836)</u></u>	<u><u>(7,370)</u></u>
Loss attributable to:			
Owners of the parent		<u>(3,263)</u>	<u>(3,229)</u>
Non-controlling interests		<u>(333)</u>	<u>(416)</u>
		<u><u>(3,596)</u></u>	<u><u>(3,645)</u></u>
Total comprehensive loss attributable to:			
Owners of the parent		<u>(4,503)</u>	<u>(6,954)</u>
Non-controlling interests		<u>(333)</u>	<u>(416)</u>
		<u><u>(4,836)</u></u>	<u><u>(7,370)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u><u>HK(0.82) cents</u></u>	<u><u>HK(0.81) cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Notes	31 December 2023 HK\$'000	31 December 2022 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		6,616	7,688
Right-of-use assets		5,147	9,317
Intangible assets		538	883
Deferred tax assets		10,498	7,313
Total non-current assets		<u>22,799</u>	<u>25,201</u>
CURRENT ASSETS			
Inventories		71,223	52,938
Trade and bills receivables	10	57,705	75,098
Prepayments, deposits and other receivables		13,745	21,983
Cash and cash equivalents		243,342	244,598
Total current assets		<u>386,015</u>	<u>394,617</u>
CURRENT LIABILITIES			
Trade payables	11	17,012	20,759
Other payables and accruals		18,935	17,250
Contract liabilities		20,321	15,460
Lease liabilities		4,211	5,142
Tax payable		4,967	4,268
Total current liabilities		<u>65,446</u>	<u>62,879</u>
NET CURRENT ASSETS		<u>320,569</u>	<u>331,738</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>343,368</u>	<u>356,939</u>
NON-CURRENT LIABILITIES			
Lease liabilities		1,058	4,382
Deferred tax liabilities		65	76
Total non-current liabilities		<u>1,123</u>	<u>4,458</u>
Net assets		<u>342,245</u>	<u>352,481</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		4,000	4,000
Reserves		338,332	348,235
		<u>342,332</u>	<u>352,235</u>
Non-controlling interests		(87)	246
Total equity		<u>342,245</u>	<u>352,481</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**”) 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 2023.

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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statements of financial position:

	Increase/(decrease)		
	As at	As at	As at
	31 December	31 December	1 January
	2023	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Deferred tax assets (<i>Note</i>)	<u>37</u>	<u>39</u>	<u>79</u>
Total non-current assets	<u>37</u>	<u>39</u>	<u>79</u>
Total assets	<u><u>37</u></u>	<u><u>39</u></u>	<u><u>79</u></u>
Liabilities			
Deferred tax liabilities (<i>Note</i>)	<u>9</u>	<u>–</u>	<u>3</u>
Total non-current liabilities	<u>9</u>	<u>–</u>	<u>3</u>
Total liabilities	<u>9</u>	<u>–</u>	<u>3</u>
Net assets	<u><u>28</u></u>	<u><u>39</u></u>	<u><u>76</u></u>
Equity			
Retained profits (included in reserves)	<u>31</u>	<u>38</u>	<u>72</u>
Equity attributable to owners of the parent	<u>31</u>	<u>38</u>	<u>72</u>
Non-controlling interests	<u>(3)</u>	<u>1</u>	<u>4</u>
Total equity	<u><u>28</u></u>	<u><u>39</u></u>	<u><u>76</u></u>

Note: The deferred tax assets and the deferred tax liabilities arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the consolidated statements of profit or loss and other comprehensive income:

	Increase	
	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income tax credit	(11)	(37)
Loss for the year	(11)	(37)
	<hr/>	<hr/>
Attributable to:		
Owners of the parent	(7)	(34)
Non-controlling interests	(4)	(3)
	<hr/>	<hr/>
	(11)	(37)
	<hr/>	<hr/>
Total comprehensive loss for the year	(11)	(37)
	<hr/>	<hr/>
Attributable to:		
Owners of the parent	(7)	(34)
Non-controlling interests	(4)	(3)
	<hr/>	<hr/>
	(11)	(37)
	<hr/>	<hr/>

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted loss per share attributable to ordinary equity holders of the parent and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

The adoption of other new and 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*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Chinese Mainland	212,584	206,465
Hong Kong and Macau	44,761	34,481
Overseas	6,692	4,666
	<hr/>	<hr/>
Total	264,037	245,612
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The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Chinese Mainland	5,942	7,080
Hong Kong	6,359	10,808
	<hr/>	<hr/>
Total	12,301	17,888
	<hr/> <hr/>	<hr/> <hr/>

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 2023 and 2022 are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	67,183	49,111
Customer B	27,173	N/A*
	<hr/>	<hr/>

* 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Thermal imaging products and services		
— Sales of goods ^{Note (A)}	56,766	67,231
— Rendering of maintenance services and equipment rental ^{Note (B)}	15,012	9,276
	<u>71,778</u>	<u>76,507</u>
Self-stabilised imaging products and services		
— Sales of goods ^{Note (A)}	39,674	31,880
— Rendering of maintenance services and equipment rental ^{Note (B)}	4,446	19,066
	<u>44,120</u>	<u>50,946</u>
General aviation products and services		
— Sales of goods ^{Note (A)}	145,304	116,274
— Rendering of maintenance services ^{Note (B)}	1,253	1,167
	<u>146,557</u>	<u>117,441</u>
Others	<u>1,582</u>	<u>718</u>
Total	<u>264,037</u>	<u>245,612</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. No operating lease income was incurred for the year ended 31 December 2023 (2022: HK\$612,000).

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	7,569	7,235
After one year	9,007	11,176
	<hr/>	<hr/>
Total	16,576	18,411
	<hr/> <hr/>	<hr/> <hr/>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	4,279	345
Government grants*	269	885
Reversal of doubtful receivables, net	–	502
Others	355	570
	<hr/>	<hr/>
Total	4,903	2,302
	<hr/> <hr/>	<hr/> <hr/>

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

5. LOSS BEFORE TAX

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

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Cost of inventories sold		173,646	160,085
Cost of services provided		8,962	12,798
Depreciation of property, plant and equipment		1,817	2,382
Depreciation of right-of-use assets		7,137	6,939
Amortisation of intangible assets		338	523
Research and development costs		10,672	8,732
Provision for/(reversal of) doubtful receivables, net		11,879	(502)
Written-off of trade receivables	<i>10</i>	810	3,413
Provision for/(reversal of) inventory obsolescence, net		291	(405)
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		43,051	41,117
Pension scheme contributions (defined contribution scheme)*		6,450	6,177
		<hr/>	<hr/>
Total		49,501	47,294
		<hr/>	<hr/>
Auditor's remuneration		1,280	1,280
Foreign exchange differences, net**		4,947	10,470
Loss on disposal of items of property, plant and equipment		136	–
Bank interest income	<i>4</i>	(4,279)	(345)
		<hr/> <hr/>	<hr/> <hr/>

* 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" (2022: "Other expenses") in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Interest on lease liabilities	576	525
	<hr/> <hr/>	<hr/> <hr/>

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% (2022: 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 (2022:HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022:16.5%).

Pursuant to the People's Republic of China Income Tax Law and the respective regulations, corporate income tax has been provided at the rate of 25% (2022: 25%) on the taxable income of the subsidiaries operating in Chinese Mainland 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 25% and 25% (2022: 12.5% and 25% respectively) of taxable income, respectively, with a reduced tax rate of 20%.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Current	2,562	2,396
Deferred	(3,332)	(4,018)
Total tax credit for the year	(770)	(1,622)

A reconciliation of the tax credit applicable to loss 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 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:

	2023 <i>HK\$'000</i>	%	2022 <i>HK\$'000</i> (Restated)	%
Loss before tax	(4,366)		(5,267)	
Tax at the statutory tax rate of 16.5%	(720)	16.5	(869)	16.5
Effect on different taxation rate in				
Chinese Mainland	(1,837)	42.1	(1,174)	22.3
Lower tax rates enacted by local tax authorities	(373)	8.5	(309)	5.9
Income not subject to tax	(455)	10.4	(150)	2.8
Expenses not deductible for tax	264	(6.1)	880	(16.7)
Tax losses not recognised	2,351	(53.8)	–	–
Total tax credit for the year	(770)	17.6	(1,622)	30.8

8. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Proposed final — HK1.35 cents (2022: HK1.35 cents) per ordinary share	5,400	5,400
Proposed special — HK1.35 cents (2022: nil) per ordinary share	5,400	—
	<u>10,800</u>	<u>5,400</u>

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

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (2022: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

Loss	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	<u>(3,263)</u>	<u>(3,229)</u>
Shares	Number of shares	
	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares used in the basic and diluted loss per share calculations	<u>400,000</u>	<u>400,000</u>

10. TRADE AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	69,747	66,125
Bills receivable	2,104	11,245
	71,851	77,370
Impairment	<u>(14,146)</u>	<u>(2,272)</u>
Total	<u>57,705</u>	<u>75,098</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Less than 3 months	24,310	27,093
3 to 6 months	1,574	2,183
6 to 12 months	3,448	3,056
Over 1 year	28,373	42,766
Total	57,705	75,098

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of year	2,272	2,786
Provision for doubtful receivables, net	12,689	2,911
Amount written-off as uncollectible (<i>note 5</i>)	(810)	(3,413)
Exchange realignment	(5)	(12)
At end of year	14,146	2,272

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.

Impairment provision amounting to HK\$12,477,000 were provided for trade and bills receivables from certain customers at the end of the reporting period after taking into account of the financial position of these customers.

Except for the trade receivables from certain customers mentioned above, the remaining trade and bills receivables are related to a lot of diversified customers and set out below is the information about the credit risk exposure on the Group's remaining trade and bills receivables using a provision matrix:

As at 31 December 2023

	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%–1.0%	2.5%	8.0%	33.3%	100.0%	0%–3.7%
Gross carrying amount (HK\$'000)	37,109	7,057	985	1,037	709	46,897
ECLs (HK\$'000)	360	176	79	345	709	1,669

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

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:

	2023 HK\$'000	2022 HK\$'000
Within 1 month	1,815	6,894
1 to 3 months	2,695	1,005
Over 3 months	12,502	12,860
Total	<u>17,012</u>	<u>20,759</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 2023 and up to the approval date of this results announcement (the “**Results Announcement**”).

13. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

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 Chinese Mainland and Hong Kong.

There has been economic uncertainty in Chinese Mainland and Hong Kong and globally due to several factors, including global supply chain constraints, rising interest rates and geopolitical tensions. We expect the economic conditions will continue to be highly volatile and uncertain, put pressure on prices and supply, and could affect demand for our products.

We worked relentlessly to maintain effective operations and overcame numerous difficulties. Until now, our business, supply chain, costs and most of our products' demand have not been materially adversely affected by these global conditions. During the year ended 31 December 2023, the Group recorded an increase in revenue of approximately HK\$18.4 million to approximately HK\$264.0 million and incurred loss attributable to owners of the parent of approximately HK\$3.3 million.

PERFORMANCE OF BUSINESS SEGMENTS

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

(1) Thermal imaging products and 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 2023, the revenue from this business segment reduced by approximately 6.1%. It is mainly due to the decrease in sales of SF6 gas imaging cameras and detection parts and was partially offset by the increase in rendering of maintenance services and equipment rental.

Revenue from this business segment during the year ended 31 December 2023 was approximately HK\$71.8 million (2022: HK\$76.5 million). It accounted for approximately 27.2% (2022: 31.2%) of the Group's revenue during the year.

(2) Self-stabilised imaging products and 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 2023, the revenue from this business segment decreased by approximately HK\$6.9 million or 13.6% on a year-to-year basis. It is mainly due to a decrease in rendering of maintenance services and equipment rental and sales of self-stabilised imaging product for aircraft and was partially offset by increase in sales of self-stabilised imaging product for vessels and self-stabilised imaging parts. The revenue from this business segment during the year ended 31 December 2023 was approximately HK\$44.0 million (2022: HK\$50.9 million). It accounted for approximately 16.7% (2022: 20.7%) of the Group's revenue during the year.

(3) General aviation products and 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 2023, the total general aviation flight time in the Chinese Mainland was 1.357 million hours, which achieved an average annual growth rate of over 12% in the past three years. The Group believes this business segment has a lot of potential and could enhance the long-term business performance of the Group. The Group will continue to focus on the development of the general aviation value chain in the Chinese Mainland.

Revenue from this business segment during the year ended 31 December 2023 increased by approximately HK\$29.1 million or 24.8% on a year-to-year basis. Revenue from this business segment was approximately HK\$146.6 million (2022: HK\$117.5 million). It accounted for approximately 55.5% (2022: 47.8%) of the Group's revenue during the year.

PROSPECT

Looking ahead, we reiterate our commitment to maximise shareholder value, focus on our core value and strengthen our brand recognition.

In 2024, we will introduce and fully promote our newly developed products to various sales markets through our existing sales network and maintenance centres in Greater China and Southeast Asia. Meanwhile, we will continue to invest in research and development in order to strengthen our product portfolio with new offerings so as to meet the needs of market and customers.

The Group is optimistic in the prospect of STEM education (including science, technology, engineering, mathematics, coding and robotics) (“STEM”). We will continue developing STEM business to ensure the existing curriculum is sustainable and relevant to the market.

The Group is well placed to meet the challenging environment. We would remain alert to adapt to the changing dynamics in the market trend and development, such as geopolitical tensions and economic conditions that may affect our product's demand, 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 2023, the total revenue of the Group increased by approximately HK\$18.4 million, or 7.5% from approximately HK\$245.6 million for the year ended 31 December 2022 to approximately HK\$264.0 million. The increase was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services decreased by approximately HK\$4.7 million, or 6.1%, from approximately HK\$76.5 million for the year ended 31 December 2022 to approximately HK\$71.8 million for the year ended 31 December 2023. The decrease was primarily attributable to a decrease in sales of SF6 gas imaging cameras and detection parts of approximately HK\$11.4 million from our existing customers due to decrease in demand of the relevant products and was partially offset by increase in rendering of maintenance services and equipment rental of approximately HK\$5.7 million.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services decreased by approximately HK\$6.9 million, or 13.6%, from approximately HK\$50.9 million for the year ended 31 December 2022 to approximately HK\$44.0 million for the year ended 31 December 2023. The decrease was primarily attributable to a decrease in rendering of maintenance services and equipment rental of approximately HK\$14.7 million and decrease in sales of self-stabilised imaging product for aircraft of approximately HK\$9.8 million and was partially offset by increase in sales of self-stabilised imaging product for vessels and self-stabilised imaging parts of approximately HK\$17.6 million from both of our new and existing customers due to increase in demand of the relevant products.

(iii) General aviation products and services

Revenue derived from general aviation products and services increased by approximately HK\$29.1 million, or 24.8%, from approximately HK\$117.5 million for the year ended 31 December 2022 to approximately HK\$146.6 million for the year ended 31 December 2023. The increase was primarily attributable to an increase in sales of light and ultra-light aircraft engine and engine parts from both of our new and existing customers due to increase in demand of the relevant products.

Gross Profit and Gross Profit Margin

Gross profit for the Group increased from approximately HK\$72.7 million for the year ended 31 December 2022 to approximately HK\$81.4 million for the year ended 31 December 2023, and the gross profit margin increased by approximately 1.2% from approximately 29.6% for the year ended 31 December 2022 to approximately 30.8% for the year ended 31 December 2023.

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

The gross profit margin of thermal imaging products and services increased by approximately 6.9% from approximately 18.6% for the year ended 31 December 2022 to approximately 25.5% for the year ended 31 December 2023. The increase in our gross profit margin was primarily attributable to the increase in rendering of maintenance services and equipment rental, 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 3.2% from approximately 46.4% for the year ended 31 December 2022 to approximately 43.2% for the year ended 31 December 2023. The decrease in our gross profit margin was primarily attributable to the decrease in rendering of maintenance services and equipment rental, which had a relatively higher gross profit margin.

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

The gross profit margin of general aviation products and services remained relatively stable at approximately 29.5% and 29.7% for the years ended 31 December 2022 and 2023, respectively.

Other Income and Gains, Net

The Group's other income and gains increased by approximately HK\$2.6 million, or 113.0%, from approximately HK\$2.3 million for the year ended 31 December 2022 to approximately HK\$4.9 million for the year ended 31 December 2023. The increase was mainly attributable to an increase in bank interest income arising from increase in investment of time deposits during the year.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately HK\$2.8 million, or 9.2%, from approximately HK\$30.5 million for the year ended 31 December 2022 to approximately HK\$33.3 million for the year ended 31 December 2023. The increase was mainly attributable to an increase in staff costs of our sales and marketing personnel resulting from the increase in sales commission along with the increase in our overall revenue for the year ended 31 December 2023.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$3.6 million, or 10.3%, from approximately HK\$34.9 million for the year ended 31 December 2022 to approximately HK\$38.5 million for the year ended 31 December 2023. The increase was mainly attributable to an increase in research and development expenses of approximately HK\$2.0 million as a result of increase in employment of research and development staff during the year and increase in staff costs related to the salaries and benefits of our administrative personnel of approximately HK\$1.0 million.

Other Expenses

The Group's other expenses increased by approximately HK\$3.9 million, or 27.1%, from approximately HK\$14.4 million for the year ended 31 December 2022 to approximately HK\$18.3 million for the year ended 31 December 2023. The increase in other expenses was primarily attributable to the recognition of provision for doubtful receivables of approximately HK\$11.9 million and was partially offset by decrease in the recognition of foreign exchange loss of approximately HK\$5.5 million in 2023.

Finance Costs

The Group's finance costs remained relatively stable at approximately HK\$0.5 million and HK\$0.6 million for the years ended 31 December 2022 and 2023, respectively.

Income Tax Credit

The Group's income tax credit decreased by approximately HK\$0.8 million, or 50.0%, from approximately HK\$1.6 million (restated) for the year ended 31 December 2022 to approximately HK\$0.8 million for the year ended 31 December 2023, which was primarily resulting from a decrease in loss before tax during the year ended 31 December 2023.

Loss for the Year Attributable to Owners of the Parent

As a result of the cumulative effect of the above factors, the Group's loss for the year attributable to the owners of the parent remained relatively stable at approximately HK\$3.2 million (restated) and HK\$3.3 million for the years ended 31 December 2022 and 2023, respectively.

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 2023, the Group reported net current assets of approximately HK\$320.6 million, as compared with approximately HK\$331.7 million as at 31 December 2022. As at 31 December 2023, the Group's cash and cash equivalents remained relatively stable at approximately HK\$244.6 million and HK\$243.3 million for the years ended 31 December 2022 and 2023, respectively. For the year ended 31 December 2023, the net cash generated from operating activities was approximately HK\$14.7 million (2022: HK\$40.8 million). The cash generated from operating activities was mainly from the decrease in trade and bills receivables during the year ended 31 December 2023. The net cash used in investing activities was approximately HK\$16.6 million (2022: HK\$41.7 million). The net cash used in financing activities was approximately HK\$12.6 million (2022: HK\$12.6 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 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had no significant capital commitments (31 December 2022: 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 2023, the Group did not pledge any assets (31 December 2022: Nil).

GEARING RATIO

As at 31 December 2023, since we did not have any bank borrowings, gearing ratio was not applicable to our Group.

USE OF PROCEEDS

The final offer price for the listing of the Company's shares (the "Listing") was HK\$1.25 per share, and the actual net proceeds from the Listing were approximately HK\$81.2 million (after deduction of the listing expenses).

As disclosed in the announcement of the Company dated 18 October 2022 (the "Announcement"), the ongoing 2019 Coronavirus Disease 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 Chinese Mainland 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 Chinese Mainland 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 of the Company <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 Chinese Mainland and Hong Kong	39,600	19,600	(19,600)	–	N/A
Enhance the recognition and qualification of our products	17,300	27,300	(25,060)	2,240	By the end of 2024
Strengthen our sales capacity and capture new sales opportunities	21,100	31,100	(29,375)	1,725	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>(77,235)</u>	<u>3,965</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 2022 and 2023, the Group did not have any restructuring and significant investments.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 154 (31 December 2022: 149) employees as at 31 December 2023. Total staff costs of the Group (excluding the Directors' and chief executive officer's remuneration) for the year ended 31 December 2023 was approximately HK\$49.5 million (2022: HK\$47.3 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 2023 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 PRACTICES

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 C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") during the year on the Stock Exchange of Hong Kong Limited (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 year ended 31 December 2023.

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 C3 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 2023.

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 2023 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 Wednesday, 12 June 2024. 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 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 2023 (the "**Proposed Final Dividend**").

To celebrate the Group's 5th anniversary of listing on the Stock Exchange and express our gratitude to the shareholders of the Company for their continued support, the Board also recommended a special dividend of HK1.35 cents per share (the "**Proposed Special Dividend**"). Together with the final dividend of HK1.35 cents per share, the total dividends will amount to HK2.70 cents per share.

The Proposed Final Dividend and the Proposed Special Dividend shall be declared and distributed in Hong Kong dollars and will be subject to the shareholders' approval at the forthcoming AGM to be held on Wednesday, 12 June 2024. It is expected that the Proposed Final Dividend and the Proposed Special Dividend will be paid on or before Monday, 8 July 2024 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 26 June 2024.

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 Wednesday, 5 June 2024 to Wednesday, 12 June 2024, 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 Wednesday, 12 June 2024, 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 Tuesday, 4 June 2024.

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

The register of members of the Company will be closed from Monday, 24 June 2024 to Wednesday, 26 June 2024, 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 and the Proposed Special 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, 21 June 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the year ended 31 December 2023 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 2023 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, 26 March 2024

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.