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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 2020**

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 2020, together with comparative figures for the year ended 31 December 2019, as follows:

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

For the years ended 31 December

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	290,590	275,354
Cost of sales		<u>(207,334)</u>	<u>(182,212)</u>
Gross profit		83,256	93,142
Other income and gains, net	4	8,406	2,374
Selling and distribution expenses		(29,132)	(28,838)
Administrative expenses		(28,316)	(27,912)
Other expenses		(1,293)	(1,878)
Finance costs	6	<u>(383)</u>	<u>(544)</u>
PROFIT BEFORE TAX	5	32,538	36,344
Income tax expense	7	<u>(5,352)</u>	<u>(6,031)</u>
PROFIT FOR THE YEAR		<u>27,186</u>	<u>30,313</u>

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>2,765</u>	<u>(537)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX			
		<u>2,765</u>	<u>(537)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		<u><u>29,951</u></u>	<u><u>29,776</u></u>
Profit attributable to:			
Owners of the parent		<u><u>27,186</u></u>	<u><u>30,313</u></u>
Total comprehensive income attributable to:			
Owners of the parent		<u><u>29,951</u></u>	<u><u>29,776</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u><u>HK6.80 cents</u></u>	<u><u>HK7.63 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		9,011	11,443
Right-of-use assets		6,902	6,809
Intangible assets		726	869
Deferred tax assets		2,029	2,063
		<u>18,668</u>	<u>21,184</u>
Total non-current assets		<u>18,668</u>	<u>21,184</u>
CURRENT ASSETS			
Inventories		70,018	48,926
Trade and bills receivables	10	83,683	106,637
Prepayments, deposits and other receivables		22,987	6,243
Cash and cash equivalents		210,150	177,127
		<u>386,838</u>	<u>338,933</u>
Total current assets		<u>386,838</u>	<u>338,933</u>
CURRENT LIABILITIES			
Trade payables	11	14,638	7,247
Other payables and accruals		13,416	9,793
Contract liabilities		15,108	7,430
Lease liabilities		4,502	4,907
Tax payable		3,525	7,086
		<u>51,189</u>	<u>36,463</u>
Total current liabilities		<u>51,189</u>	<u>36,463</u>
NET CURRENT ASSETS		<u>335,649</u>	<u>302,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>354,317</u>	<u>323,654</u>
NON-CURRENT LIABILITIES			
Lease liabilities		3,034	2,322
		<u>3,034</u>	<u>2,322</u>
Total non-current liabilities		<u>3,034</u>	<u>2,322</u>
Net assets		<u>351,283</u>	<u>321,332</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		4,000	4,000
Reserves		347,283	317,332
		<u>351,283</u>	<u>321,332</u>
Total equity		<u>351,283</u>	<u>321,332</u>

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020.

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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs do not have material impact on the consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group was principally engaged in the provision of thermal imaging products and services, self-stabilised imaging products and services and general aviation products and services. Information reported to the Group's chief operating decision maker, for the purposes of resources 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

	2020 HK\$'000	2019 <i>HK\$'000</i>
Mainland China	222,878	235,221
Hong Kong and Macau	65,282	37,624
Overseas	2,430	2,509
	290,590	275,354

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

(b) Non-current assets

	2020 HK\$'000	2019 <i>HK\$'000</i>
Mainland China	11,611	15,018
Hong Kong	5,028	4,103
	16,639	19,121

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 2020 and 2019 is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	45,676	57,156
Customer B	37,153	N/A*
Customer C	N/A*	35,059

* 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Thermal imaging products and services		
— Sales of goods <i>Note (A)</i>	150,430	144,187
— Rendering of maintenance services and equipment rental <i>Note (B)</i>	12,411	12,405
	<u>162,841</u>	<u>156,592</u>
Self-stabilised imaging products and services		
— Sales of goods <i>Note (A)</i>	21,148	25,266
— Rendering of maintenance services and equipment rental <i>Note (B)</i>	11,701	9,299
	<u>32,849</u>	<u>34,565</u>
General aviation products and services		
— Sales of goods <i>Note (A)</i>	93,737	82,811
— Rendering of maintenance services <i>Note (B)</i>	1,163	1,386
	<u>94,900</u>	<u>84,197</u>
Total	<u>290,590</u>	<u>275,354</u>

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

Note (B) The revenue from rendering of maintenance services and equipment rental was recognised over time, which included operating lease income of HK\$3,625,000 (2019: HK\$3,085,000) for the year ended 31 December 2020.

Performance obligations

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	9,732	9,817
After one year	19,614	25,265
	29,346	35,082

For sales of goods contracts 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 price and, therefore, were included in the information disclosed in the above table.

Other income and gains, net

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	587	741
Gain on remeasurement resulting from early termination of right-of-use assets	–	11
Reversal of doubtful receivables, net	–	136
Recovery of written-off trade receivables	32	1,417
Government grants*	1,679	–
Foreign exchange differences, net	5,991	–
Others	117	69
	8,406	2,374

* During the year ended 31 December 2020, government grants mainly included subsidies obtained from “Employment Support Scheme” under the “Anti-epidemic Fund” launched by the Hong Kong Special Administrative Region Government. 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>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold		198,071	175,546
Cost of services provided		9,263	6,666
Depreciation of property, plant and equipment		3,035	2,976
Depreciation of right-of-use assets		5,532	5,303
Amortisation of intangible assets		351	167
Research and development costs		5,593	4,056
Provision for/(reversal of) doubtful receivables, net	<i>4, 10</i>	677	(136)
Recovery of written-off trade receivables	<i>4</i>	(32)	(1,417)
Provision for/(reversal of) inventory obsolescence		1,898	(61)
Employee benefit expense (excluding directors' and chief executive officer's remuneration):			
Wages and salaries		40,001	31,479
Pension scheme contributions (defined contribution scheme)		2,709	3,693
		42,710	35,172
Auditor's remuneration		1,280	1,300
Foreign exchange differences, net ^{*/**}		(5,991)**	1,405*
Loss on disposal of items of property, plant and equipment		90	10
Bank interest income	<i>4</i>	(587)	(741)

* The foreign exchange loss, net was included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

** The foreign exchange gain, net was 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	383	544

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% (2019: 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 (2019:HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019:8.25%) and the remaining assessable profits are taxed at 16.5% (2019:16.5%).

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% (2019: 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	5,301	5,860
Deferred	51	171
	<u>5,352</u>	<u>6,031</u>
Total tax charge for the year	<u>5,352</u>	<u>6,031</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:

	2020 <i>HK\$'000</i>	%	2019 <i>HK\$'000</i>	%
Profit before tax	<u>32,538</u>		<u>36,344</u>	
Tax at the statutory tax rate of 16.5%	5,369	16.5	5,997	16.5
Effect on different taxation rate in Mainland China	882	2.7	688	1.9
Lower tax rates enacted by local tax authorities	(1,273)	(3.9)	(789)	(2.2)
Income not subject to tax	(299)	(0.9)	(362)	(1.0)
Expenses not deductible for tax	700	2.1	598	1.6
Tax losses utilised from previous periods	(27)	(0.1)	(101)	(0.3)
Total tax charge for the year	<u>5,352</u>	<u>16.4</u>	<u>6,031</u>	<u>16.5</u>

8. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Proposed final — HK1.35 cents (2019: Nil) per ordinary share	<u>5,400</u>	<u>—</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 (2019: 397,260,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

Earnings		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations		<u>27,186</u>	<u>30,313</u>
Shares		Number of shares	
		2020 <i>'000</i>	2019 <i>'000</i>
	<i>Notes</i>		
Number of issued shares on 1 January		400,000	380
Effect of the Capitalisation Issue on 11 January 2019	<i>(i)</i>	—	299,620
Weighted average number of ordinary shares in issue upon completion of global offering on 11 January 2019	<i>(ii)</i>	<u>—</u>	<u>97,260</u>
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations		<u>400,000</u>	<u>397,260</u>

Notes:

- (i) Pursuant to a written resolution of the shareholders of the Company passed on 18 December 2018, a total of 299,620,000 shares of HK\$0.01 each were allotted and issued at par value to the shareholders of the Company as of the date immediately before 11 January 2019 (the "**Listing Date**") on a pro rata basis by way of capitalisation of HK\$2,996,200 (the "**Capitalisation Issue**") from the Company's share premium account on the Listing Date.
- (ii) On the Listing Date, 100,000,000 new shares were issued at a price of HK\$1.25 per share in connection with the Company's initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

10. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	73,478	90,040
Bills receivables	11,975	17,673
	85,453	107,713
Impairment	(1,770)	(1,076)
	83,683	106,637

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Less than 3 months	45,363	67,563
3 to 6 months	10,728	14,502
6 to 12 months	2,341	7,662
Over 1 year	25,251	16,910
	83,683	106,637

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of year	1,076	1,216
Provision for/(reversal of) doubtful receivables, net (<i>note 5</i>)	677	(136)
Exchange realignment	17	(4)
At end of year	1,770	1,076

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 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

As at 31 December 2019

	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%–0.4%	2.2%	19.9%	38.4%	100%	0–1.2%
Gross carrying amount (HK\$'000)	102,233	4,370	215	482	413	107,713
ECLs (HK\$'000)	339	96	43	185	413	1,076

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:

	2020 HK\$'000	2019 HK\$'000
Within 1 month	6,354	5,100
1 to 3 months	4,115	461
Over 3 months	4,169	1,686
	<u>14,638</u>	<u>7,247</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 2020 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In 2020, we experienced global economic and social turbulence on a large scale. The outbreak of Coronavirus Disease 2019 (“**COVID-19**”) has led to a significant weakening in gross domestic product (“**GDP**”) in many of major economies in varying degrees. Amid COVID-19 pandemic, the GDP of Mainland China maintained positive growth in 2020 and rose 2.3% on a year-to-year basis. While in Hong Kong, the fourth wave of COVID-19 pandemic hit the shores, it created a great deal of uncertainty and disruption for the businesses and communities. The unemployment rate in Hong Kong rose to 7.2% for the three months period to February 2021, the highest rate since 2004, the economy is shrinking.

Amid continuing challenges posed by the COVID-19 pandemic, the Group has maintained a mild growth in revenue during the year. During the year ended 31 December 2020, the revenue of the Group increased by HK\$15.2 million, which represented a growth of 5.5% on a year-to-year basis. As a result of the discount in selling price for bulk purchase and the increase in cost of products, the gross profit of the Group decreased by HK\$9.8 million, which represented a decrease of 10.5% on a year-to-year basis.

Respond to COVID-19

Since the outbreak of COVID-19, the government in the Mainland China and Hong Kong have imposed stringent measure in disease containment, the Group had overcome many challenges and maintained a strong momentum in the second half of 2020. We experienced a fast recovery growth of order and product demand.

The Group worked relentlessly to maintain effective operations and provide quality products and services, aim to minimise the impact to our employees, customers and business partners. We undertook a series of initiatives to fight against the epidemic.

Our first priority is to ensure the health and safety of our employees. We keep evaluating and updating the measures in place to help our people to stay safe at work. We introduced social distancing measures and offered our employees flexible work arrangements to prevent them from gathering in the offices. We provided personal protective equipment such as face masks to our employees to reduce the risk of infection.

We maintained an effective communication with our customers and business partners. In response to the changing environment in the epidemic, we offered new products and solutions to our customers, especially our thermal imaging products that serves our customers with different epidemic control needs.

In view of the COVID-19 pandemic, we took a more prudent approach and delayed our plan on establishing new research and development centre in Guangzhou. However, the Group has made continuous effort on technological innovation. During the year ended 31 December 2020, the Group has spent HK\$5.6 million in research and development, which represented an increase of 36.6% on a year-to-year basis.

Performance of Segment

A summary of revenue from different 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.

In an effort to curb the spread of the COVID-19 pandemic, many companies and government agencies has adopted our infrared body temperature screening systems, prompting a strong growth in the demand of this segment.

We continued to improve our products and make progress to achieve our long-term vision. We successfully launched the high-end intelligent detection system during the year, in collaboration with the Hong Kong University of Science and Technology.

Revenue from this segment during the year ended 31 December 2020 was approximately HK\$162.9 million (2019: HK\$156.6 million). It accounted for approximately 56.0% (2019: 56.8%) of the Group's revenue during the year ended 31 December 2020.

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

The products in this segment are designed to be mounted on moving platforms such as aircraft, helicopters, vessels and ships. The Group deploys a self-stabilisation technology whereby the imaging products are mounted on a multiple-axis 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.

During the year ended 31 December 2020, the revenue from this segment declined by 5.2% on a year-to-year basis due to the decrease in demand of one of the product models of SkyEye. Meanwhile, satisfactory progress has been made in our research and development centres for the new product models. We expect the new models would enable the Group to achieve a robust growth momentum next year and further increase the market shares in this segment.

Revenue from this segment during the year ended 31 December 2020 was approximately HK\$32.8 million (2019: HK\$34.6 million). It accounted for approximately 11.3% (2019: 12.6%) of the Group's revenue during the year ended 31 December 2020.

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

The services and products in this 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 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 is one of the major national development strategy in the PRC. With the continuous introduction of relevant supportive government policies in general aviation industry together with our continuous investments to our aviation power system division, we believe the development of this segment is promising and there is enormous potential for us to further penetrate into the market.

Revenue from this segment during the year ended 31 December 2020 was approximately HK\$94.9 million (2019: HK\$84.2 million). It accounted for approximately 32.7% (2019: 30.6%) of the Group's revenue during the year ended 31 December 2020.

PROSPECT

Amid continuing challenges posed by the COVID-19 pandemic, business activities in Hong Kong have generally slowed down and unemployment rates have increased to the highest rate since 2004. The Group would continuously and closely monitor the complicated and volatile situations ahead.

The development of COVID-19 vaccines has raised hopes of widespread immunisation being achieved in 2021, the epidemic is expected to be under control. It is expected that governments of various countries would introduce more economic stimulus measures, and the global economic recovery is expected to be promising.

In the face of ever-changing situation, the Group would consolidate the foundation for development by accelerating the research and development pace to maintain its competitive edge. The Group would also strengthen the management and control of funds, strive to optimise the resource allocation including the unutilised proceeds from the listing of the Company's shares (the "**Listing**").

Overall, the Group remains confident in the prospects of Hong Kong and the Mainland China. Leveraging on the extensive product design and excellent services, the Group believes it will overcome this unprecedented challenge and creating long-term 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 2020, the total revenue of the Group increased by approximately HK\$15.2 million, or 5.5% from approximately HK\$275.4 million for the year ended 31 December 2019 to approximately HK\$290.6 million. The increase was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services increased by approximately HK\$6.3 million, or 4.0%, from approximately HK\$156.6 million for the year ended 31 December 2019 to approximately HK\$162.9 million for the year ended 31 December 2020. The increase was primarily attributable to an increase in sales of PTi products from our new and existing customers as a result of health quarantine arrangements in Hong Kong.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services decreased by approximately HK\$1.8 million, or 5.2%, from approximately HK\$34.6 million for the year ended 31 December 2019 to approximately HK\$32.8 million for the year ended 31 December 2020. The decrease was mainly attributable to a decrease in demand for self-stabilised imaging products for aircraft from our existing customers.

(iii) General aviation products and services

Revenue derived from general aviation products and services increased by approximately HK\$10.7 million, or 12.7%, from approximately HK\$84.2 million for the year ended 31 December 2019 to approximately HK\$94.9 million for the year ended 31 December 2020. The increase was mainly attributable to our new customers in the general aviation industry and the increase in demand from our existing customers as a result of an increase in demand for light and ultra-light aircraft engine.

Gross Profit and Gross Profit Margin

Gross profit for the Group decreased from approximately HK\$93.1 million for the year ended 31 December 2019 to approximately HK\$83.3 million for the year ended 31 December 2020, and the gross profit margin decreased by approximately 5.1% from approximately 33.8% for the year ended 31 December 2019 to approximately 28.7% for the year ended 31 December 2020.

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

The gross profit margin of thermal imaging products and services decreased by approximately 6.6% from approximately 30.1% for the year ended 31 December 2019 to approximately 23.5% for the year ended 31 December 2020. The decrease in our gross profit margin was primarily attributable to the increase in average cost for SF6 gas imaging camera and UV cameras.

(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 4.8% from approximately 53.3% for the year ended 31 December 2019 to approximately 48.5% for the year ended 31 December 2020. The decrease in our gross profit margin was primarily attributable to the decrease in demand of SkyEye 3X-F series, self-stabilised imaging product with a higher gross profit margin.

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

The gross profit margin of general aviation products and services decreased by approximately 2.1% from approximately 32.8% for the year ended 31 December 2019 to approximately 30.7% for the year ended 31 December 2020. The decrease in our gross profit margin was primarily attributable to decrease in average selling price of engine parts, which was mainly attributable to the provision of discount to our existing customers as a result of their bulk purchases.

Other Income and Gains, Net

The Group's other income and gains increased by approximately HK\$6.1 million, or 265.2%, from approximately HK\$2.3 million for the year ended 31 December 2019 to approximately HK\$8.4 million for the year ended 31 December 2020. The increase was mainly attributable to an increase in foreign exchange gain of approximately HK\$6.0 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses remained relatively stable at approximately HK\$28.8 million and HK\$29.1 million for the years ended 31 December 2019 and 2020, respectively.

Administrative Expenses

The Group's administrative expenses remained relatively stable at approximately HK\$27.9 million and HK\$28.3 million for the years ended 31 December 2019 and 2020, respectively.

Other Expenses

The Group's other expenses decreased by approximately HK\$0.6 million, or 31.6%, from approximately HK\$1.9 million for the year ended 31 December 2019 to approximately HK\$1.3 million for the year ended 31 December 2020. The decrease in other expenses was primarily attributable to the decrease in exchange loss of HK\$1.4 million and was partially offset by the recognition of provision for the doubtful receivables, net of HK\$0.7 million in 2020.

Finance Costs

According to the adoption of the HKFRS 16 *Leases* issued by the HKICPA effective as of 1 January 2019, at the commencement date of a lease, a lessee is required to recognise a liability of lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). As a result, finance costs of approximately HK\$0.5 million and HK\$0.4 million for the years ended 31 December 2019 and 2020 were recognised, respectively.

Income Tax Expense

The Group's income tax expense decreased by approximately HK\$0.6 million, or 10.0%, from approximately HK\$6.0 million for the year ended 31 December 2019 to approximately HK\$5.4 million for the year ended 31 December 2020, which was primarily resulting from a decrease in taxable profits during the year ended 31 December 2020. The Group's effective tax rates remained relatively stable at approximately 16.5% and 16.4% for the years ended 31 December 2019 and 2020, 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\$3.1 million, or 10.2%, from approximately HK\$30.3 million for the year ended 31 December 2019 to approximately HK\$27.2 million for the year ended 31 December 2020.

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 2020, the Group reported net current assets of approximately HK\$335.6 million, as compared with approximately HK\$302.5 million as at 31 December 2019.

As at 31 December 2020, the Group's cash and cash equivalents was approximately HK\$210.2 million, representing an increase of approximately HK\$33.1 million as compared to HK\$177.1 million as at 31 December 2019.

For the year ended 31 December 2020, the net cash generated from operating activities was approximately HK\$35.3 million (2019: HK\$33.6 million). The cash generated from operating activities was mainly from the profits during the year ended 31 December 2020. The net cash used in investing activities was approximately HK\$0.4 million (2019: HK\$3.3 million). The net cash used in financing activities was approximately HK\$5.3 million (2019: net cash generated from financing activities was approximately HK\$94.6 million).

The net cash used in investing activities was mainly attributable to the acquisition of property, plant and equipment and intangible assets during the year. The net cash used in financing activities was mainly arising from the payment of lease liabilities.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments (31 December 2019: 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 2020, the Group did not pledge any assets (31 December 2019: Nil).

GEARING RATIO

As at 31 December 2020, since we did not have any bank borrowings, gearing ratio was not applicable to our Group.

USE OF PROCEEDS

The final offer price for the Listing was HK\$1.25 per share, and the actual net proceeds from the Listing were approximately HK\$81.2 million (after deduction of the listing expenses). As at 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	(3,793)	35,807
Enhance the recognition and qualification of our products	17,300	(6,946)	10,354
Strengthen our sales capacity and capture new sales opportunities	21,100	(14,714)	6,386
Purchase new information technology hardware and software	2,500	(2,387)	113
Working capital	700	(700)	–
	<u>81,200</u>	<u>(28,540)</u>	<u>52,660</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 travel restrictions, hence leading to delay in implementation of the Company’s use of proceeds on establishing new research and development centres in the PRC and enhancing the recognition and qualification of our products at testing and certification centre in overseas. 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 establishing new research and development centres in the PRC and Hong Kong and enhancing the recognition and qualification of the Group’s products are intended to be fully utilised by the end of 2023, while the unutilised portion of net proceeds for strengthening our sales capacity and capture new sales opportunities is intended to be fully utilised by the end of 2022.

Going forward, the Directors will monitor the outbreak of COVID-19 and its impact to the global economy 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 2019 and 2020, the Group did not have any restructuring and significant investments.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of 147 (31 December 2019: 145) employees as at 31 December 2020. Total staff costs of the Group (excluding the Directors' and chief executive officer's remuneration) for the year ended 31 December 2020 was approximately HK\$42.7 million (2019: HK\$35.2 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 2020 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.

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

In the opinion of the Board, the Company has complied with all the applicable code provisions set out in the CG Code throughout year ended 31 December 2020.

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 and review of the annual results of the Group for the year ended 31 December 2020.

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 2020 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 Thursday, 10 June 2021. 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 2020 (the "**Proposed Final Dividend**") to the shareholders whose names appear on the register of members of the Company on Tuesday, 22 June 2021, subject to the shareholders' approval at the forthcoming AGM to be held on Thursday, 10 June 2021. It is expected that the Proposed Final Dividend will be paid on or before Thursday, 8 July 2021. 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, 3 June 2021 to Thursday, 10 June 2021, 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 Thursday, 10 June 2021, 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, 2 June 2021.

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

The register of members of the Company will be closed from Friday, 18 June 2021 to Tuesday, 22 June 2021, 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 Thursday, 17 June 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the year ended 31 December 2020 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 2020 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 2021

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.