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## **Plover Bay Technologies Limited**

**玊灣科技有限公司**

*(Incorporated in Cayman Islands with limited liability)*

(Stock Code: 1523)

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **SUMMARY**

- Revenue for the year ended 31 December 2017 was approximately US\$37,132,000, an increase of approximately 30.9% from approximately US\$28,358,000 for the year ended 31 December 2016.
- Profit attributable to the owners of the Company for the year ended 31 December 2017 was approximately US\$8,754,000, while the profit attributable to owners of the Company for the year ended 31 December 2016 was approximately US\$5,240,000, representing an increase of 67.1%.
- Basic earnings per share for the year ended 31 December 2017 was approximately US0.87 cents (2016: approximately US0.60 cents).
- The Board has determined that a second interim dividend of HK3.50 cents per share for the year ended 31 December 2017 be payable on 27 March 2018 to the shareholders whose names appear in the Company's register of members on 15 March 2018.

The board (the “Board”) of directors (the “Directors”) of Plover Bay Technologies Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017, together with the comparative figures for the corresponding year in 2016 as follows:

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

*For the year ended 31 December 2017*

	Notes	2017 US\$'000	2016 US\$'000
Revenue	4	37,132	28,358
Cost of sales and services		<u>(14,157)</u>	<u>(10,413)</u>
Gross profit		22,975	17,945
Other income and gains, net	4	463	104
Selling and distribution expenses		(1,636)	(1,697)
Administrative expenses		(3,958)	(3,412)
Research and development expenses		(7,189)	(4,990)
Listing expenses		-	(1,252)
Finance costs	5	<u>(26)</u>	<u>(23)</u>
Profit before tax	6	10,629	6,675
Income tax expense	7	<u>(1,875)</u>	<u>(1,435)</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u><b>8,754</b></u>	<u><b>5,240</b></u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(77)</u>	<u>13</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u><b>8,677</b></u>	<u><b>5,253</b></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
- Basic ( <i>US cents</i> )		<u><b>0.87</b></u>	<u>0.60</u>
- Diluted ( <i>US cents</i> )		<u><b>0.84</b></u>	<u>0.60</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,995	694
Intangible assets		661	383
Deferred tax assets		22	-
Deposits paid for purchase of items of property, plant and equipment		-	106
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,678</b>	1,183
<b>CURRENT ASSETS</b>			
Inventories	10	11,629	6,678
Trade receivables	11	7,763	3,947
Prepayments, deposits and other receivables		1,713	1,368
Tax recoverable		29	-
Pledged bank deposit	12	-	129
Cash and cash equivalents	12	16,747	19,193
<b>TOTAL CURRENT ASSETS</b>		<b>37,881</b>	31,315
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	13	2,630	1,884
Deferred revenue		5,036	3,551
Tax payable		919	1,589
Interest-bearing bank borrowings		1,944	318
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,529</b>	7,342
<b>NET CURRENT ASSETS</b>		<b>27,352</b>	23,973
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>30,030</b>	25,156
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		95	56
Deferred revenue		1,185	854
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,280</b>	910
<b>NET ASSETS</b>		<b>28,750</b>	24,246
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	14	1,307	1,288
Reserves		27,443	22,958
<b>TOTAL EQUITY</b>		<b>28,750</b>	24,246

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	Attributable to owners of the parent					Total equity US\$'000
		Issued capital US\$'000	Share premium account US\$'000	Share option reserve US\$'000	Exchange fluctuation reserve US\$'000	Retained profits US\$'000	
At 1 January 2016		-	-	-	64	7,049	7,113
Profit for the year		-	-	-	-	5,240	5,240
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations		-	-	-	13	-	13
Total comprehensive income for the year		-	-	-	13	5,240	5,253
Capitalisation issue		966	(966)	-	-	-	-
Issue of shares in an initial public offering		322	15,789	-	-	-	16,111
Share issue expenses		-	(1,410)	-	-	-	(1,410)
Equity-settled share option arrangements		-	-	407	-	-	407
Distribution of dividend	8	-	-	-	-	(998)	(998)
Interim 2016 dividend	8	-	-	-	-	(2,230)	(2,230)
At 31 December 2016		<u>1,288</u>	<u>13,413</u>	<u>407</u>	<u>77</u>	<u>9,061</u>	<u>24,246</u>
At 1 January 2017		1,288	13,413	407	77	9,061	24,246
Profit for the year		-	-	-	-	8,754	8,754
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations		-	-	-	(77)	-	(77)
Total comprehensive income/(loss) for the year		-	-	-	(77)	8,754	8,677
Issue of shares upon exercise of share options		19	1,183	(315)	-	-	887
Equity-settled share option arrangements		-	-	764	-	-	764
Transfer of share option reserve upon the forfeiture of share options		-	-	(1)	-	1	-
Second interim 2016 dividend	8	-	-	-	-	(2,484)	(2,484)
Interim 2017 dividend	8	-	-	-	-	(3,340)	(3,340)
At 31 December 2017		<u>1,307</u>	<u>14,596*</u>	<u>855*</u>	<u>-*</u>	<u>11,992*</u>	<u>28,750</u>

\* These reserve accounts comprise the consolidated reserves of US\$27,443,000 (2016: US\$22,958,000) in the consolidated statement of financial position.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*Year ended 31 December 2017*

	<b>2017</b>	<b>2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>10,629</b>	6,675
Adjustments for:		
Finance costs	<b>26</b>	23
Interest income	<b>(173)</b>	(1)
Write-down of inventories to net realisable value	<b>281</b>	20
Loss on disposal of items of property, plant and equipment	<b>-</b>	32
Depreciation	<b>385</b>	292
Impairment of trade receivables	<b>11</b>	39
Amortisation of intangible assets	<b>254</b>	153
Equity-settled share option expenses	<b>764</b>	407
	<b>12,177</b>	7,640
Increase in inventories	<b>(5,232)</b>	(2,560)
Increase in trade receivables	<b>(3,827)</b>	(1,281)
Increase in prepayments, deposits and other receivables	<b>(345)</b>	(216)
Increase in trade payables, other payables and accruals	<b>746</b>	839
Decrease in amounts due to related companies	<b>-</b>	(474)
Increase in deferred revenue	<b>1,837</b>	817
	<b>5,356</b>	4,765
Cash generated from operations	<b>(2,547)</b>	(346)
Hong Kong profits tax paid		
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,809</b>	4,419
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>173</b>	1
Purchase of items of property, plant and equipment	<b>(1,605)</b>	(462)
Additions to intangible assets	<b>(535)</b>	(240)
Deposits paid for purchase of items of property, plant and equipment	<b>-</b>	(106)
Decrease/(increase) in a pledged bank deposit	<b>129</b>	(129)
Proceeds from disposal of items of property, plant and equipment	<b>17</b>	-
Increase in a non-pledged bank deposit with original maturity of more than three months when acquired	<b>(7,115)</b>	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(8,936)</b>	(936)

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**  
*Year ended 31 December 2017*

	<b>2017</b>	<b>2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	887	-
Proceeds from issue of shares	-	16,111
Share issue expenses	-	(1,410)
Dividends paid	(5,824)	(3,228)
New bank loans	2,638	318
Repayment of bank loans	(995)	(1,238)
Decrease in an amount due to a director	-	(1,794)
Increase in amounts due to related companies	-	918
Interest paid	(26)	(23)
	<hr/>	<hr/>
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>(3,320)</b>	<b>9,654</b>
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<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>(9,447)</b>	<b>13,137</b>
Cash and cash equivalents at beginning of year	19,193	6,062
Effect of foreign exchange rate changes, net	(114)	(6)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENT AT END OF YEAR</b>	<b>9,632</b>	<b>19,193</b>
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<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	9,632	6,325
Non-pledged time deposits	7,115	12,868
	<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of financial position	16,747	19,193
Non-pledged time deposit not in the nature of cash and cash equivalent for the purpose of the statement of cash flows	(7,115)	-
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<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>	<b>9,632</b>	<b>19,193</b>
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## **1. CORPORATE AND GROUP INFORMATION**

Plover Bay Technologies Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Unit B, 5/F, Dragon Industrial Building, 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- designing, development and marketing of software defined wide area network (the “SD-WAN”) routers; and
- provision of software licences and warranty and support services.

### **2.1 BASIS OF PREPARATION**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, 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 United States dollars (“US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation for the year ended 31 December 2017**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017. 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.

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 other intangible assets) 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.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a material impact on the Group's financial performance and positions for the period presented in the financial statements. The Group has provided the information for the current period in its annual consolidated financial statements for the year ended 31 December 2017 upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has reportable operating segments as follows:

- (a) the sales of SD-WAN routers segment that primarily engages in sales of wired and wireless routers; and
- (b) software licences and warranty and support services segment that primarily engages in the provision of warranty and support services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income and gains, net, selling and distribution expenses, unallocated administrative expenses, listing expenses and finance costs are excluded from such measurement.

There were no material intersegment sales and transfers during the current and prior years.



	Sales of SD-WAN routers				Software licences and warranty and support services		Total	
	Wired routers		Wireless routers		2017	2016	2017	2016
	2017	2016	2017	2016	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Segment revenue:</b>								
Sales to external customers	7,932	7,687	21,373	14,291	7,827	6,380	37,132	28,358
<b>Segment result</b>	<b>3,873</b>	<b>3,825</b>	<b>6,200</b>	<b>4,405</b>	<b>5,459</b>	<b>4,572</b>	<b>15,532</b>	<b>12,802</b>
<i>Reconciliation</i>								
Other income and gains, net							463	104
Selling and distribution expenses							(1,636)	(1,697)
Unallocated administrative expenses							(3,704)	(3,259)
Listing expenses							-	(1,252)
Finance costs							(26)	(23)
Profit before tax							<b>10,629</b>	<b>6,675</b>

Information of assets and liabilities for reportable segments are not provided to chief operating decision maker for their review. Therefore, no analysis of the Group's assets and liabilities by reportable segments are presented.

	Sales of SD-WAN routers				Software licences and warranty and support services		Total	
	Wired routers		Wireless routers		2017	2016	2017	2016
	2017	2016	2017	2016	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Other segment information:</b>								
Amortisation of intangible assets	8	11	205	137	41	5	254	153
Write-down of inventories to net realisable value	76	7	205	13	-	-	281	20

## Geographical information

### Revenue from external customers

	2017	2016
	US\$'000	US\$'000
North America	21,305	14,960
EMEA (Europe, Middle East, Africa)	7,652	6,945
Asia	7,224	5,758
Others	951	695
	<b>37,132</b>	<b>28,358</b>

## Non-current assets

	2017 US\$'000	2016 US\$'000
Hong Kong	2,651	1,176
Malaysia	5	7
	<u>2,656</u>	<u>1,183</u>

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

## Information about major customers

Revenue from two external customers individually amounting to 10% or more of the Group's total revenue:

For the year ended 31 December 2017, revenue from two major customers of US\$8,099,000 (2016: US\$6,759,000) and US\$4,169,000 (2016: US\$377,000), respectively, was derived from the sales of SD-WAN routers segment and software licences and warranty and support services segment.

## 4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of the invoiced value of goods sold, net of trade discounts and returns, where applicable; and fees earned from the provision of software licenses, warranty and support services. An analysis of revenue, other income and gains, net is as follows:

	2017 US\$'000	2016 US\$'000
<b>Revenue</b>		
Sale of SD-WAN routers		
- Wired	7,932	7,687
- Wireless	21,373	14,291
Provision of warranty and support services	6,652	5,189
Sales of software and licence fee income	1,175	1,191
	<u>37,132</u>	<u>28,358</u>
<b>Other income and gains, net</b>		
Sales of parts	153	65
Bank interest income	173	1
Foreign exchange gains, net	80	-
Others	57	38
	<u>463</u>	<u>104</u>

## 5. FINANCE COSTS

	2017 US\$'000	2016 US\$'000
Interest on bank loans	<u>26</u>	<u>23</u>

## 6. PROFIT BEFORE TAX

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

	2017 US\$'000	2016 US\$'000
Cost of inventories sold	12,833	9,572
Cost of services provided	1,324	841
Depreciation	385	292
Amortisation of intangible assets*	254	153
Loss on disposal of items of property, plant and equipment	-	32
Minimum lease payments under operating leases	644	580
Auditor's remuneration	154	218
Employee benefit expense (excluding directors' remuneration)**:		
Wages, salaries and allowances	5,112	3,783
Equity-settled share-based payment expense	449	233
Retirement benefit scheme contributions (defined contribution schemes)	214	167
	<u>5,775</u>	<u>4,183</u>
Equity-settled share-based payment expense for consultants	40	14
Impairment of trade receivables	11	39
Write-down of inventories to net realisable value	281	20
Foreign exchange differences, net	<u>(80)</u>	<u>96</u>

\* Amortisation of intangible assets for the year of US\$254,000 (2016: US\$153,000) is included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

\*\* Employee benefit expense of US\$4,739,000 (2016: US\$3,279,000) is included in "Research and development expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
Current – Hong Kong		
Charge for the year	<b>1,870</b>	1,418
Under/(over)provision in prior years	<b>(12)</b>	1
Deferred	<b>17</b>	16
	<hr/>	<hr/>
Total tax charge for the year	<b>1,875</b>	1,435
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## 8. DIVIDENDS

	<b>Notes</b>	<b>2017</b>	2016
		<b>US\$'000</b>	US\$'000
Interim - HK2.58 cents (2016: HK1.73 cents) per ordinary share		<b>3,340</b>	2,230
Second interim – HK3.50 cents (2016: HK1.93 cents) per ordinary share	(a)	<b>4,570</b>	2,484
2015 final dividend	(b)	-	998
		<hr/>	<hr/>
		<b>7,910</b>	5,712
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2017 of HK3.50 cents (2016: interim dividend of HK1.93 cents) per ordinary share, in an aggregate amount of approximately US\$4,570,000 (2016: US\$2,484,000) has been declared by the directors of the Company.
- (b) A subsidiary of the Company distributed a final dividend of US\$998,000 for the year ended 31 December 2015 to its then shareholder prior to the group reorganisation prepared for the listing of the Company's shares (the "Listing") on the Main Board of The Stock Exchange of Hong Kong (the "Stock Exchange").

## 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 1,005,086,005 (2016: 867,486,339) in issue during the year. For the year ended 31 December 2016, the weighted average number of ordinary shares for the purpose of basic earnings per share amount has taken into account the share issued pursuant to a group reorganisation and the capitalisation issue as disclosed in note 14(b) as if it had been effective on 1 January 2016.

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

### Earnings

The calculations of basic and diluted earnings per share are based on profit for the year attributable to ordinary equity holders of the parent.

### Shares

	Number of shares	
	2017	2016
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,005,086,005	867,486,339
Effect of dilution – weighted average number of ordinary shares: Share options	41,343,895	-
	<u>1,046,429,900</u>	<u>867,486,339</u>

No adjustment had been made to the basic earnings per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

## 10. INVENTORIES

	2017	2016
	US\$'000	US\$'000
Raw materials and consumables	7,464	4,143
Finished goods	4,165	2,535
	<u>11,629</u>	<u>6,678</u>

## 11. TRADE RECEIVABLES

	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
Trade receivables	<b>7,856</b>	4,026
Impairment	<b>(93)</b>	(79)
	<b><u>7,763</u></b>	<u>3,947</u>

The Group's trading terms with its customers are mainly on credit, except for new and individual customers, where payment in advance is normally required. The overall credit period is generally within 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
Within 1 month	<b>5,300</b>	2,272
1 to 2 months	<b>1,423</b>	1,030
2 to 3 months	<b>538</b>	494
Over 3 months	<b>502</b>	151
	<b><u>7,763</u></b>	<u>3,947</u>

## 12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
Cash and bank balances	<b>9,632</b>	6,325
Time deposits	<b>7,115*</b>	12,997
	<b><u>16,747</u></b>	<u>19,322</u>
Less: Pledged deposits for banking facility granted by a bank	<b>-</b>	(129)
Cash and cash equivalents as stated in the consolidated statement of financial position	<b><u>16,747</u></b>	<u>19,193</u>

\* As at 31 December 2017, the Group had a time deposit with original maturity of more than three months when acquired amounted to US\$7,115,000.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

### 13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
Trade payables	<b>1,297</b>	725
Deposits received	<b>237</b>	260
Other payables	<b>7</b>	64
Accruals	<b>1,089</b>	835
	<b>2,630</b>	1,884

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
Within 1 month	<b>1,216</b>	725
1 to 2 months	<b>69</b>	-
2 to 3 months	<b>-</b>	-
Over 3 months	<b>12</b>	-
	<b>1,297</b>	725

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

## 14. ISSUED CAPITAL

	2017 US\$'000	2016 US\$'000
Authorised:		
4,000,000,000 (2016: 4,000,000,000) ordinary shares of HK\$0.01 each	<u>5,152</u>	<u>5,152</u>
Issued and fully paid:		
1,014,336,000 (2016: 1,000,000,000) ordinary shares of HK\$0.01 each	<u>1,307</u>	<u>1,288</u>

A summary of movements in the Company's issued capital is as follows:

	Notes	Number of shares in issue	Share capital HK\$'000	Share capital US\$'000
At 1 January 2016		1	-	-
Issue of 1 ordinary share of HK\$0.01	(a)	1	-	-
Capitalisation issue	(b)	749,999,998	7,500	966
Issue of new shares in an initial public offering	(c)	250,000,000	2,500	322
At 31 December 2016 and 1 January 2017		1,000,000,000	10,000	1,288
Share options exercised	(d)	14,336,000	143	19
At 31 December 2017		<u>1,014,336,000</u>	<u>10,143</u>	<u>1,307</u>

Notes:

- (a) On 15 June 2016, the Company allotted and issued one share to Mr. Chan Wing Hong, Alex (Mr. "Chan") credited as fully paid in consideration of Mr. Chan transferring the entire interest in Protean Holdings Limited to the Company.
- (b) Pursuant to the written resolutions of the sole shareholder passed on 21 June 2016, conditional upon the share premium account of the Company being credited as a result of the Listing, the directors were authorised to capitalise the amount of HK\$7,499,999.98 (equivalent to approximately US\$966,000) from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 749,999,998 shares of the Company for allotment and issue to Mr. Chan on 13 July 2016.
- (c) On 13 July 2016, the Company issued 250,000,000 shares of the Company of HK\$0.01 each at HK\$0.50 per share upon the completion of its global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.
- (d) The subscription rights attaching to 14,336,000 share options were exercised at the subscription price of HK\$0.483 per share, resulting in the issue of 14,336,000 shares for a total cash consideration, before expenses, of approximately US\$887,000. An amount of US\$315,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.



## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS

#### Revenue and segment information

During the year ended 31 December 2017, we generated revenue mainly from the sale of SD-WAN routers and the grant of software licences, including SpeedFusion and InControl cloud service for managing our devices, and the provision of warranty and support services in connection with our products. Our revenue represents the net invoiced value of (i) the products sold, after deducting allowances for returns and trade discounts; and (ii) services rendered.

Our product/service consist mainly of the following categories: (i) SD-WAN routers which are further divided into wired and wireless products; (ii) warranty and support services; and (iii) software licences.

For the year ended 31 December 2017, revenue of the Group was approximately US\$37,132,000, representing an increase of approximately US\$8,774,000 or 30.9% from approximately US\$28,358,000 for the year ended 31 December 2016.

The table below sets out our revenue by product/service category for the year ended 31 December 2017:

	For the year ended 31 December			
	2017		2016	
	Revenue	% of total	Revenue	% of total
	US\$'000	%	US\$'000	%
SD-WAN routers:				
Wired	7,932	21.4	7,687	27.1
Wireless	21,373	57.6	14,291	50.4
Warranty and support services	6,652	17.9	5,189	18.3
Software licences	1,175	3.1	1,191	4.2
<b>Total</b>	<b>37,132</b>	<b>100.0</b>	<b>28,358</b>	<b>100.0</b>

During the year ended 31 December 2017, revenue from wireless SD-WAN routers surged approximately 49.6% compared to the same period in 2016. Wireless SD-WAN gained traction among multiple industrial verticals for applications that require high-performance and stable mobile connectivity, which drove the demand for our high-performance wireless SD-WAN products. Meanwhile, revenue derived from wired SD-WAN routers grew approximately 3.2%. Revenue from warranty and support services and software licences maintained a stable growth of approximately 22.7% during the year.

Segment information about the reportable and operating segments is presented below, software licences and warranty and support services are aggregated into a single reportable segment as they have similar economic characteristics:

**Year ended 31 December 2017**

	Sales of SD-WAN routers		Software licences and warranty and support services	Total US\$'000
	Wired routers	Wireless routers		
	US\$'000	US\$'000	US\$'000	
External sales and segment revenue	7,932	21,373	7,827	37,132
Segment profit	3,873	6,200	5,459	15,532
Other income and gains, net				463
Selling and distribution expenses				(1,636)
Unallocated administrative expenses				(3,704)
Finance costs				(26)
Profit before tax				10,629

**Year ended 31 December 2016**

	Sales of SD-WAN routers		Software licences and warranty and support services	Total US\$'000
	Wired routers	Wireless routers		
	US\$'000	US\$'000	US\$'000	
External sales and segment revenue	7,687	14,291	6,380	28,358
Segment profit	3,825	4,405	4,572	12,802
Other income and gains, net				104
Selling and distribution expenses				(1,697)
Unallocated administrative expenses				(3,259)
Listing expenses				(1,252)
Finance costs				(23)
Profit before tax				6,675

Our products are mainly sold to customers in North America. During the year, sales to North America grew rapidly to approximately US\$21,305,000, representing a growth of approximately 42.4% from approximately US\$14,960,000 for the year ended 31 December 2016. Sales to Asia and EMEA (including Europe, Middle East and Africa) grew approximately 25.5% and 10.2%, respectively. We expect the North American market will continue to account for a major part of our revenue in the foreseeable future.

The table below sets out the breakdown of revenue by location of customers in terms of absolute amount and as a percentage of total revenue for the two years ended 31 December 2016 and 2017:

	<b>For the year ended 31 December</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Revenue</b>	<b>% of total</b>	<b>Revenue</b>	<b>% of total</b>
	<b>US\$'000</b>	<b>%</b>	<b>US\$'000</b>	<b>%</b>
North America	<b>21,305</b>	<b>57.4</b>	14,960	52.8
EMEA	<b>7,652</b>	<b>20.6</b>	6,945	24.5
Asia	<b>7,224</b>	<b>19.4</b>	5,758	20.3
Others	<b>951</b>	<b>2.6</b>	695	2.4
<b>Total</b>	<b>37,132</b>	<b>100.0</b>	28,358	100.0

## Gross profit and gross profit margin

For the year ended 31 December 2017, our gross profit was approximately US\$22,975,000, with gross profit margin of approximately 61.9%, while the gross profit and gross profit margin for the year ended 31 December 2016 were approximately US\$17,945,000 and 63.3%, respectively, representing a decrease of approximately 1.4 percentage points in gross profit margin.

The table below sets out our Group's gross profit and gross profit margin by product/service category for the two years ended 31 December 2016 and 2017:

	For the year ended 31 December			
	2017		2016	
	Gross profit US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %
SD-WAN routers:				
Wired	5,404	68.1	5,189	67.5
Wireless	10,508	49.2	7,056	49.4
Warranty and support services	5,780	88.3	4,509	86.9
Software licences	1,283	100.0	1,191	100.0
Total	22,975	61.9	17,945	63.3

Gross profit margin in the year ended 31 December 2017 decreased by approximately 1.4 percentage point to 61.9%. The slight decrease in gross profit margin was due to a lower product mix in wired SD-WAN routers, which in general has higher profitability than wireless models. Gross profit margin on each product in both wired and wireless SD-WAN segments were largely stable compared to the previous financial year, while that of warranty and support services and software licenses also remained stable during the year.

## Other income and gains, net

Other income and gains, net mainly represented net gain on sales of parts to our contract manufacturers, interest income and foreign currency exchange gain. For the year ended 31 December 2017, other income and gains, net was approximately US\$463,000, representing an increase of approximately 345.2%, from approximately US\$104,000 for the year ended 31 December 2016. The increase was mainly due to (i) higher bank interest income, as the Group placed IPO proceeds that has not yet been utilised into interest-bearing short-term time-deposits within Hong Kong licensed banking corporations; and (ii) foreign currency exchange gains in the current reporting period compared to a loss in the past reporting period.

## Selling and distribution expenses

Selling and distribution expenses comprised mainly salaries and benefits of our sales and marketing staff, advertising and promotion expenses incurred to promote our products and other expenses relating to our sales and marketing activities.

Selling and distribution expenses for the year ended 31 December 2017 and year ended 31 December 2016 was approximately US\$1,636,000 and US\$1,697,000, respectively, representing a decrease of approximately US\$61,000 or 3.6%. During the previous reporting period, the Group incurred certain IPO related non-recurring marketing activities, such as public relations consultants and other marketing expenses. The Group no longer incurred such expenses during the current financial year, leading to a decrease in overall selling and distribution expenses.

### **Administrative expenses**

Administrative expenses mainly represented salaries and benefits of our administrative, finance and other supporting staff, depreciation of property, plant and equipment, amortisation of intangible assets, rental expenses and other office expenses.

Administrative expenses for the year ended 31 December 2017 and year ended 31 December 2016 was approximately US\$3,958,000 and US\$3,412,000, respectively, representing an increase of approximately US\$546,000 or 16.0%. This is mainly due to (i) increases in staff headcount, average wages and salaries, and share-based payments of our administrative, finance and other supporting functions; (ii) increase in legal fees and compliance expenses during the year pursuant to the Group's listing in July 2016; (iii) increase in amortisation charges as a result of additions in intangible assets; and (iv) increase in cloud services and other computer related expenses.

### **Research and development expenses**

Research and development ("R&D") expenses represented mainly salaries and benefits of our engineering, testing and supporting staff, product testing fee, certification costs, tooling, components and parts used for product research and development purpose.

Research and development expenses for the year ended 31 December 2017 and year ended 31 December 2016 was approximately US\$7,189,000 and US\$4,990,000, respectively, representing an increase of approximately US\$2,199,000 or 44.1%. The increase is mainly due to (i) expansion of our research and development team, increase in average salaries, wages and share-based payments of our R&D staff; and (ii) an increase in product development related expenses, such as engineering sample and tooling fees when compared to the year ended 31 December 2016.

### **Equity-settled share-based payment expenses**

Included in selling and distribution expenses, administrative expenses and research and development expenses were equity-settled share-based payment expenses, mainly represented equity-settled share-based payments to Directors and employees which are expensed on a straight-line basis over the vesting period since the grant date.

Share options of the Company were granted on 20 July 2016, 5 April 2017 and 10 October 2017. Equity-settled share-based payment expenses for the year ended 31 December 2017 was approximately US\$764,000 (year ended 31 December 2016: approximately US\$407,000). Details of share options granted by the Company are set out below under the heading "Share Option Scheme" of this annual results announcement.

## **Total operating expenses**

Total operating expenses, which includes selling and distribution expenses, administrative expenses and research and development expenses, during the years ended 31 December 2017 and 31 December 2016 amounted to approximately US\$12,783,000 and US\$10,099,000, respectively and represents an increase of approximately US\$2,684,000 or 26.6% due to factors discussed above.

## **Finance costs**

Finance costs mainly represented interests on bank borrowings.

Finance costs for the year ended 31 December 2017 and year ended 31 December 2016 were approximately US\$26,000 and US\$23,000, respectively, representing an increase of approximately US\$3,000. The increase in finance cost was due to the increase in bank borrowings in the current reporting period over the period ended 31 December 2016.

## **Income tax expenses**

We provided for Hong Kong profits tax at a rate of 16.5% on our estimated assessable profits arising in Hong Kong. The increase in income tax expenses corresponded to the increase of revenue and assessable profits during the year ended 31 December 2017.

## **Profit attributable to owners of the Company**

Profit attributable to owners of the Company for the year ended 31 December 2017 was approximately US\$8,754,000 compared to approximately US\$5,240,000 for the year ended 31 December 2016, representing an increase of approximately US\$3,514,000 or 67.1%. The increase was a combination of (i) increase in revenue driven by the strong growth in wireless SD-WAN product sales; (ii) operating leverage leading to enhanced operating margin; and (iii) absence of non-recurring listing-related expenses during the year (2016: approximately US\$1,252,000).

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond our control.

- Brand recognition of our customers depends on our ability to keep up with the rapidly changing technologies or conduct R&D and market our new products and services;
- Competition from existing or new competitors may affect our market share in the SD-WAN markets and our revenue may be reduced;
- Our business and financial performance depend on our ability to manage our inventory effectively;
- We do not have long-term purchase commitments from our customers which may lead to significant uncertainty and volatility within our revenue; and

- We may be exposed to credit risk of our customers, affecting the collectability of trade receivables and adversely affecting our cash flow.

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisers before making any investment in the shares.

## **BUSINESS OUTLOOK**

The SD-WAN market is full of opportunities as connectivity becomes more and more important in our daily lives. Besides being a reliable and cost saving alternative to expensive leased lines, Plover Bay's SD-WAN technology grants mobility to existing applications and enables new use cases in a number of specialised industrial verticals, such as broadcasting, construction, retail branches, events and Internet of Things (IoT). These applications were technically not possible or financially difficult to justify in the past using legacy network infrastructures.

Going forward, IoT, cloud computing and industrial automation will exponentially increase the number of communication end-points and data consumption, and many of these will be mission-critical. These factors put a strain on the ageing networks of many enterprises and industrial organisations, which are often built before the recent innovations in the way we use the Internet. This presents high growth opportunities for SD-WAN technologies because of its reliability, speed, ease of use and scalability.

Through our R&D efforts over the past years, we have accumulated a wide portfolio of wired and wireless SD-WAN technologies and products, including our proprietary SpeedFusion technology. We will continue to invest in R&D in the coming years to provide innovative solutions and groundbreaking experiences to industrial and business end users.

In 2018, we will launch multiple new products to maintain our technology leadership in the SD-WAN market. These products range from the SD-WAN industry's fastest and most robust SD-WAN modular platform that could be rapidly deployed anywhere, to the industry's smallest SD-WAN device to deliver SpeedFusion technology and unbreakable connectivity to small form factor IoT devices. Besides SD-WAN routers, we will also release new products aimed at the IoT market. These products will leverage the strengths of our SD-WAN routers and our cloud management platform to bring entirely new and highly streamlined experiences to traditional applications. To further leverage the strength of our SpeedFusion technology, we will explore new business models such as high value-add mobile data connectivity and management solutions. These efforts will help us enter new geographic markets and industrial verticals, which will drive our growth in the coming years.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2017, our bank borrowings amounted to approximately US\$1,944,000 (as at 31 December 2016: approximately US\$318,000). During the year ended 31 December 2017, the Group obtained new bank borrowings amounting to approximately US\$2,638,000, of which US\$1,185,000 is secured by mortgages over the Group's leasehold land and buildings.

As at 31 December 2017, the gearing ratio (which is defined as total borrowings over total equity) of our Group was approximately 6.8% (2016: approximately 1.3%). The Directors confirm that the Group financed its operations principally from cash generated from its business operations and expect that this will continue to be the case in the coming year. We did not experience any liquidity problem during the year ended 31 December 2017.

## **AGEING ANALYSIS OF TRADE RECEIVABLES AND TRADE PAYABLES**

For details of our ageing analysis of trade receivables and trade payables, please refer to note 11 and note 13 to the consolidated financial information, respectively.

## **FOREIGN CURRENCY EXPOSURE**

A majority of the Group's sales and purchases, receipts and payments as well as most of our bank balances and cash are denominated in US\$. Our bank loans and operating expenses are mainly denominated in US\$ or HK\$ which is pegged to US\$. In this respect, there is no significant currency mismatch in our operational cash flows and the Group considers its exposure to foreign currency exchange risk to be insignificant.

## **EMPLOYEE AND SALARY POLICIES**

The Directors consider the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group offers remuneration packages including salary, bonuses and retirement benefits with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 31 December 2017, the Group had 123 full-time employees. The total amount of staff costs of the Group for the year was approximately US\$7,361,000 (2016: approximately US\$5,517,000). The Group will continue to provide regular training and competitive remuneration packages to its employees.

The Company also adopted a share option scheme approved on 21 June 2016 for the purpose of, among other things, recognition of employees' contribution. A refreshment of the scheme limit of up to 10% of the issued shares of the Company was approved at the extraordinary general meeting on 17 October 2017. Details have been set out in the section headed "Share Option Scheme" elsewhere in this announcement.

The emoluments of the Directors are decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics.



## **RETIREMENT BENEFIT PLANS**

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualified employees in Hong Kong. Contributions from employers and employees are 5% each of the employee’s relevant income. The maximum mandatory contribution per employee is HK\$1,500 per month. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. The expenses arising from the provident fund of the Group for the year ended 31 December 2017 were approximately US\$192,000 (2015: approximately US\$150,000).

The employees in the Group’s subsidiary in Malaysia are members of the state-managed retirement benefit scheme, the Employees Provident Fund (the “EPF Scheme”) operated by the Malaysia government. The subsidiary is required to contribute a certain percentage of payroll costs to the EPF Scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. The retirement benefit scheme contribution arising from the EPF Scheme charged to profit or loss and other comprehensive income for the year ended 31 December 2017 were approximately US\$32,000 (2016: approximately US\$27,000).

## **SIGNIFICANT INVESTMENTS HELD AND FUTURE PLAN FOR MATERIAL INVESTMENT**

As at 31 December 2017, the Group has no significant investment held and material investment plan.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the year ended 31 December 2017, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

## **COMMITMENTS**

As at 31 December 2017, the Group had no capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements (2016: US\$1,112,000).

## **PLEDGE OF ASSETS**

The Group's bank loans are secured by mortgages over the Group's leasehold land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately US\$1,185,000. As at 31 December 2016, the Group's bank loans were secured by pledged bank deposits of approximately US\$129,000.

## USE OF PROCEEDS FROM THE LISTING

The Company's ordinary shares were listed on the Main Board of Stock Exchange on 13 July 2016 ("Listing Date"). The net proceeds ("Net Proceeds") from the initial public offering amounted to approximately HK\$108.4 million (equivalent to approximately US\$14.0 million). Unutilised Net Proceeds as at 31 December 2017 amounted to approximately HK\$55.4 million (equivalent to approximately US\$7.1 million) is deposited into a licensed bank in Hong Kong as short-term fixed term deposits. The Company intends to use the remaining net proceeds in the coming years in accordance with the purposes set out in the prospectus issued on 30 June 2016 (the "Prospectus").

As at 31 December 2017, the Group has utilised the Net Proceeds as follows:

	Percentage of total amount	Net proceeds US\$ million	Utilised amount US\$ million	Unutilised amount US\$ million
<b>Strengthen our R&amp;D capabilities:</b>				
Expansion of R&D team	22%	3.12	0.91	2.21
Upgrade R&D facilities	13%	1.74	0.12	1.62
Establishment of a R&D centre	13%	1.75	1.23	0.52
Promotional and marketing activities	15%	2.10	0.52	1.58
Improving marketing capabilities	13%	1.87	0.17	1.70
Improve brand awareness	3%	0.48	0.13	0.35
Install an enterprise resource planning system	1%	0.12	0.09	0.03
Strengthen patent portfolio	10%	1.40	0.45	0.95
Working capital and general corporate purposes	10%	1.40	0.70	0.70
	100%	13.98	4.32	9.66

## DIVIDEND

The Board has resolved to declare a second interim dividend of HK3.50 cents per share for the year ended 31 December 2017. The interim dividend is expected to be paid on 27 March 2018 to the shareholders whose names appear in the Company's register of members of the Company at the close of business on 15 March 2018.

## CLOSURE OF REGISTER OF MEMBERS FOR 2017 SECOND INTERIM DIVIDEND

The register of members of the Company will be closed on Thursday, 15 March 2018 for the purpose of determining the entitlement to the 2017 second interim dividend. The record date for entitlement to receive the 2017 second interim dividend is Thursday, 15 March 2018. In order to be qualified for the 2017 second interim dividend, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 March 2018. The cheques for dividend payment will be sent on Tuesday, 27 March 2018.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES**

At 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### **Long positions in shares and underlying shares**

<b>Name of Directors</b>	<b>Nature of interest</b>	<b>Number of ordinary shares of the Company interested</b>	<b>Number of underlying ordinary shares of the Company held under Share Option Scheme</b>	<b>Approximate percentage of shareholding %</b>
Chan Wing Hong Alex	Beneficial owner	750,000,000	6,000,000	74.5
Chau Kit Wai	Beneficial owner	1,496,000	4,504,000	0.6
Yip Kai Kut Kenneth	Beneficial owner	720,000	5,280,000	0.6
Chong Ming Pui	Beneficial owner	1,496,000	4,504,000	0.6
Yeung Yu	Beneficial owner	1,440,000	4,560,000	0.6

Save as disclosed above, as of the date of this annual results announcement, so far as is known to any Director or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. Details of the Directors' interests in share options granted by the Company are set out below under the heading "Share Option Scheme".

## ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed “Share Option Scheme” below, at no time during the year ended 31 December 2017 was the Group a party to any arrangements to enable the Directors, supervisors or chief executives of the Company, to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

### SHARE OPTION SCHEME

A share option scheme was conditionally adopted by the Company on 21 June 2016, and became effective on the Listing Date (the “Share Option Scheme”). Details of movements of the share options granted under the Share Option Scheme for the year ended 31 December 2017 are as follows:

Grantee	Date of grant	Exercise price per share	Exercise period	Number of shares issuable under the share options				
				At 1 January 2017	Granted during the year	Exercised during the year	Lapsed / cancelled during the year	At 31 December 2017
<b>Directors</b>								
Mr. Chan Wing Hong Alex (note 1)	20/7/2016	HK\$0.483	20/7/2017-19/7/2021 (note 2)	6,000,000	-	-	-	6,000,000
Mr. Chau Kit Wai	20/7/2016	HK\$0.483	20/7/2017-19/7/2021 (note 2)	6,000,000	-	(1,496,000)	-	4,504,000
Mr. Yip Kai Kut Kenneth	20/7/2016	HK\$0.483	20/7/2017-19/7/2021 (note 2)	6,000,000	-	(720,000)	-	5,280,000
Mr. Chong Ming Pui	20/7/2016	HK\$0.483	20/7/2017-19/7/2021 (note 2)	6,000,000	-	(1,496,000)	-	4,504,000
Mr. Yeung Yu	20/7/2016	HK\$0.483	20/7/2017-19/7/2021 (note 2)	6,000,000	-	(1,440,000)	-	4,560,000
<b>Consultants of the Group in aggregate</b>								
	20/7/2016	HK\$0.483	20/7/2017-19/7/2021 (note 2)	2,700,000	-	(584,000)	(176,000)	1,940,000
	10/10/2017	HK\$1.872	10/10/2019-9/10/2022 (note 4 & 6)	-	3,500,000	-	-	3,500,000
<b>Employees of the Group in aggregate</b>								
	20/7/2016	HK\$0.483	20/7/2017-19/7/2021 (note 2)	45,300,000	-	(8,600,000)	(4,428,000)	32,272,000
	5/4/2017	HK\$0.720	5/4/2018-4/4/2022 (note 3 & 5)	-	13,600,000	-	(1,900,000)	11,700,000
	10/10/2017	HK\$1.872	10/10/2019-9/10/2022 (note 4 & 6)	-	4,200,000	-	(500,000)	3,700,000
<b>Total:</b>				<b>78,000,000</b>	<b>21,300,000</b>	<b>(14,336,000)</b>	<b>(7,004,000)</b>	<b>77,960,000</b>

Notes:

1. Mr. Chan Wing Hong Alex is also the controlling shareholder of the Company
2. For all share options granted on 20 July 2016, the first 25% of the total options can be exercised 1 year after the date of grant, and each 25% of the total options will become exercisable in each subsequent year.
3. A total of 13,600,000 share options are granted on 5 April 2017. Among that, 25% of 8,400,000 can be exercised 1 year after the date of grant, and each 25% of the total options will become exercisable in each subsequent year. For the remaining 5,200,000 options, 50% of the options can be exercised 2 years after the date of grant, and each 25% of the total options will become exercisable in each subsequent year.
4. For all share options granted on 10 October 2017, the first 50% of the total options can be exercised 2 years after the date of grant, and each 25% of the total options will become exercisable in each subsequent year.
5. The closing price of the Share immediately before the date on which the options were granted was HK\$0.69.
6. The closing price of the Share immediately before the date on which the options were granted was HK\$1.79.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

Other than as disclosed in the paragraph headed "Directors' and chief executives' interests and short position in shares, underlying shares and debentures" above, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at 31 December 2017, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2017 and up to the date of this annual results announcement.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

## **CORPORATE GOVERNANCE CODE**

The Company has adopted the Corporate Governance Code (the “CG Code”) as its own code of corporate governance, and is committed to maintaining high standards of corporate governance as well as transparency. The Company has complied with all applicable code provisions of the CG Code for the year ended 31 December 2017.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company’s securities. Having made specific enquiries with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the year ended December 2017.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group’s auditors, Ernst & Young (“EY”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standard on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

## **AUDIT COMMITTEE**

The audit committee of the Company reviewed the Group’s consolidated annual results for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the consolidated financial statements for the year ended 31 December 2017 with the management.

## **THE ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2017 will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkexnews.com.hk>) and the Company (<http://www.ploverbay.com>) in due course.

## **APPRECIATION**

Finally, I would like to take this opportunity to thank the Group's shareholders and business partners for their support and encouragement to the Group during the past year. I would also like to thank our Directors and all staff member of the Group for their hard work and contribution to the Group.

By Order of the Board of  
**Plover Bay Technologies Limited**  
**Chan Wing Hong Alex**  
*Chairman and executive Director*

Hong Kong, 28 February 2018

*As at the date of this announcement, the executive Directors are Mr. Chan Wing Hong Alex, Mr. Chau Kit Wai, Mr. Yip Kai Kut Kenneth, Mr. Chong Ming Pui and Mr. Yeung Yu; the independent non-executive Directors are Dr. Yu Kin Tim, Mr. Ho Chi Lam and Mr. Wan Sze Chung.*