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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 2018

SUMMARY

- Revenue for the year ended 31 December 2018 was approximately US\$41,806,000, an increase of approximately 12.6% from approximately US\$37,132,000 for the year ended 31 December 2017.
- Profit attributable to the owners of the Company for the year ended 31 December 2018 was approximately US\$10,620,000, while the profit attributable to owners of the Company for the year ended 31 December 2017 was approximately US\$8,754,000, representing an increase of approximately 21.3%.
- Basic earnings per share for the year ended 31 December 2018 was approximately US1.04 cents (2017: approximately US0.87 cents).
- The Board has resolved to declare a second interim dividend of HK4.36 cents per share and a special dividend of HK1.52 cents per share for the year ended 31 December 2018, respectively, and are expected to be paid on 27 March 2019 to the shareholders whose names appear in the Company's register of members on 15 March 2019.

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 2018, together with the comparative figures for the corresponding year in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 US\$'000	2017 US\$'000
Revenue	4	41,806	37,132
Cost of sales and services		(15,617)	(14,157)
Gross profit		26,189	22,975
Other income and gains, net	4	295	463
Selling and distribution expenses		(2,107)	(1,636)
Administrative expenses		(4,814)	(3,958)
Research and development expenses		(7,318)	(7,189)
Finance costs	5	(32)	(26)
Profit before tax	6	12,213	10,629
Income tax expense	7	(1,593)	(1,875)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		10,620	8,754
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		1	(77)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		10,621	8,677
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
- Basic (<i>US cents</i>)		1.04	0.87
- Diluted (<i>US cents</i>)		1.00	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 US\$'000	2017 US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,470	1,995
Intangible assets		891	661
Deferred tax assets		30	22
TOTAL NON-CURRENT ASSETS		3,391	2,678
CURRENT ASSETS			
Inventories	10	8,372	11,629
Trade receivables	11	4,922	7,763
Prepayments, deposits and other receivables	12	1,491	1,713
Tax recoverable		269	29
Cash and cash equivalents	13	26,850	16,747
TOTAL CURRENT ASSETS		41,904	37,881
CURRENT LIABILITIES			
Trade payables, other payables and accruals	14	2,274	2,630
Deferred revenue		-	5,036
Contract liabilities		6,763	-
Tax payable		216	919
Interest-bearing bank borrowings		1,306	1,944
TOTAL CURRENT LIABILITIES		10,559	10,529
NET CURRENT ASSETS		31,345	27,352
TOTAL ASSETS LESS CURRENT LIABILITIES		34,736	30,030
NON-CURRENT LIABILITIES			
Deferred tax liabilities		109	95
Deferred revenue		-	1,185
Contract liabilities		1,909	-
TOTAL NON-CURRENT LIABILITIES		2,018	1,280
NET ASSETS		32,718	28,750
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	1,326	1,307
Reserves		31,392	27,443
TOTAL EQUITY		32,718	28,750

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the parent					
	Issued capital US\$'000	Share premium account US\$'000	Share option reserve US\$'000	Exchange fluctuation reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
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	-	-	-	-	(2,484)	(2,484)
Interim 2017 dividend	-	-	-	-	(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>
At 1 January 2018	1,307	14,596	855	-	11,992	28,750
Profit for the year	-	-	-	-	10,620	10,620
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	-	-	-	1	-	1
Total comprehensive income for the year	-	-	-	1	10,620	10,621
Issue of shares upon exercise of share options	19	1,236	(318)	-	-	937
Equity-settled share option arrangements	-	-	761	-	-	761
Second interim 2017 dividend	-	-	-	-	(4,534)	(4,534)
Interim 2018 dividend	-	-	-	-	(3,817)	(3,817)
At 31 December 2018	<u>1,326</u>	<u>15,832</u> *	<u>1,298</u> *	<u>1</u> *	<u>14,261</u> *	<u>32,718</u>

* These reserve accounts comprise the consolidated reserves of US\$31,392,000 (2017: US\$27,443,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2018

	2018	2017
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,213	10,629
Adjustments for:		
Finance costs	32	26
Interest income	(243)	(173)
Write-down of inventories to net realisable value	48	281
Loss on disposal of items of property, plant and equipment	1	-
Depreciation	461	385
Impairment of trade receivables	2	11
Amortisation of intangible assets	368	254
Equity-settled share option expenses	761	764
	13,643	12,177
Decrease/(increase) in inventories	3,209	(5,232)
Decrease/(increase) in trade receivables	2,839	(3,827)
Decrease/(increase) in prepayments, deposits and other receivables	222	(345)
(Decrease)/increase in trade payables, other payables and accruals	(356)	746
Increase in contract liabilities/deferred revenue	2,460	1,837
	22,017	5,356
Cash generated from operations	22,017	5,356
Hong Kong profits tax paid	(2,526)	(2,547)
	19,491	2,809
NET CASH FLOWS FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	243	173
Purchase of items of property, plant and equipment	(939)	(1,605)
Additions to intangible assets	(598)	(535)
Decrease in a pledged bank deposit	-	129
Proceeds from disposal of items of property, plant and equipment	1	17
Decrease/(increase) in a non-pledged bank deposit with original maturity of more than three months when acquired	7,115	(7,115)
	5,822	(8,936)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year ended 31 December 2018

	2018	2017
	US\$'000	US\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	937	887
Dividends paid	(8,351)	(5,824)
New bank loans	895	2,638
Repayment of bank loans	(1,527)	(995)
Interest paid	(32)	(26)
	<hr/>	<hr/>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(8,078)	(3,320)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,235	(9,447)
Cash and cash equivalents at beginning of year	9,632	19,193
Effect of foreign exchange rate changes, net	(17)	(114)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENT AT END OF YEAR	26,850	9,632
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	26,850	9,632
Non-pledged time deposit	-	7,115
	<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of financial position	26,850	16,747
Non-pledged time deposit not in the nature of cash and cash equivalents for the purpose of the statement of cash flows	-	(7,115)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	26,850	9,632
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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

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 2018. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 <u>measurement</u>		Re- classification	ECL	HKFRS 9 <u>measurement</u>	
	Note	Category	Amount US\$'000	US\$'000	US\$'000	Amount US\$'000	Category
<u>Financial assets</u>							
Trade receivables	(i)	L&R ¹	7,763	-	-	7,763	AC ²
Financial assets included in prepayments, deposits and other receivables	(i)	L&R	1,138	-	-	1,138	AC
Cash and cash equivalents		L&R	<u>16,747</u>	<u>-</u>	<u>-</u>	<u>16,747</u>	AC
			<u>25,648</u>	<u>-</u>	<u>-</u>	<u>25,648</u>	
<u>Financial liabilities</u>							
Trade payables		AC	1,297	-	-	1,297	AC
Financial liabilities included in other payables and accruals		AC	198	-	-	198	AC
Interest-bearing bank borrowings		AC	<u>1,944</u>	<u>-</u>	<u>-</u>	<u>1,944</u>	AC
			<u>3,439</u>	<u>-</u>	<u>-</u>	<u>3,439</u>	

¹ L&R: Loans and receivables

² AC: Financial assets or financial liabilities at amortised cost

Note:

- (i) The gross carrying amount of the trade receivables under the column “HKAS 39 measurement - Amount” represents the amount after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(b).

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017 US\$'000	Re-measurement US\$'000	ECL allowance under HKFRS 9 at 1 January 2018 US\$'000
Trade receivables	93	-	93
Financial assets included in prepayments, deposits and other receivables	-	-	-
	<u>93</u>	<u>-</u>	<u>93</u>

- (b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase/ (decrease) US\$'000
Liabilities		
Deferred revenue	(i)	(6,221)
Contract liabilities	(i)	6,221

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on consolidated statement of profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

	Note	<u>Amounts prepared under</u>		
		HKFRS 15 US\$'000	Previous HKFRS US\$'000	Increase/ (decrease) US\$'000
Deferred revenue	(i)	-	(8,672)	(8,672)
Contract liabilities	(i)	8,672	-	8,672

The nature of the adjustment as at 1 January 2018 and the reason for the changes in the statement of financial position as at 31 December 2018 is described below:

Note:

- (i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as deferred revenue. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Group reclassified US\$6,221,000 from deferred revenue to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, US\$8,672,000 was reclassified from deferred revenue to contract liabilities in relation to the consideration received from customers in advance for the provision of warranty and support services.

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 sale of SD-WAN routers segment that primarily engages in sale 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.

Operating segments:

	Sale of SD-WAN routers				Software licences and warranty and support services		Total	
	Wired routers		Wireless routers		2018	2017	2018	2017
	2018	2017	2018	2017	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment revenue:								
Sales to external customers	8,170	7,932	22,251	21,373	11,385	7,827	41,806	37,132
Segment result	3,986	3,873	6,054	6,200	8,462	5,459	18,502	15,532
<i>Reconciliation</i>								
Other income and gains, net							295	463
Selling and distribution expenses							(2,107)	(1,636)
Unallocated administrative expenses							(4,445)	(3,704)
Finance costs							(32)	(26)
Profit before tax							12,213	10,629

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

	Sale of SD-WAN routers				Software licences and warranty and support services		Total	
	Wired routers		Wireless routers		2018	2017	2018	2017
	2018	2017	2018	2017	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Other segment information:								
Amortisation of intangible assets	11	8	305	205	52	41	368	254
Write-down of inventories to net realisable value	13	76	35	205	-	-	48	281

Geographical information

Revenue from external customers

	2018	2017
	US\$'000	US\$'000
North America	24,368	21,305
EMEA (Europe, Middle East and Africa)	10,290	7,652
Asia	6,298	7,224
Others	850	951
	41,806	37,132

Non-current assets

	2018	2017
	US\$'000	US\$'000
Hong Kong	3,340	2,651
Taiwan	16	-
Malaysia	5	5
	3,361	2,656

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

Information about major customers

For the year ended 31 December 2018, revenue of approximately US\$10,420,000 from a major customer was derived from the sale of SD-WAN routers segment and software licences and warranty and support services segment.

For the year ended 31 December 2017, revenue from two major customers of approximately US\$8,099,000 and US\$4,169,000 was derived from the sale of SD-WAN routers segment and software licences and warranty and support services segment, respectively.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2018	2017
	US\$'000	US\$'000
<i>Revenue from contracts with customers</i>	41,806	-
Sale of SD-WAN routers		
- Wired	-	7,932
- Wireless	-	21,373
Provision of warranty and support services	-	6,652
Sale of software and licence fee income	-	1,175
	41,806	37,132

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	Sale of SD- WAN routers	Software licences and warranty and support services	Total
	US\$'000	US\$'000	US\$'000
Type of goods or services			
Sale of SD-WAN routers			
- Wired	8,170	-	8,170
- Wireless	22,251	-	22,251
Provision of warranty and support services	-	9,539	9,539
Sale of software and licence fee income	-	1,846	1,846
	30,421	11,385	41,806

	2018	2017
	US\$'000	US\$'000
Other income and gains, net		
Sale of parts	52	153
Bank interest income	243	173
Foreign exchange gains, net	-	80
Others	-	57
	295	463

5. FINANCE COSTS

	2018	2017
	US\$'000	US\$'000
Interest on bank borrowings	<u>32</u>	<u>26</u>

6. PROFIT BEFORE TAX

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

	2018	2017
	US\$'000	US\$'000
Cost of inventories sold	14,740	13,393
Cost of services provided	877	764
Depreciation*	461	385
Amortisation of intangible assets**	368	254
Loss on disposal of items of property, plant and equipment	1	-
Minimum lease payments under operating leases	775	644
Auditor's remuneration	159	154
Employee benefit expense (excluding directors' remuneration)***:		
Wages, salaries and allowances	5,580	5,112
Equity-settled share-based payment expense	466	449
Retirement benefit scheme contributions (defined contribution schemes)	229	214
	<u>6,275</u>	<u>5,775</u>
Equity-settled share-based payment expense for consultants	150	40
Impairment of trade receivables	2	11
Write-down of inventories to net realisable value	48	281
Foreign exchange differences, net	<u>149</u>	<u>(80)</u>

* Depreciation for the year of US\$227,000 (2017: Nil) is included in "Cost of sales and services" on the face of the consolidated statement of profit or loss and other comprehensive income.

** Amortisation of intangible assets for the year of US\$368,000 (2017: US\$254,000) 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\$4,818,000 (2017: US\$4,739,000) 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% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2018	2017
	US\$'000	US\$'000
Current – Hong Kong		
Charge for the year	1,578	1,870
Under/(over)provision in prior years	8	(12)
Deferred	7	17
	<hr/>	<hr/>
Total tax charge for the year	1,593	1,875
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8. DIVIDENDS

	Notes	2018	2017
		US\$'000	US\$'000
Dividends declared:			
Interim – HK2.92 cents (2017: HK2.58 cents)			
per ordinary share		3,817	3,340
Second interim – HK4.36 cents (2017: HK3.50 cents)			
per ordinary share	(a)	5,736	4,570
Special dividend – HK1.52 cents (2017: Nil)			
per ordinary share	(b)	2,000	-
		<hr/>	<hr/>
		11,553	7,910
		<hr/>	<hr/>

Notes:

- (a) Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2018 of HK4.36 cents (2017: second interim dividend of HK3.50 cents) per ordinary share, in an aggregate amount of approximately US\$5,736,000 (2017: US\$4,570,000) has been declared by the directors of the Company.
- (b) In addition, the directors of the Company have declared a special dividend for the year ended 31 December 2018 of HK1.52 cents (2017: Nil) per ordinary share, in an aggregate amount of approximately US\$2,000,000 subsequent to the end of the reporting period.

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 1,020,193,468 (2017: 1,005,086,005) in issue during the year.

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	
	2018	2017
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,020,193,468	1,005,086,005
Effect of dilution – weighted average number of ordinary shares: Share options	38,600,698	41,343,895
	1,058,794,166	1,046,429,900

10. INVENTORIES

	2018	2017
	US\$'000	US\$'000
Raw materials and consumables	6,033	7,464
Finished goods	2,339	4,165
	8,372	11,629

11. TRADE RECEIVABLES

	2018	2017
	US\$'000	US\$'000
Trade receivables	5,016	7,856
Impairment	(94)	(93)
	4,922	7,763

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 loss allowance, is as follows:

	2018	2017
	US\$'000	US\$'000
Within 1 month	3,650	5,300
1 to 2 months	960	1,423
2 to 3 months	297	538
Over 3 months	15	502
	4,922	7,763

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	US\$'000	US\$'000
Prepayments	592	575
Deposits and other receivables	899	1,138
	1,491	1,713

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	2018	2017
	US\$'000	US\$'000
Cash and bank balances	26,850	9,632
Time deposit	-	7,115*
	26,850	16,747

* 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.

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018	2017
	US\$'000	US\$'000
Trade payables	930	1,297
Deposits received	189	237
Other payables	6	7
Accruals	1,149	1,089
	2,274	2,630

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

	2018	2017
	US\$'000	US\$'000
Within 1 month	910	1,216
1 to 2 months	19	69
2 to 3 months	-	-
Over 3 months	1	12
	930	1,297

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

15. ISSUED CAPITAL

	2018	2017
	US\$'000	US\$'000
Authorised:		
4,000,000,000 (2017: 4,000,000,000) ordinary shares of HK\$0.01 each	5,152	5,152
Issued and fully paid:		
1,028,832,000 (2017: 1,014,336,000) ordinary shares of HK\$0.01 each	1,326	1,307

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

	Notes	Number of shares in issue	Issued capital HK\$'000	Issued capital US\$'000
At 1 January 2017		1,000,000,000	10,000	1,288
Share options exercised	(a)	14,336,000	143	19
At 31 December 2017 and 1 January 2018		1,014,336,000	10,143	1,307
Share options exercised	(b)	14,496,000	145	19
At 31 December 2018		1,028,832,000	10,288	1,326

Notes:

- (a) The subscription rights attaching to 14,336,000 share options were exercised at the weighted average subscription price of HK\$0.483 per share, resulting in the issue of 14,336,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$887,000. An amount of approximately US\$315,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.
- (b) The subscription rights attaching to 14,496,000 share options were exercised at the weighted average subscription price of HK\$0.507 per share, resulting in the issue of 14,496,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$937,000. An amount of approximately US\$318,000 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 2018, 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 2018, revenue of the Group was approximately US\$41,806,000, representing an increase of approximately US\$4,674,000 or 12.6% from approximately US\$37,132,000 for the year ended 31 December 2017. During the year, as a result of our expanding user base and our efforts in promoting our cloud services, warranty and support service and software licenses experienced strong year-on-year growth of approximately 43.4% and 57.1%, respectively. Wired SD-WAN routers and wireless SD-WAN routers experienced slower year-on-year growth of approximately 3.0% and 4.1%, respectively, as shortages of certain electronics components and production capacity of contract suppliers in Taiwan led to longer production lead time during the year. Moreover, our sales in Asia and other regions were negatively affected by regional political instability and uncertainties on global trade.

The table below sets out our revenue by product/service category for the year ended 31 December 2018:

	For the year ended 31 December			
	2018		2017	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
SD-WAN routers:				
Wired	8,170	19.6	7,932	21.4
Wireless	22,251	53.2	21,373	57.5
Warranty and support services	9,539	22.8	6,652	17.9
Software licences	1,846	4.4	1,175	3.2
Total	41,806	100.0	37,132	100.0

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 2018

	Sale of SD-WAN routers			Total US\$'000
	Wired routers US\$'000	Wireless routers US\$'000	Software licences and warranty and support services US\$'000	
External sales and segment revenue	8,170	22,251	11,385	41,806
Segment profit	3,986	6,054	8,462	18,502
Other income and gains, net				295
Selling and distribution expenses				(2,107)
Unallocated administrative expenses				(4,445)
Finance costs				(32)
Profit before tax				12,213

Year ended 31 December 2017

	Sale of SD-WAN routers			Total US\$'000
	Wired routers US\$'000	Wireless routers US\$'000	Software licences and warranty and support services 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

Our products are sold to customers in North America, EMEA (including Europe, Middle East and Africa), Asia and Other regions. During the year ended 31 December 2018, sales to North America increased to approximately US\$24,368,000 representing growth of approximately 14.4% from approximately US\$21,305,000 during the year ended 31 December 2017. Sales to EMEA rose to approximately US\$10,290,000, representing a growth of 34.5% from approximately US\$7,652,000 during the year ended 31 December 2017. Sales to Asia and other regions decreased approximately 12.8% and 10.6% year-on-year, respectively due to regional political instability and uncertainties on global trade. In the foreseeable future, the North American market will continue to account for a major part of our revenue.

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 2017 and 2018:

	For the year ended 31 December			
	2018		2017	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
North America	24,368	58.3	21,305	57.4
EMEA	10,290	24.6	7,652	20.6
Asia	6,298	15.1	7,224	19.4
Others	850	2.0	951	2.6
Total	41,806	100.0	37,132	100.0

Gross profit and gross profit margin

For the year ended 31 December 2018, our gross profit was approximately US\$26,189,000, with gross profit margin of approximately 62.6%, while gross profit and gross profit margin for the year ended 31 December 2017 were approximately US\$22,975,000 and 61.9%, respectively, representing an increase of approximately 0.7 percentage points in gross profit margin. Increase of the overall gross margin of the Group was driven by higher sales mix of warranty and support services and software licences.

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 2017 and 2018:

	For the year ended 31 December			
	2018		2017	
	Gross profit US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %
SD-WAN routers:				
Wired	5,427	66.4	5,404	68.1
Wireless	10,254	46.1	10,508	49.2
Warranty and support services	8,662	90.8	5,888	88.5
Software licences	1,846	100.0	1,175	100.0
Total	26,189	62.6	22,975	61.9

Other income and gains, net

Other income and gains, net mainly represented net gain on sale of parts to our contract manufacturers, interest income and foreign currency exchange gain. For the year ended 31 December 2018, other income and gains, net was approximately US\$295,000, representing a decrease of approximately 36.3%, from approximately US\$463,000 for the year ended 31 December 2017. The decrease mainly resulted from our efforts to reduce inventory levels, sale of parts to contract manufacturers for the production of finished goods decreased substantially. We also recorded foreign currency exchange losses (included in administrative expenses) during the year, compared to foreign currency exchange gains in the last year.

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 2018 and year ended 31 December 2017 was approximately US\$2,107,000 and US\$1,636,000, respectively, representing an increase of approximately US\$471,000 or 28.8%. During the year, we organised more marketing events, including partner trainings and webinars, in order to promote our products and strengthen our partnership with distributors across the world, which led to increased 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 2018 and year ended 31 December 2017 was approximately US\$4,814,000 and US\$3,958,000, respectively, representing an increase of approximately US\$856,000 or 21.6%. This is mainly due to increases in staff salary, external consultancy fees, amortisation charges and recognition of currency exchange losses.

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 2018 and year ended 31 December 2017 was approximately US\$7,318,000 and US\$7,189,000, respectively, representing an increase of approximately US\$129,000 or 1.8%, which reflects the gradual increase in salary cost and engineering sampling materials.

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, employees and consultants which are expensed on a straight-line basis over the vesting period since the grant date.

During the year, share options of the Group were granted on 14 March 2018 and 14 September 2018. Equity-settled share-based payment expense for the year ended 31 December 2018 was approximately US\$761,000 (year ended 31 December 2017: approximately US\$764,000). Details of share options granted by the Group 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 2018 and 31 December 2017 amounted to approximately US\$14,239,000 and US\$12,783,000, respectively and represents an increase of approximately US\$1,456,000 or 11.4%. Total staff cost (including equity-settled share-based expenses and directors’ remunerations) remains the largest component of our operating expenses and amounted to approximately US\$7,794,000 during the year (2017: US\$7,361,000).

Finance costs

Finance costs mainly represented interests on bank borrowings. Finance costs for the year ended 31 December 2018 and year ended 31 December 2017 were approximately US\$32,000 and US\$26,000, respectively, representing an increase of approximately US\$6,000. During the year, effective interest rates increased over the period ended 31 December 2017.

Income tax expense

We provided for Hong Kong profits tax at a rate of 16.5% on our estimated assessable profits arising in Hong Kong. During the year, our effective tax rate decreased as certain tax benefits and deductions implemented by the HKSAR Government were factored in to our income tax expense calculations.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2018 was approximately US\$10,620,000 compared to approximately US\$8,754,000 for the year ended 31 December 2017, representing an increase of approximately US\$1,866,000 or 21.3%.

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;
- Global trade policy uncertainties, which may affect the economics of the purchasing decisions of our end customers;
- 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

As a subset of the mature global WAN edge networking market, SD-WAN continues to grow rapidly. According to global leading market research firms, the SD-WAN market (which includes both software and hardware) is predicted to grow at 37-40% CAGR in the next few years. We believe such rapid growth in the short term will mainly come from replacement of traditional WAN equipment with SD-WAN technologies among enterprise customers. Moreover, we anticipate the arrival of 5G will jumpstart the growth of wireless SD-WAN because i) as Internet of Things technology evolves, wireless connections will be crucial for connecting vehicles, trains, ships, and in some cases, remote devices and assets to the network, and ii) the merits of wireless SD-WAN, i.e. cost-savings, convenience, reliability and flexibility over other forms of connections, such as private fixed lines and satellite, will become more and more apparent to enterprise customers.

As the technology leader of wireless SD-WAN, we further widened our technology gap from competitors in the past year and positioned ourselves for long term sustainable growth. During the year, we adopted a modular building blocks design approach in designing our high-end SD-WAN routers. In addition to 5G-ready high processing power and data throughput of the base platform, customers can choose from a range of interchangeable modules to meet their networking requirements. This fresh design approach unifies our mid to high-end wired and wireless SD-WAN product lines, and provides an easy upgrade path for future connectivity options, such as the broad variety of 5G interfaces.

We also made significant improvements to our product firmware and cloud platform, further integrating our software and cloud system with our SD-WAN platforms and providing enterprise customers and service providers better capabilities to manage large enterprise networks in multiple locations. In the coming years, growing our cloud platform user base and bolstering our recurring revenues will be our major focuses. First, we will launch a range of Internet of Things platform-as-a-service solutions ranging from vehicle management to cloud-integrated office automation systems. Furthermore, we expect to launch a new service called FusionSIM, allowing service providers to stream pooled mobile data plans to different enterprise customers via cloud. By combining numerous mobile data plans from different carriers, the service ensures the best mobile network condition any time at any location. It can also minimise data plan cost by distributing data plan caps among different users. Finally, the deployment and management of a SD-WAN network will be highly simplified, as corporate customers can scale the same solution to any number of branches and will only have to deal with a single managed service provider, instead of dealing with billings from multiple telecom companies and system integrators in multiple countries.

Finally, without a strong message to customers, even a great product will unlikely live up to its potential. As such, in the coming years we will prudently allocate more resources to step up our marketing capabilities to help the market understand the value of our products. Together with our unrivaled and unique product lineup, we are confident to continue delivering splendid results to our shareholders in the coming years.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, our bank borrowings amounted to approximately US\$1,306,000 (as at 31 December 2017: approximately US\$1,944,000) which are secured by mortgages over the Group's leasehold land and buildings with aggregate carrying value at the end of the period of approximately US\$1,143,000 (2017: approximately US\$1,185,000).

As at 31 December 2018, the gearing ratio (which is defined as total borrowings over total equity) of our Group was approximately 4.0% (2017: approximately 6.8%). 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 2018.

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 14 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 2018, the Group had 120 full-time employees. The total amount of staff costs of the Group for the year was approximately US\$7,749,000.

The Company also adopted a share option scheme approved on 21 June 2016 for the purpose of, among other things, recognition of employees' contribution to the Company's continued growth. During the year, the Company issued share options on 14 March 2018 and 14 September 2018. 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 2018 were approximately US\$208,000 (2017: approximately US\$192,000).

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 2018 were approximately US\$31,000 (2017: approximately US\$32,000).

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLAN FOR MATERIAL INVESTMENT

As at 31 December 2018, the Group has no significant investment held and material investment plan.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2018, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

COMMITMENTS

As at 31 December 2018, 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 (2017: Nil).

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\$1,143,000 (2017: US\$1,185,000).

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 2018 amounted to approximately HK\$53.7 million (equivalent to approximately US\$6.9 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 2018, 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
Strengthen our R&D capabilities:				
Expansion of R&D team	22%	3.12	1.79	1.33
Upgrade R&D facilities	13%	1.74	0.14	1.60
Establishment of a R&D centre	13%	1.75	1.23	0.52
Promotional and marketing activities	15%	2.10	1.05	1.05
Improving marketing capabilities	13%	1.87	0.79	1.08
Improve brand awareness	3%	0.48	0.16	0.32
Install an enterprise resource planning system	1%	0.12	0.12	-
Strengthen patent portfolio	10%	1.40	0.79	0.61
Working capital and general corporate purposes	10%	1.40	1.05	0.35
	100%	13.98	7.12	6.86

ADOPTION OF DIVIDEND POLICY

The board of directors of the Company has approved and adopted a dividend policy (the “Dividend Policy”) effective from 28 February 2019. The Company endeavours to maintain sufficient working capital to develop and operate the business of the Group and to provide stable and sustainable returns to the shareholders of the Company (“Shareholders”).

In determining the dividend for distribution to Shareholders, the Board will measure the capital needs in future years based on the future capital budget plan of the Company and consider factors such as profitability and financial structure and liquidity of the Company comprehensively.

The declaration and payment of dividend by the Company is subject to any restrictions under the Companies Law of the Cayman Islands and the Company’s articles of association and any other applicable laws and regulations. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

DECLARATION OF DIVIDENDS AND THE CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare a second interim dividend of HK4.36 cents per share and a special dividend of HK1.52 cents per share for the year ended 31 December 2018. For the purpose of determining the entitlement to the 2018 second interim dividend and the special dividend (collectively the “Dividends”), the register of members of the Company will be closed on Friday, 15 March 2018. The record date for entitlement to receive the Dividends is Friday, 15 March 2018. In order to be qualified for the Dividends, 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 Thursday, 14 March 2018. The cheques for payment of the Dividends will be sent on Wednesday, 27 March 2018.

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

At 31 December 2018, 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

Name of Directors	Nature of interest	Number of ordinary shares of the Company interested	Number of underlying ordinary shares of the Company held under Share Option Scheme	Approximate percentage of shareholding %
Chan Wing Hong Alex	Beneficial owner	750,000,000	6,000,000	73.5
Chau Kit Wai	Beneficial owner	3,000,000	3,000,000	0.6
Yip Kai Kut Kenneth	Beneficial owner	3,000,000	3,000,000	0.6
Chong Ming Pui	Beneficial owner	3,000,000	3,000,000	0.6
Yeung Yu	Beneficial owner	3,000,000	3,000,000	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 2018 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 2018 are as follows:

Grantee	Date of grant	Exercise price per share	Exercise period	Note	Movement of share options during the year				At 31 December 2018
					At 1 January 2018	Granted	Exercised	Lapsed / cancelled	
Directors									
Mr. Chan Wing Hong Alex	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(1), (2)	6,000,000	-	-	-	6,000,000
Mr. Chau Kit Wai	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	4,504,000	-	(1,504,000)	-	3,000,000
Mr. Yip Kai Kut Kenneth	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	5,280,000	-	(2,280,000)	-	3,000,000
Mr. Chong Ming Pui	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	4,504,000	-	(1,504,000)	-	3,000,000
Mr. Yeung Yu	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	4,560,000	-	(1,560,000)	-	3,000,000
Consultants									
	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	1,940,000	-	(640,000)	(76,000)	1,224,000
	10/10/2017	HK\$1.872	10/10/2019-9/10/2022	(4)	3,500,000	-	-	(200,000)	3,300,000
	14/3/2018	HK\$1.974	14/3/2019-13/3/2023	(5)	-	3,384,000	-	-	3,384,000
	14/9/2018	HK\$1.02	14/9/2019-13/9/2023	(6)	-	2,316,000	-	(100,000)	2,216,000
Employees									
	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	32,272,000	-	(5,520,000)	(256,000)	26,496,000
	5/4/2017	HK\$0.720	5/4/2018-4/4/2022	(3)	11,700,000	-	(1,488,000)	(1,700,000)	8,512,000
	10/10/2017	HK\$1.872	10/10/2019-9/10/2022	(4)	3,700,000	-	-	(760,000)	2,940,000
	14/3/2018	HK\$1.974	14/3/2019-13/3/2023	(5)	-	10,116,000	-	(3,600,000)	6,516,000
	14/9/2018	HK\$1.02	14/9/2019-13/9/2023	(6)	-	9,948,000	-	(300,000)	9,648,000
Total:					77,960,000	25,764,000	(14,496,000)	(6,992,000)	82,236,000

Notes:

- Mr. Chan Wing Hong Alex is also the controlling shareholder of the Company
- 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.
- 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 a further 25% 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 25% will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$0.69.

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 a further 25% of the total options will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$1.79.
5. For the 13,500,000 share options granted on 14 March 2018, 25% of the 9,900,000 options can be exercised 1 year after the date of grant, and 25% will become exercisable in each subsequent year. For the remaining 3,600,000 options, 50% can be exercised 2 years after the date of grant, and 25% will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$1.90.
6. For the 12,264,000 share options granted on 14 September 2018, 25% of 10,864,000 options can be exercised 1 year after the date of grant, and 25% will become exercisable in each subsequent year. For the remaining 1,400,000 options, 50% can be exercised 2 years after the date of grant, and 25% will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$1.02.

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.

NON-COMPETITION UNDERTAKINGS

Mr. Chan Wing Hong Alex (the "**Covenator**") has confirmed to the Company of his compliance with the terms of the Deed of Non-Competition since the Listing Date and up to the date of this announcement.

Our independent non-executive Directors have reviewed compliance of the Deed of Non-Competition and were satisfied that the terms of the Deed of Non-Competition had been duly complied with and enforced since the Listing Date and up to the date of this announcement.

As at 31 December 2018, 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 2018 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 2018.

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 2018.

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 2018.

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 2018 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 Standards 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 2018, 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 2018 with the management.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 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

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 2019

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.