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Plover Bay Technologies Limited

玊灣科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1523)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR THE
YEAR ENDED 31 DECEMBER 2016**

SUMMARY

- Revenue for the year ended 31 December 2016 was approximately US\$28,358,000, an increase of approximately 29.7% from approximately US\$21,859,000 for the year ended 31 December 2015.
- Profit attributable to owners of the Company for the year ended 31 December 2016 was approximately US\$5,240,000, while the profit attributable to owners of the Company for the year ended 31 December 2015 was approximately US\$3,357,000, representing an increase of approximately 56.1%.
- Basic earnings per share for the year ended 31 December 2016 was approximately US0.60 cents (for the year ended 31 December 2015: basic earnings per share was approximately US0.45 cents).
- The Board has determined that a second interim dividend of HK1.93 cents per share for the year ended 31 December 2016 be payable on 23 March 2017 to the shareholders whose names appear in the Company's register of members on 15 March 2017.

The board (the “Board”) of directors (the “Directors”) of Plover Bay Technologies Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016, together with the comparative figures for the corresponding year in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>NOTES</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Revenue	4	28,358	21,859
Cost of sales		(10,413)	(9,166)
Gross profit		17,945	12,693
Other income	5	104	69
Selling and distribution expenses		(1,697)	(1,003)
Administrative expenses		(3,412)	(2,710)
Research and development expenses		(4,990)	(3,907)
Listing expenses		(1,252)	(1,001)
Finance costs	6	(23)	(1)
Profit before taxation	7	6,675	4,140
Income tax expenses	8	(1,435)	(783)
Profit for the year		5,240	3,357
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		13	58
		5,253	3,415
Total comprehensive income for the year			
Profit for the year attributable to owners of the Company		5,240	3,357
Total comprehensive income for the year attributable to owners of the Company		5,253	3,415
Earnings per share (<i>US cents</i>)	10		
Basic		0.60	0.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>NOTES</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		694	556
Intangible assets		383	277
Deposits paid for acquisition of property, plant and equipment		106	—
Total non-current assets		1,183	833
Current assets			
Inventories		6,678	4,138
Trade and other receivables	<i>11</i>	5,315	3,857
Amounts due from related companies		—	459
Pledged bank deposits		129	—
Bank balances and cash		19,193	6,062
Total current assets		31,315	14,516
Current liabilities			
Trade and other payables	<i>12</i>	1,884	1,045
Amount due to a director		—	1,794
Amounts due to related companies		—	15
Deferred revenue		3,551	2,852
Tax liabilities		1,589	516
Bank borrowings		318	1,238
Total current liabilities		7,342	7,460
Net current assets		23,973	7,056
Total assets less current liabilities		25,156	7,889
Non-current liabilities			
Deferred tax liabilities		56	40
Deferred revenue		854	736
Total non-current liabilities		910	776
Net assets		24,246	7,113
Capital and reserves			
Share capital	<i>13</i>	1,288	—
Share premium and reserves		22,958	7,113
Equity attributable to owners of the Company		24,246	7,113

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company						Total US\$'000
	Share capital	Share premium	Capital reserve	Exchange reserve	Share options reserve	Retained earnings	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
At 1 January 2015	—	—	98	6	—	6,492	6,596
Other comprehensive income for the year	—	—	—	58	—	—	58
Profit for the year	—	—	—	—	—	3,357	3,357
Profit and total comprehensive income for the year	—	—	—	58	—	3,357	3,415
Dividends recognised as distributions	—	—	—	—	—	(2,800)	(2,800)
Issue of a new share	—	—	—	—	—	—	—
Deemed distribution to a shareholder	—	—	(98)	—	—	—	(98)
At 31 December 2015	—	—	—	64	—	7,049	7,113
Other comprehensive income for the year	—	—	—	13	—	—	13
Profit for the year	—	—	—	—	—	5,240	5,240
Profit and total comprehensive income for the year	—	—	—	13	—	5,240	5,253
Capitalisation issue (see note 13d)	966	(966)	—	—	—	—	—
Issue of shares upon global offering (see note 13e)	322	15,789	—	—	—	—	16,111
Transaction costs attributable to issue of shares	—	(1,410)	—	—	—	—	(1,410)
Recognition of equity-settled share-based payments	—	—	—	—	407	—	407
Dividends recognised as distributions (see note 9)	—	—	—	—	—	(3,228)	(3,228)
At 31 December 2016	1,288	13,413	—	77	407	9,061	24,246

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 US\$'000	2015 US\$'000
OPERATING ACTIVITIES	6,675	4,140
Profit before taxation		
Adjustments for:		
Amortisation of intangible assets	153	78
Depreciation of property, plant and equipment	292	254
Provision of inventories	20	36
Interest expenses	23	1
Allowance for doubtful debts	39	—
Loss on disposal of property, plant and equipment	32	—
Recognition of equity-settled share-based payment expenses	407	—
Operating cash flows before movements in working capital	7,641	4,509
Increase in inventories	(2,560)	(523)
Increase in trade and other receivables	(1,497)	(529)
(Decrease) increase in amounts due to related companies	(474)	70
Increase (decrease) in trade and other payables	839	(939)
Increase in deferred revenue	817	1,209
Cash generated from operations	4,766	3,797
Income tax paid	(346)	(777)
NET CASH FROM OPERATING ACTIVITIES	4,420	3,020
INVESTING ACTIVITIES		
Additions to intangible assets	(240)	(265)
Purchases of property, plant and equipment	(462)	(215)
Deposits paid for acquisition of property, plant and equipment	(106)	—
Placement of pledged bank deposits	(129)	—
Repayment of borrowings on behalf of related companies	—	(516)
Advances to related companies	—	(39)
Receipts on advances to related companies	—	119
NET CASH USED IN INVESTING ACTIVITIES	(937)	(916)
FINANCING ACTIVITIES		
Dividends paid	(3,228)	(2,800)
Interest paid	(23)	(1)
New bank loans raised	318	1,238
Repayment of bank borrowings	(1,238)	—
Repayment of advances from a director	(1,794)	(362)
Advances from a director	—	2,155
Repayment of advances from related companies	—	(45)
Advances from related companies	918	17
Proceeds from issue of new shares	16,111	—
Transaction costs attributable to issue of shares	(1,410)	—
NET CASH FROM FINANCING ACTIVITIES	9,654	202

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,137	2,306
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,062	3,696
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(6)</u>	<u>60</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u>19,193</u>	<u>6,062</u>

NOTES TO CONSOLIDATED AUDITED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2015 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 July 2016 (the “Listing Date”). The addresses of the registered office and principal place of business of the Company are Unit B, 5/F., Dragon Industrial Building, 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong. The immediate and ultimate controlling party of the Company is Mr. Chan Wing Hong Alex (“Mr. Chan”).

The Company is an investment holding company. The principal activities of its subsidiaries are the designing, development and marketing of software defined wide area network (the “SD-WAN”) routers and provision of software licences and warranty and support services.

The consolidated financial statements are presented in United States dollars (“US\$”), which is also the Company’s functional currency.

2. REORGANISATION AND BASIS OF PREPARATION

In preparation for the listing of the Company’s shares on the Stock Exchange (the “Listing”), the Group underwent a group reorganisation (the “Group Reorganisation”), which involves interspersing the Company between Protean Holdings Limited (“Protean Holdings”) (the then holding company of the Group’s subsidiaries before the Group Reorganisation) and its shareholder. The sole shareholder of Protean Holdings was Mr. Chan. Details of the Group Reorganisation are set out in the paragraph headed “Reorganisation” in Appendix IV to the prospectus dated 30 June 2016 issued by the Company (the “Prospectus”).

The Group resulting from the Group Reorganisation is regarded as a continuing entity and the consolidated financial statements of the Group have been prepared as if the Company had been the holding company of Protean Holdings and its subsidiaries throughout the reporting periods.

The Group Reorganisation was completed on 15 June 2016 and since then, the Company became the holding company of the companies comprising the Group (the “Combined Entities”). The Combined Entities and the Company are under common control of Mr. Chan before and after the Group Reorganisation. Therefore, the acquisition of the Combined Entities is accounted for as business combination under common control by applying the principle of merger accounting.

The consolidated financial statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of Group for the years include the results, changes in equity and cash flows of the Combined Entities as if the current group structure had been in existence throughout the years, or since their respective dates of incorporation, where there is a shorter period.

The consolidated financial statements of financial position of the Group as at 31 December 2015 have been prepared to present the assets and liabilities of the Combined Entities as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation where applicable.

3. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the audited consolidated financial statements for the year ended 31 December 2016 are the same as those set out in the Appendix I to the Prospectus.

The Group has applied for the first time in current year the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments HKFRS 11	Accounting for acquisitions of interests in joint operations

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in designing, development, marketing and sale of SD-WAN routers and provision of software licences and warranty and support services. Information reported to the chief operating decision maker (the “CODM”), being the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered and services provided. Software licences and warranty and support services are aggregated into a single reportable segment as they have similar economic characteristics.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

Sale of SD-WAN routers	— Sales of wired routers bundled together with embedded software and firmware
	— Sales of wireless routers bundled together with embedded software and firmware
Software licences and warranty and support services	— Including provision of warranty and support services over the expected service period, and standalone sale of software licences

The accounting policies of the reportable and operating segments are the same as the Group’s accounting policies described in note 3.

Segment information about these reportable and operating segments is presented below:

Year ended 31 December 2016

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

Year ended 31 December 2015

	Sale of SD-WAN routers		Software licences and warranty and support services	Total
	Wired routers <i>US\$'000</i>	Wireless routers <i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
External sales and segment revenue	<u>6,987</u>	<u>10,685</u>	<u>4,187</u>	<u>21,859</u>
Segment profit	<u>3,430</u>	<u>2,371</u>	<u>2,907</u>	8,708
Other income				69
Selling and distribution expenses				(1,003)
Unallocated administrative expenses				(2,632)
Listing expenses				(1,001)
Finance costs				(1)
Profit before taxation				<u><u>4,140</u></u>

Segment profit represents the profit earned by each segment without allocation of certain administrative expenses, other income, allowance for doubtful debts, selling and distribution expenses, listing expenses and finance costs. This is the measure reported to the CODM for purposes of resource allocation and performance assessment.

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

Revenue from major products and services

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Sale of SD-WAN routers		
— Wired	7,687	6,987
— Wireless	14,291	10,685
Warranty and support services	5,189	3,905
Software licences	1,191	282
	<hr/>	<hr/>
Total	28,358	21,859

Information about major customers

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Customer A (<i>Note</i>)	6,759	4,479

Note: For each of the years ended 31 December 2016 and 2015, Customer A was the only customer contributed more than 10% of total revenue involved in sales of SD-WAN routers and software licences and warranty and support service income.

5. OTHER INCOME

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Sales of parts material	65	69
Others	39	—
	<hr/>	<hr/>
	104	69

6. FINANCE COSTS

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Interest on bank borrowings	23	—
Interest on bank overdraft	—	1
	<hr/>	<hr/>
	23	1

7. PROFIT BEFORE TAXATION

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>

Profit before taxation has been arrived at after charging:

Directors' emoluments		
— Fee	24	—
— Salaries and allowances	1,140	943
— Contribution to retirement benefit scheme	10	10
— Equity-settled share-based payment expenses	160	—
Other non-research and development staff costs		
— Salaries and allowances	825	657
— Contribution to retirement benefit scheme	49	41
— Equity-settled share-based payment expenses	31	—
Research and development staff costs (excluded the directors' remuneration)		
— Salaries and allowances	2,958	2,546
— Contribution to retirement benefit scheme	118	116
— Equity-settled share-based payment expenses	217	—
	5,532	4,313
Total staff costs		
Equity-settled share-based payment expenses for consultants	14	—
Auditors' remuneration	218	17
Cost of inventories recognised as an expense	9,572	8,443
Foreign exchange loss, net	96	217
Allowance for doubtful debts	39	—
Amortisation of intangible assets	153	78
Depreciation of property, plant and equipment	292	254
Loss on disposal of property, plant and equipment	32	—
Provision of inventories	20	36
	20,000	18,000

8. INCOME TAX EXPENSES

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>

Current tax:		
Hong Kong	1,418	793
Underprovision in prior year	1	—
Deferred tax	16	(10)
	1,435	783
Income tax expenses for the year	1,435	783

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (the “BVI”) pursuant to the rules and regulations in those jurisdictions.

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2016 US\$'000	2015 US\$'000
Profit before taxation	<u>6,675</u>	<u>4,140</u>
Tax at applicable statutory tax rate of 16.5% (2015: 16.5%)	1,101	683
Tax effect of income not taxable for tax purpose	(5)	(3)
Tax effect of expenses not deductible for tax purpose	307	165
Tax effect of tax losses not recognised	31	27
Utilisation of tax losses previously not recognised	—	(89)
Underprovision in prior year	<u>1</u>	<u>—</u>
Income tax expenses for the year	<u>1,435</u>	<u>783</u>

9. DIVIDENDS

	2016 US\$'000	2015 US\$'000
Dividends recognised as distributions during the year		
2016 Interim dividend for ordinary shareholders of the Company of HK1.73 cents per share (2015: 2015 Interim dividends (<i>Note</i>))	2,230	2,800
2015 Final dividend (<i>Note</i>)	<u>998</u>	<u>—</u>
	<u>3,228</u>	<u>2,800</u>

Subsequent to the end of the reporting period, an interim dividend in respect of the year ended 31 December 2016 of HK1.93 cents per ordinary share, in an aggregate amount of approximately US\$2,488,000, has been determined by the directors of the Company.

Note: A subsidiary of the Company distributed interim dividends of US\$2,800,000 and a final dividend of US\$998,000 for the year ended 31 December 2015, respectively, to its then shareholder prior to the Group Reorganisation.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016 US\$'000	2015 US\$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	<u>5,240</u>	<u>3,357</u>
	Number of ordinary shares	
	2016	2015
	'000	'000
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>867,486</u>	<u>750,000</u>

For the years ended 31 December 2016 and 2015, the weighted average number of ordinary shares for the purpose of basic earnings per share has been taken into account the share issued pursuant to the Group Reorganisation as disclosed in note 2 and the capitalisation issue of 749,999,998 ordinary shares of HK\$0.01 each of the Company at par value on 13 July 2016 as stated in note 13 as if it had been effective on 1 January 2015.

No diluted earnings per share were presented as there were no potential dilutive shares during both years.

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables included trade receivables which the aged analysis (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period is as follows.

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
1–30 days	2,272	1,587
31–60 days	1,030	572
61–90 days	494	434
Over 90 days	151	109
	<hr/>	<hr/>
Total	3,947	2,702
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND OTHER PAYABLES

Trade and other payables included trade payables which the aged analysis based on the invoice date at the end of each reporting period is as follows.

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Within 30 days	725	208
31 to 90 days	—	15
	<hr/>	<hr/>
	725	223
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchase of goods is 45 days.

13. SHARE CAPITAL

The movements of share capital of the Company are as follows:

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 5 May 2015 (date of incorporation) and 31 December 2015 (<i>note a</i>)	38,000,000	380,000
Increased on 21 June 2016 (<i>note b</i>)	3,962,000,000	39,620,000
	<u>4,000,000,000</u>	<u>40,000,000</u>
At 31 December 2016	<u>4,000,000,000</u>	<u>40,000,000</u>
Issued and fully paid:		
At 5 May 2015 (date of incorporation) and 31 December 2015 (<i>note a</i>)	1	0.01
Issue of share on 15 June 2016 (<i>note c</i>)	1	0.01
Issue of shares by capitalisation of share premium (<i>note d</i>)	749,999,998	7,499,999.98
Issue of shares in the global offering (<i>note e</i>)	250,000,000	2,500,000.00
	<u>1,000,000,000</u>	<u>10,000,000.00</u>
At 31 December 2016	<u>1,000,000,000</u>	<u>10,000,000.00</u>
		<i>US\$'000</i>
Shown in the financial statements		<u>1,288</u>

Notes:

- (a) On 5 May 2015, the Company was incorporated in the Cayman Islands as exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 5 May 2015, one subscriber share was allotted and issued as fully paid share to Mr. Chan.
- (b) On 21 June 2016, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$40,000,000 divided into 4,000,000,000 shares by the creation of an additional 3,962,000,000 ordinary shares.
- (c) On 15 June 2016, the Company allotted and issued one share to Mr. Chan credited as fully paid in consideration of Mr. Chan transferring the entire interest in Protean Holdings to the Company.
- (d) 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 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 for allotment and issue to Mr. Chan on 13 July 2016.
- (e) On 13 July 2016, the Company issued 250,000,000 shares 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.

All ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Revenue and segment information

During the year ended 31 December 2016, 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. While we historically generated our revenues mainly from the sale of SD-WAN routers, we expect our business in the grant of software licences and the provision of warranty and support service will become a more important source of income in the next few years due to the fact that accumulated number of SD-WAN routers is increasing and they require extended services or warranties.

For the year ended 31 December 2016, our revenue of the Group was approximately US\$28,358,000 representing an increase of approximately 29.7% from approximately US\$21,859,000 for the year ended 31 December 2015.

The table below sets out our revenue by product/service category for the year ended 31 December 2016:

	For the year ended 31 December			
	2016		2015	
	Revenue	% of total	Revenue	% of total
	US\$'000	%	US\$'000	%
SD-WAN routers:				
Wired	7,687	27.1	6,987	32.0
Wireless	14,291	50.4	10,685	48.9
Warranty and support services	5,189	18.3	3,905	17.8
Software licences	1,191	4.2	282	1.3
Total	<u>28,358</u>	<u>100.0</u>	<u>21,859</u>	<u>100.0</u>

There was an overall increase in revenue from all of our product and service categories during the year ended 31 December 2016 which was primarily due to enhanced global awareness of our brand and SD-WAN technology as well as strong market demand for high performance Internet connectivity.

We sell products mainly to customers in North America. We expect the North American market will continue to account for a major part of our revenue in the foreseeable future. In terms of absolute sales amount, sales to North America and Asia experienced continuous growth during the year ended 31 December 2016. Sales to EMEA decreased slightly during the year.

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 during the year ended 31 December 2016:

	For the year ended 31 December			
	2016		2015	
	Revenue <i>US\$'000</i>	% of total %	Revenue <i>US\$'000</i>	% of total %
North America	13,851	48.8	9,179	42.0
EMEA	6,945	24.5	7,352	33.6
Asia	5,752	20.3	4,669	21.4
Others	1,810	6.4	659	3.0
Total	<u>28,358</u>	<u>100.0</u>	<u>21,859</u>	<u>100.0</u>

Gross profit and gross profit margin

For the year ended 31 December 2016, our gross profit was approximately US\$17,945,000, with gross profit margin of approximately 63.3%, while the gross profit and gross profit margin for the year ended 31 December 2015 were approximately US\$12,693,000 and approximately 58.1%, respectively, representing an increase of approximately 5.2% in gross profit margin.

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

	For the year ended 31 December			
	2016		2015	
	Gross profit <i>US\$'000</i>	Gross profit margin %	Gross profit <i>US\$'000</i>	Gross profit margin %
SD-WAN routers:				
Wired	5,189	67.5	4,687	67.1
Wireless	7,056	49.4	4,350	40.7
Warranty and support services	4,509	86.9	3,374	86.4
Software licences	1,191	100.0	282	100.0
Total	<u>17,945</u>	<u>63.3</u>	<u>12,693</u>	<u>58.1</u>

Gross profit margin increased by approximately 5.2% which was mainly due to the increase in revenue derived from the sale of higher margin wireless models (mainly MAX HD series) in our product mix during the year ended 31 December 2016, as well as revenue from our high gross profit margin subscription business including warranty and support services and software licences.

Other income

Other income mainly represented net gain on sales of parts material to our contract manufacturers. For the year ended 31 December 2016, our other income was approximately US\$104,000, representing an increase of approximately 50.7%, from approximately US\$69,000 for the year ended 31 December 2015. The increase was mainly due to the over-provision of expenses made in prior years recognised during the year ended 31 December 2016.

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 2016 and year ended 31 December 2015 was approximately US\$1,697,000 and approximately US\$1,003,000, respectively, representing an increase of approximately US\$694,000 or approximately 69.2%. This is mainly due to (i) an increase in average salaries and wages of our sales and marketing staff; and (ii) an increase in advertising, promotion and consultancy fee expenses as a result of our increased efforts to promote our products when compared to the year ended 31 December 2015.

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 2016 and year ended 31 December 2015 was approximately US\$3,412,000 and approximately US\$2,710,000, respectively, representing an increase of approximately US\$702,000 or approximately 25.9%. This is mainly due to (i) an increase in average salaries, wages and share-based payments of our administrative, finance and other supporting staff; and (ii) an increase in depreciation and amortisation expenses as a result of additions to our property, plant and equipment and registered patents when compared to the year ended 31 December 2015.

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 2016 and year ended 31 December 2015 was approximately US\$4,990,000 and approximately US\$3,907,000, respectively, representing an increase of approximately US\$1,083,000 or approximately 27.7%. This is mainly due to (i) an increase in average salaries, wages and share-based payments of our R&D staff; and (ii) an increase in sample expenses when compared to the year ended 31 December 2015.

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 and equity-settled share-based payment expenses for the year ended 31 December 2016 was approximately US\$422,000 (year ended 31 December 2015: US\$ nil). Details of share options granted by the Company are set out below under the heading “Share Option Scheme” of this annual results announcement.

Finance costs

Finance costs mainly represented interests on bank borrowings during the year ended 31 December 2016.

Finance costs for the year ended 31 December 2016 and year ended 31 December 2015 were approximately US\$23,000 and approximately US\$1,000, respectively, representing an increase of approximately US\$22,000. Interests on bank borrowings during the year ended 31 December 2015 were relatively low since the finance costs arose from the Group's bank borrowings, mortgaged loans drawn solely for the usage by the related companies (in which Mr. Chan has beneficial interest), were fully reimbursed by the related companies and set-off against the finance costs borne by the Group for the year ended 31 December 2015. A new bank loan was raised in December 2015 to finance the general daily operation of the Group and was subsequently settled in 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 2016.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2016 was approximately US\$5,240,000, while the profit attributable to owners of the Company for the year ended 31 December 2015 was approximately US\$3,357,000, representing an increase of approximately 56.1%. The increase was mainly due to the increase in revenue fueled by enhanced global awareness of our brand and SD-WAN technology as well as strong market demand for high performance Internet connectivity, and the increase in gross profit derived from sale of high margin products and services which was partially offset by the increase in income tax expenses and operating expenses due to expansion of our business scale.

PROSPECT

According to an industry report dated 18 June 2016 regarding the SD-WAN router market prepared by an independent market researcher and consultant commissioned by us, we are the fifth largest SD-WAN router vendor internationally in the year of 2015 in terms of revenue value. Further, the SD-WAN router market is projected to grow at a compound annual growth rate of approximately 31.8% from 2015 to reach approximately US\$1.51 billion by 2020. We believe that there is no significant change in the market from the date of the industry report to the date of this report. For details of the industry report, please refer to the paragraph headed "Industry Overview" to the prospectus issued by the Company on 30 June 2016 (the "Prospectus").

There are three key factors that are driving demand for our products.

First, we sell our products to a number of specialised verticals (such as public safety, transportation, and maritime) in which wireless SD-WAN technology is an essential part of their infrastructure. Applications include providing wireless connectivity to patrol vehicles and mobile command centers, in-train video surveillance, and high-speed connectivity to maritime fleets. Before wireless SD-WAN technology emerged, these applications were not possible or financially difficult to justify.

The second factor is SpeedFusionTM, our proprietary SD-WAN multi-cellular bonding technology. This patented technology allows unbreakable network connectivity using multiple wired and wireless connections for greater throughput and network reliability. For example, previously in North America, remote medical imaging (like mammography) for rural communities required a massive amount of imaging data to be transferred, making the application impractical. Now, our wireless SD-WAN routers empower mammography vehicles with enough bandwidth to make this possible. Also, high definition video surveillance can be deployed anywhere in hours instead of weeks.

Lastly, the economic environment is forcing companies to rethink the efficiency of their infrastructure and investments. Our SD-WAN products and patented SpeedFusionTM technology provide a good alternative to expensive leased lines. This is accomplished by combining connectivity from different service providers. Such cost savings factor makes our products more attractive to medium to large enterprises which run multi-branch networks.

Looking ahead, we see huge potential for SD-WAN technology applications in different markets. There will be growing demand from product and service providers to add SD-WAN capabilities into their offerings. As the Group excels at delivering disruptive Internet connectivity technologies, we will leverage our strength to deliver unbreakable mobility to new verticals such as broadcasting and providing unbreakable connectivity to the Internet of things (IoT). New product categories and more cloud-based subscription services will be launched.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, our bank borrowings amounted to approximately US\$318,000 (as at 31 December 2015: approximately US\$1,238,000). The bank borrowing as at 31 December 2015 was interest bearing at Hong Kong Best Lending Rate less 2.50% per annum and repayable within one year. Such bank borrowing was denominated in Hong Kong dollars (“HK\$”) and fully repaid during the year ended 31 December 2016. The bank borrowings as at 31 December 2016 represented bank borrowings denominated in US\$ which were arranged at a floating rate at 1.5% over LIBOR per annum and repayable within one year.

As at 31 December 2016, the gearing ratio (which is defined as total borrowings over total equity) of our Group was approximately 1.3% (2015: approximately 17.4%). The Directors confirm that the Group financed its operations principally from cash generated from its business operations and expect that it will continue in the coming year. We did not experience any significant liquidity problem during the year ended 31 December 2016.

AGED ANALYSIS OF TRADE RECEIVABLES AND TRADE PAYABLES

For details of our aged analysis of trade receivables and trade payables, please refer to note 11 and note 12 of the audited consolidated financial statements of this annual results announcement, respectively.

FOREIGN CURRENCY EXPOSURE

Most 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 loan and our 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 cashflows and the Group is not exposed to any significant foreign currency exchange risk in its operations.

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 2016, the Group had 103 full-time employees. The total amount of staff costs of the Group for the year was approximately US\$5,532,000 (2015: approximately US\$4,313,000). 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. Details have been set out in the section headed "Share Option Scheme" to this annual results 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 Company for the year ended 31 December 2016 were approximately US\$150,000 (2015: approximately US\$143,000).

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 for the year ended 31 December 2016 were approximately US\$27,000 (2015: approximately US\$24,000).

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLAN FOR MATERIAL INVESTMENT

As at 31 December 2016, the Group has no significant investment held and material investment plan except as disclosed in the paragraph headed "Commitments" below.

MATERIAL ACQUISITIONS AND DISPOSALS

Apart from the group reorganisation prepared for the listing of our shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), for the year end 31 December 2016, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December, 2016, we did not have any significant contingent liabilities required to disclose in this annual results announcement.

COMMITMENTS

As at 31 December 2016, capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the audited consolidated financial statements was approximately US\$1,112,000 (2015: Nil).

We do not have any significant operating lease commitments required to disclose in this annual results announcement.

PLEDGE OF ASSETS

In December 2015, our Group raised a bank loan for estimated working capital needs of our operations at a prevailing market interest rate and was repayable within one year. The borrowing together with the facility granted by the bank were guaranteed by our Company and secured by a limited guarantee of approximately HK\$20.60 million (equivalent to approximately US\$2.66 million) provided by Mr. Chan. The limited guarantee was released upon the Listing. The facility granted by the bank was also secured by a pledged bank deposits of approximately US\$129,000 as at 31 December 2016 (2015: Nil) which was released and replaced by two mortgaged properties up to the date of this annual results announcement.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing (“Net Proceeds”) received by the Company after deducting underwriting fees and estimated expenses was approximately HK\$108.39 million (approximately US\$13.98 million). The intended use of the Net Proceeds are disclosed in the section “Future Plans and Use of Proceeds” in the Prospectus. Unutilised Net Proceeds as at 31 December 2016 amounted to approximately HK\$102 million (equivalent to approximately US\$13.12 million), is deposited in a licensed bank in Hong Kong as short-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.

As at 31 December 2016, the Group has utilised the Net Proceeds as follows:

	Percentage to total amount	Net proceeds <i>US\$ million</i>	Utilised amount <i>US\$ million</i>	Unutilised amount <i>US\$ million</i>
Strengthen our R&D capabilities				
Expansion of R&D team	22%	3.12	0.06	3.06
Upgrade R&D facilities	13%	1.74	0.04	1.70
Establishment of a R&D centre	13%	1.75	0.10	1.65
Promotional and marketing activities	15%	2.10	0.19	1.91
Improving marketing capabilities	13%	1.87	0.01	1.86
Improve brand awareness	3%	0.48	0.01	0.47
Install an enterprise resource planning system	1%	0.12	—	0.12
Strengthen patent portfolio	10%	1.40	0.10	1.30
Working capital and general corporate purposes	10%	1.40	0.35	1.05
	100%	13.98	0.86	13.12

DIVIDEND

The Board has resolved to declare a second interim dividend of HK1.93 cents per share for the year ended 31 December 2016. The interim dividend is expected to be paid on Thursday, 23 March 2017 to the shareholders whose names appear in the Company's register of members of the Company at the close of business on Wednesday, 15 March 2017.

CLOSURE OF REGISTER OF MEMBERS FOR 2016 SECOND INTERIM DIVIDEND

The register of members of the Company will be closed on Wednesday, 15 March 2017 for the purpose of determining the entitlement to the 2016 second interim dividend. The record date for entitlement to receive the 2016 second interim dividend is Wednesday, 15 March 2017. In order to be qualified for the 2016 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 Tuesday, 14 March 2017. The cheques for dividend payment will be sent on Thursday, 23 March 2017.

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

As at 31 December 2016, the interests and short positions of the Directors and the chief executive 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	75.6
Chau Kit Wai	Beneficial owner	—	6,000,000	0.6
Yip Kai Kut Kenneth	Beneficial owner	—	6,000,000	0.6
Chong Ming Pui	Beneficial owner	—	6,000,000	0.6
Yeung Yu	Beneficial owner	—	6,000,000	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 Director's interests in the 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 from the Listing Date to 31 December 2016 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 2016 are as follows:

Grantee	Date of grant	Exercise price per share	Exercise period (note 2)	Number of shares issuable under the share options				
				As at 1 January 2016	Granted during the year (note 3)	Exercised during the year	Lapsed/cancelled during the year	As at 31 December 2016
Directors								
Mr. Chan Wing Hong Alex (note 1)	20/7/2016	HK\$0.483	20/7/2016–19/7/2021	—	6,000,000	—	—	6,000,000
Mr. Chau Kit Wai	20/7/2016	HK\$0.483	20/7/2016–19/7/2021	—	6,000,000	—	—	6,000,000
Mr. Yip Kai Kut Kenneth	20/7/2016	HK\$0.483	20/7/2016–19/7/2021	—	6,000,000	—	—	6,000,000
Mr. Chong Ming Pui	20/7/2016	HK\$0.483	20/7/2016–19/7/2021	—	6,000,000	—	—	6,000,000
Mr. Yeung Yu	20/7/2016	HK\$0.483	20/7/2016–19/7/2021	—	6,000,000	—	—	6,000,000
Consultants of the Group in aggregate	20/7/2016	HK\$0.483	20/7/2016–19/7/2021	—	2,700,000	—	—	2,700,000
Employees of the Group in aggregate	20/7/2016	HK\$0.483	20/7/2016–19/7/2021	—	46,000,000	—	(700,000)	45,300,000 (Note 4)
Grand total:				—	78,700,000	—	(700,000)	78,000,000

Notes:

- Mr. Chan Wing Hong Alex is also a controlling shareholder of the Company.
- All the share options granted under the Share Option Scheme are subject to the following vesting period: 25% of the share options are exercisable from 20 July 2017 to 19 July 2021, 25% of the share options are exercisable from 20 July 2018 to 19 July 2021, 25% of the share options are exercisable from 20 July 2019 to 19 July 2021 and 25% of the share options are exercisable from 20 July 2020 to 19 July 2021.

3. The closing price of the share immediately before the date on which the options were granted was HK\$0.460.
4. The 700,000 share options held by employees were lapsed due to cessation of the relevant options holders as eligible person by reason of resignation of employment.

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 2016, 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

As disclosed in the paragraph headed “Pledge of Assets”, subsequent to the end of the reporting period, the pledged bank deposits of approximately US\$129,000 as of 31 December 2016 were released and replaced by two mortgaged properties in February 2017.

Other than the above, there is no other material subsequent event undertaken by the Company or by the Group after 31 December 2016 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 2016.

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 from the Listing Date to 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Company reviewed the Group’s consolidated annual results for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the audited consolidated financial statements for the year ended 31 December 2016 with the management.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2016 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

Hong Kong, 28 February 2017

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