



Plover Bay Technologies Limited

玊灣科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1523)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

SUMMARY

- Revenue for the six months ended 30 June 2020 increased approximately 9.4% to US\$24,102,000 from approximately US\$22,025,000 for the six months ended 30 June 2019.
- Profit attributable to the owners of the Company for the six months ended 30 June 2020 decreased approximately 11.1% to US\$5,120,000, from approximately US\$5,758,000 for the six months ended 30 June 2019.
- For the six months ended 30 June 2020, the Company recorded basic earnings per share of approximately US0.49 cents (For the six months ended 30 June 2019: approximately US0.56 cents).
- The Board has determined that an interim dividend of HK3.03 cents per share for the six months ended 30 June 2020 be payable on 25 August 2020 to the shareholders whose names appear in the Company's register of members on 14 August 2020.

The board (the “Board”) of directors (the “Directors”) of Plover Bay Technologies Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		(unaudited)	
		Six months ended 30 June	
		2020	2019
	Notes	US\$'000	US\$'000
Revenue	4	24,102	22,025
Cost of sales and services		<u>(9,966)</u>	<u>(7,965)</u>
Gross profit		14,136	14,060
Other income and gains, net	4	284	219
Selling and distribution expenses		(1,337)	(1,168)
Administrative expenses		(2,912)	(2,609)
Research and development expenses		(4,070)	(3,513)
Finance costs	5	<u>(31)</u>	<u>(54)</u>
Profit before tax	6	6,070	6,935
Income tax expense	7	<u>(950)</u>	<u>(1,177)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>5,120</u>	<u>5,758</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>63</u>	<u>(14)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>5,183</u>	<u>5,744</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
— Basic (US cents)		<u>0.49</u>	<u>0.56</u>
— Diluted (US cents)		<u>0.48</u>	<u>0.54</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		At 30 June 2020 <i>US\$'000</i> (unaudited)	At 31 December 2019 <i>US\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3,774	4,403
Intangible assets		1,098	1,087
Deferred tax assets		40	30
		<u>4,912</u>	<u>5,520</u>
TOTAL NON-CURRENT ASSETS			
CURRENT ASSETS			
Inventories	10	11,277	7,387
Trade receivables	11	6,978	6,223
Prepayments, deposits and other receivables		1,908	2,022
Cash and cash equivalents		21,701	28,926
		<u>41,864</u>	<u>44,558</u>
TOTAL CURRENT ASSETS			
CURRENT LIABILITIES			
Trade payables, other payables and accruals	12	3,477	2,614
Lease liabilities		1,040	999
Contract liabilities		6,931	7,061
Tax payable		2,669	1,839
Interest-bearing bank borrowings		387	393
		<u>14,504</u>	<u>12,906</u>
TOTAL CURRENT LIABILITIES			
		<u>27,360</u>	<u>31,652</u>
NET CURRENT ASSETS			
		<u>32,272</u>	<u>37,172</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			

	At	At
	30 June	31 December
	2020	2019
<i>Notes</i>	US\$'000	<i>US\$'000</i>
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	141	133
Lease liabilities	572	1,095
Contract liabilities	2,038	1,830
	<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES	2,751	3,058
	<hr/>	<hr/>
NET ASSETS	29,521	34,114
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	<i>13</i> 1,355	1,349
Reserves	28,166	32,765
	<hr/>	<hr/>
TOTAL EQUITY	29,521	34,114
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Note	Attributable to owners of the parent					Total equity US\$'000
		Issued capital US\$'000	Share premium account US\$'000	Share option reserve US\$'000	Exchange fluctuation reserve US\$'000	Retained profits US\$'000	
At 1 January 2019 (audited)		1,326	15,832	1,298	1	14,261	32,718
Profit for the period		—	—	—	—	5,758	5,758
Other comprehensive loss for period:							
Exchange differences on translation of foreign operations		—	—	—	(14)	—	(14)
Total comprehensive income/(loss) for the period		—	—	—	(14)	5,758	5,744
Issue of shares upon exercise of share options		7	513	(128)	—	—	392
Equity-settled share option arrangements		—	—	275	—	—	275
Second interim 2018 dividend	8	—	—	—	—	(5,724)	(5,724)
Special dividend	8	—	—	—	—	(1,997)	(1,997)
At 30 June 2019 (unaudited)		<u>1,333</u>	<u>16,345</u>	<u>1,445</u>	<u>(13)</u>	<u>12,298</u>	<u>31,408</u>
At 1 January 2020 (audited)		1,349	17,350	1,413	(5)	14,007	34,114
Profit for the period		—	—	—	—	5,120	5,120
Other comprehensive income for period:							
Exchange differences on translation of foreign operations		—	—	—	63	—	63
Total comprehensive income for the period		—	—	—	63	5,120	5,183
Issue of shares upon exercise of share options		6	450	(110)	—	—	346
Equity-settled share option arrangements		—	—	174	—	—	174
Second interim 2019 dividend	8	—	—	—	—	(6,270)	(6,270)
Special dividend	8	—	—	—	—	(4,026)	(4,026)
At 30 June 2020 (unaudited)		<u>1,355</u>	<u>17,800</u>	<u>1,477</u>	<u>58</u>	<u>8,831</u>	<u>29,521</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	(unaudited)	
	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,511	8,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	159	187
Purchase of items of property, plant and equipment	(148)	(266)
Increase in non-pledged bank deposit with original maturity of more than three months when acquired	(5,555)	—
Additions to intangible assets	(318)	(346)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(5,862)	(425)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	346	392
Dividends paid	(10,296)	(7,721)
Interest elements of finance lease rental payments	(25)	(37)
Repayment of bank loans	(9)	(455)
Interest paid	(5)	(17)
Principal portion of finance lease rental payments	(500)	(430)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(10,489)	(8,268)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,840)	14
Cash and cash equivalents at beginning of the period	28,926	26,850
Effect of foreign exchange rate changes, net	60	(6)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16,146	26,858

(unaudited)
Six months ended 30 June
2020 2019
US\$'000 *US\$'000*

**ANALYSIS OF BALANCES OF CASH AND CASH
EQUIVALENTS**

Cash and bank balances	16,146	26,858
Non-pledged time deposit	5,555	—

Cash and cash equivalents as stated in the statement of financial position	21,701	26,858
Non-pledged time deposit not in the nature of cash and cash equivalents for the purpose of the statement of cash flows	(5,555)	—

**CASH AND CASH EQUIVALENTS AS STATED IN THE
STATEMENT OF CASH FLOWS**

	16,146	26,858

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 period, 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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared under the historical cost convention and are presented in United States Dollars (“US\$”) and all values are rounded to the nearest thousands except when otherwise indicated.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The application of the new and revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

- (a) the sales of SD-WAN routers segment that primarily engages in sales of wired and wireless routers; and
- (b) software licences and warranty and support services segment that primarily engages in the provision of software licences and 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 and finance costs are excluded from such measurement.

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

Operating segments:

Six months ended 30 June (unaudited)

	Sales of SD-WAN routers				Software licences and warranty and support services		Total	
	Wired routers		Wireless routers		2020	2019	2020	2019
	2020	2019	2020	2019				
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Segment revenue:								
Sales to external customers	<u>3,876</u>	<u>3,955</u>	<u>12,960</u>	<u>11,503</u>	<u>7,266</u>	<u>6,567</u>	<u>24,102</u>	<u>22,025</u>
Segment result	<u>1,462</u>	<u>1,675</u>	<u>2,719</u>	<u>3,650</u>	<u>5,566</u>	<u>4,989</u>	<u>9,747</u>	<u>10,314</u>
<i>Reconciliation:</i>								
Other income and gains, net							284	219
Selling and distribution expenses							(1,337)	(1,168)
Unallocated administrative expenses							(2,593)	(2,376)
Finance costs							(31)	(54)
Profit before tax							<u>6,070</u>	<u>6,935</u>

Geographical information

Revenue from external customers

	(unaudited)	
	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
North America	13,628	13,941
Europe, Middle East, Africa	6,257	4,814
Asia	3,783	2,850
Others	434	420
	<u>24,102</u>	<u>22,025</u>

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	(unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue from contracts with customers	24,102	22,025

Revenue from contracts with customers

Disaggregated revenue information

Type of goods or services	Sales of SD-WAN routers		Software licences and warranty and support services		Total	
	2020	2019	2020	2019	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Sale of SD-WAN routers						
— Wired	3,876	3,955	—	—	3,876	3,955
— Wireless	12,960	11,503	—	—	12,960	11,503
Provision of warranty and support services	—	—	5,987	5,515	5,987	5,515
Sale of software and licence fee income	—	—	1,279	1,052	1,279	1,052
Total revenue from contract with customers	16,836	15,458	7,266	6,567	24,102	22,025
Geographical markets						
North America	9,453	10,095	4,175	3,846	13,628	13,941
EMEA	4,512	3,221	1,745	1,593	6,257	4,814
Asia	2,569	1,864	1,214	986	3,783	2,850
Others	302	278	132	142	434	420
Total revenue from contract with customers	16,836	15,458	7,266	6,567	24,102	22,025
Timing of revenue recognition						
Transferred at a point in time	16,836	15,458	754	771	17,590	16,229
Transferred over time	—	—	6,512	5,796	6,512	5,796
Total revenue from contracts with customers	16,836	15,458	7,266	6,567	24,102	22,025

Other income and gains, net

	(unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Other income and gains, net		
Sales of parts	13	26
Bank interest income	159	187
Others	112	6
	284	219

5. FINANCE COSTS

	(unaudited)	
	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
Interest on bank borrowings	6	17
Interest on lease liabilities	25	37
	<u>31</u>	<u>54</u>

6. PROFIT BEFORE TAX

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

	(unaudited)	
	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
Cost of inventories sold	8,548	7,088
Depreciation*	803	753
Amortisation of intangible assets	318	234
Government grants**	(350)	—
Write-down of inventories to net realisable value	490	132
Foreign exchange differences, net	103	100
	<u>103</u>	<u>100</u>

* Depreciation includes the depreciation of right-of-use assets of US\$504,000 (2019: 463,000).

** During the period, the Company's subsidiary in Lithuania received approximately US\$350,000 (2019: nil) grants from the Government of the Republic of Lithuania for several R&D projects. An amount of approximately US\$108,000 grants related to R&D activities in 2019 is included in "Other income and gains, net", and the remainder is recorded in "Research and development expenses" and "Administrative expenses".

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	(unaudited)	
	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
Current – Hong Kong		
Charge for the period	948	1,164
Current – Elsewhere		
Charge for the period	4	—
Under/(over) provision in prior years	2	(1)
Deferred	(4)	14
	<u>950</u>	<u>1,177</u>
Total tax charge for the period	<u>950</u>	<u>1,177</u>

8. DIVIDENDS

During the period, a second interim dividend of HK4.64 cents per ordinary share and a special dividend of HK2.98 cents per ordinary share for the year ended 31 December 2019 were paid to the shareholders of the Company on 27 March 2020.

In the Board Meeting held on 30 July 2020, the Board has resolved to declare an interim dividend of HK3.03 cents per share for the six months ended 30 June 2020 (2019: HK3.49 cents). The interim dividend is payable on Tuesday, 25 August 2020 to the shareholders whose names appear in the register of members of the Company on Friday, 14 August 2020.

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 period attributable to ordinary equity holders of the parent, and the 1,049,264,923 (2019: 1,030,617,768) weighted average number of ordinary shares in issue during the period.

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 period attributable to ordinary equity holders of the parent.

Shares

	(unaudited) Six months ended 30 June	
	Number of shares	
	2020	2019
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,049,264,923	1,030,617,768
Effect of dilution – weighted average number of ordinary shares: Share options	<u>16,194,989</u>	<u>27,968,978</u>
	<u>1,065,459,912</u>	<u>1,058,586,746</u>

10. INVENTORIES

	(unaudited) At 30 June 2020 US\$'000	(audited) At 31 December 2019 US\$'000
Raw materials and consumables	8,132	5,006
Finished goods	<u>3,145</u>	<u>2,381</u>
	<u>11,277</u>	<u>7,387</u>

11. TRADE RECEIVABLES

	(unaudited)	(audited)
	At	At
	30 June	31 December
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	7,088	6,335
Impairment	(110)	(112)
	<u>6,978</u>	<u>6,223</u>

The Group's trading terms with its customers are mainly on credit, except for new and individual customers, where payment in advance is normally required. The overall credit period is generally between 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	(unaudited)	(audited)
	At	At
	30 June	31 December
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 month	5,102	4,323
1 to 2 months	1,477	1,857
2 to 3 months	236	—
Over 3 months	163	43
	<u>6,978</u>	<u>6,223</u>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	(unaudited)	(audited)
	At	At
	30 June	31 December
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables	1,219	735
Deposits received	513	512
Other payables	509	27
Accruals	1,212	1,340
	<u>3,453</u>	<u>2,614</u>

13. ISSUED CAPITAL

	(unaudited)	(audited)
	At	At
	30 June	31 December
	2020	2019
	US\$'000	US\$'000
Authorised:		
4,000,000,000 (31 December 2019: 4,000,000,000) ordinary shares of HK\$0.01 each	<u><u>5,152</u></u>	<u><u>5,152</u></u>
Issued and fully paid:		
1,051,864,000 (31 December 2019: 1,046,792,000) ordinary shares of HK\$0.01 each	<u><u>1,355</u></u>	<u><u>1,349</u></u>

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

	<i>Notes</i>	Number of shares in issue	Issued capital HK\$'000	Issued capital US\$'000
At 1 January 2019		1,028,832,000	10,288	1,326
Share options exercised	(a)	<u>17,960,000</u>	<u>180</u>	<u>23</u>
At 31 December 2019 and 1 January 2020		1,046,792,000	10,468	1,349
Share options exercised	(b)	<u>5,072,000</u>	<u>51</u>	<u>6</u>
At 30 June 2020		<u><u>1,051,864,000</u></u>	<u><u>10,519</u></u>	<u><u>1,355</u></u>

Notes:

- (a) The subscription rights attaching to 17,960,000 share options were exercised at the weighted average subscription prices of HK\$0.499 per share, respectively, resulting in the issue of 17,960,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$1,143,000. An amount of approximately US\$398,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.
- (b) The subscription rights attaching to 5,072,000 share options were exercised at the weighted average subscription prices of HK\$0.530 per share, respectively, resulting in the issue of 5,072,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$346,000. An amount of approximately US\$110,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

14. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with its related parties:

	(unaudited)	
	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
Lease payments paid to related companies	414	394

These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The lease payments were charged by related companies based on terms as agreed between the related parties. The controlling shareholder of the Company, Mr. Chan, is also a director and beneficial shareholder of the related companies.

15. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme became effective on 21 June 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The following share options were outstanding under the Scheme during the reporting period:

	(unaudited)		(unaudited)	
	2020		2019	
	Weighted average exercise price per share <i>HK\$</i>	Number of options	Weighted average exercise price per share <i>HK\$</i>	Number of options
At 1 January	0.920	63,776,000	0.865	82,236,000
Granted	—	—	1.180	3,172,000
Exercised	0.530	(5,072,000)	0.521	(5,896,000)
Forfeited	1.064	(708,000)	1.787	(3,972,000)
At 30 June	0.952	57,996,000	0.857	75,540,000

The weighted average share price at the date of exercise for share options exercised during six months ended 30 June 2020 was HK\$1.071 per share (2019: HK\$1.119 per share).

The exercise prices and exercise periods of the share options outstanding as at the end of reporting period are as follows:

Exercise period	Exercise price HK\$ per share	(unaudited)	
		Number of options outstanding as at 30 June 2020	2019
20-7-2017 to 19-7-2021	0.483	892,000	1,476,000
20-7-2018 to 19-7-2021	0.483	1,413,000	2,982,000
20-7-2019 to 19-7-2021	0.483	4,321,000	18,100,000
20-7-2020 to 19-7-2021	0.483	17,900,000	18,100,000
5-4-2018 to 4-4-2022	0.72	10,000	18,000
5-4-2019 to 4-4-2022	0.72	2,007,000	2,554,000
5-4-2020 to 4-4-2022	0.72	1,861,000	2,475,000
5-4-2021 to 4-4-2022	0.72	2,475,000	2,475,000
10-10-2019 to 9-10-2022	1.872	2,720,000	3,070,000
10-10-2020 to 9-10-2022	1.872	1,360,000	1,535,000
10-10-2021 to 9-10-2022	1.872	1,360,000	1,535,000
14-3-2019 to 13-3-2023	1.934	925,000	925,000
14-3-2020 to 13-3-2023	1.934	2,325,000	2,367,000
14-3-2021 to 13-3-2023	1.934	1,625,000	1,646,000
14-3-2022 to 13-3-2023	1.934	1,625,000	1,646,000
14-9-2019 to 13-9-2023	1.02	2,619,000	2,666,000
14-9-2020 to 13-9-2023	1.02	3,062,000	3,066,000
14-9-2021 to 13-9-2023	1.02	2,862,000	2,866,000
14-9-2022 to 13-9-2023	1.02	2,862,000	2,866,000
10-5-2021 to 9-5-2024	1.18	1,386,000	1,586,000
10-5-2022 to 9-5-2024	1.18	693,000	793,000
10-5-2023 to 9-5-2024	1.18	693,000	793,000
31-12-2021 to 31-12-2024	1.12	500,000	—
31-12-2022 to 31-12-2024	1.12	250,000	—
31-12-2023 to 31-12-2024	1.12	250,000	—
		57,996,000	75,540,000

No share options were granted during the six months ended 30 June 2020. A share option expense of approximately US\$174,000 was recognized during the reporting period.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 14 July 2020, the Group has been approved to receive monetary subsidy from the Employee Support Scheme implemented by the HKSAR Government amounting to approximately US\$354,000 for the payment of staff salary.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Revenue and segment information

During the six months ended 30 June 2020, 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 six months ended 30 June 2020, revenue of the Group was approximately US\$24,102,000, representing an increase of approximately 9.4% over the same period last year. The growth during the period was mainly driven by approximately 12.7% increase in wireless SD-WAN sales, approximately 8.6% increase in warranty and support services, approximately 21.6% increase in software licences and approximately 2.0% decrease in sales of wired SD-WAN routers.

Overall, the growth in our sales of wireless SD-WAN routers was driven by increasing demand for our general-purpose, volume-based product series, while the sales growth of software licences was due to increasing range of software licenses offered. Decrease in sales of wired SD-WAN is largely in line with our strategic focus in wireless SD-WAN.

The table below sets out our revenue by product/service category:

	For the six months ended 30 June			
	2020		2019	
	Revenue	% of total	Revenue	% of total
	US\$'000	%	US\$'000	%
SD-WAN routers:				
Wired	3,876	16.1	3,955	18.0
Wireless	12,960	53.8	11,503	52.2
Warranty and support services	5,987	24.8	5,515	25.0
Software licences	1,279	5.3	1,052	4.8
Total	<u>24,102</u>	<u>100.0</u>	<u>22,025</u>	<u>100.0</u>

During the reporting period, sales to North America declined approximately 2.2% year-on-year to approximately US\$13,628,000. Sales to Europe, Middle East and Africa grew approximately 30.0% year-on-year to approximately US\$6,257,000. Sales to Asia rose to about approximately US\$3,783,000, a growth of approximately 32.7% year-on-year.

Sales to North America declined as channel partners experienced project delays caused by COVID-19 related shutdowns, while our strategic effort to setup regional warehouses near the end of 2019 has also relieved the needs for inventory restocking among our largest channel partners. Outside of North America, sales growth in multiple countries have recorded strong growth, including the Netherlands, United Kingdoms and Denmark in EMEA and Malaysia, Vietnam and Thailand in Asia. We believe the broad-based growth in multiple countries indicates a healthy uptrend in the demand for our products.

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 six months ended 30 June 2020 and 2019:

	For the six months ended 30 June			
	2020		2019	
	Revenue	Weight	Revenue	Weight
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
North America	13,628	56.5	13,941	63.3
EMEA	6,257	26.0	4,814	21.9
Asia	3,783	15.7	2,850	12.9
Others	434	1.8	420	1.9
Total	<u>24,102</u>	<u>100.0</u>	<u>22,025</u>	<u>100.0</u>

Gross profit and gross profit margin

For the six months ended 30 June 2020, our gross profit was approximately US\$14,136,000, while gross profit margin was approximately 58.7%, a decrease of approximately 5.1 percentage points from last year's interim period.

The overall decrease in gross profit margin was mainly attributable to i) product mix shift to high-volume product series with lower gross margin, and ii) an inventory write down of USD490,000 (Six months ended 30 June 2019: USD132,000). Management regularly reviews inventory on hand and writes down any finished goods over 24 months and raw materials over 36 months of aging in accordance to the Company's accounting policies.

While increased mix of lower margin series diluted our overall gross margin during the period, this is in line with our strategy to expand our customer base today and monetise with product upgrades and new services in the future. Management views the likelihood of realising written-down products remains reasonably high as router products for enterprise markets tend to have long sales cycles. Moreover, raw materials can readily be repurposed into other products if required.

The table below sets out our Group's gross profit and gross profit margin by product/service category:

	Six months ended 30 June			
	2020		2019	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	US\$'000	%	US\$'000	%
SD-WAN routers:				
Wired	2,141	55.2	2,315	58.5
Wireless	5,149	39.7	5,680	49.4
Warranty and support services	5,567	93.0	5,013	90.9
Software licences	1,279	100.0	1,052	100.0
	<u>14,136</u>	<u>58.7</u>	<u>14,060</u>	<u>63.8</u>
Total	<u>14,136</u>	<u>58.7</u>	<u>14,060</u>	<u>63.8</u>

Other income and gains, net

For the six months ended 30 June 2020, other income and gains, net was approximately US\$284,000, an increase of approximately 29.7% year-on-year. Other income and gains, net mainly represented interest income, sale of parts and other revenues.

During the period, a portion of the government grants received amounting to approximately US\$108,000 was recorded in this line item. For more details please see note 6 to the condensed consolidated financial statements.

Selling and distribution expenses

Selling and distribution expenses comprised mainly salaries and benefits of our sales and marketing staff and 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 six months ended 30 June 2020 increased approximately 14.5% year-on-year to approximately US\$1,337,000, mainly because of increased marketing and business development headcount and spending on sponsorship to channel partners' marketing activities.

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, lease expenses and other office expenses.

Administrative expenses for the six months ended 30 June 2020 was approximately US\$2,912,000, increasing approximately 11.6% year-on-year mainly due to increases in salaries and headcount, amortisation of intangible assets and legal and professional expenses incurred for application of government grants.

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 six months ended 30 June 2020 was approximately US\$4,070,000, increasing approximately 15.9% year-over-year. The increase is largely driven by development projects for new technologies and products and increased R&D headcount due to the formation of a new R&D team at the end of 2019 is now fully reflected.

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.

The Company grants share options to its directors, employees and consultants from time to time. Equity-settled share-based payment expenses for the six months ended 30 June 2020 was approximately US\$174,000, decreasing approximately 36.7% year-on-year. Details of share options granted by the Company are set out below under the heading “Share Option Scheme” of this Interim Report.

Total operating expenses

Total operating expenses, which includes selling and distribution expenses, administrative expenses and research and development expenses for the six months ended 30 June 2020 amounted to approximately US\$8,319,000 an increase of approximately 14.1% year-on-year.

Finance costs

Finance costs mainly represented interests on bank borrowings and the interest portion of lease liabilities.

Finance costs for the six months ended 30 June 2020 was approximately US\$31,000 compared to approximately US\$54,000 during the same period last year, mainly due to decreased bank borrowing during the period.

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 decrease in income tax expenses corresponded to the decrease of assessable profits during the six months ended 30 June 2020.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2020 was approximately US\$5,120,000, representing a decrease of approximately 11.1%.

Impact of the coronavirus situation

Since the date of the publication of the 2019 annual report up to the date of this Interim Report, the coronavirus has not caused significant impact to our operations. Nevertheless, the virus could pose significant health risk to our employees and operating risks to our business. The Company has taken measures to minimize the risk of transmission at the workplace, including mandatory wearing of facemask at the work place, flexible working hours to avoid crowds during commute, and work from home arrangements.

BUSINESS REVIEW AND OUTLOOK

Year 2020 has been extremely challenging and difficult for all businesses globally. We are no exception. In the first half, we recorded a revenue growth of only 9.4%, which was below our expectations partly because the deployment of 5G has been hampered by the ongoing pandemic. Nevertheless, we remain confident in our business because connectivity is the cornerstone of any modern-day technology, whether it is to ensure business resiliency in today's pandemic, or to enable novel applications with 5G network's capabilities in the coming years.

During the first half, our net profit declined 11.1%. This was to a large extent due to the increased operating costs from our enlarged R&D and operation teams in Lithuania and Taiwan. We see the global expansion of our talent pool as a very important step to diversify the risk of doing business in a single location, and more importantly, expand our innovation pipeline going forward.

In the coming months, we will launch a new subscription service called SpeedFusion Cloud utilizing our proprietary technologies. Together with our wireless SD-WAN on 4G LTE and 5G, SpeedFusion Cloud enables secure and unbreakable access to enterprise and cloud resources anywhere with a simple and hassle-free setup. SpeedFusion Cloud bundles everything needed into one single subscription, from SD-WAN router, warranty to cloud management, and in future updates, mobile data plans from multiple operators.

In addition to new products, we have also launched a new website called the SpeedFusion Marketplace which is a centralized platform for our partners to showcase their best deployments with Peplink, and share knowledge with other partners. As content development is partner-driven, SpeedFusion Marketplace can accelerate content creation, improve marketing efficiency and generate new sales leads.

Vigorously reviewing our own products, services and business approaches, improving efficiency and resilience are the things that define our business culture. We believe diversified team locations, asset light structure, and an agile mindset will enable us to navigate through all challenging times.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, our bank borrowings amounted to approximately US\$387,000 (At 31 December 2019: approximately US\$393,000). Gearing ratio (defined as total borrowings over total equity) as at 30 June 2020 was approximately 1.3% (At 31 December 2019: approximately 1.2%). 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 foreseeable future. We did not experience any liquidity problem during the reporting period.

AGEING ANALYSIS OF TRADE RECEIVABLES

For details of our ageing analysis of trade receivables, please refer to note 11 to the condensed consolidated financial information.

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 30 June 2020, the Group had 156 full-time employees (At 31 December 2019: 159 full time 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 to the Company's continued growth. Details have been set out in the section headed "Share Option Scheme" elsewhere in this Interim Report.

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.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLAN FOR MATERIAL INVESTMENT

As at 30 June 2020, the Group has no significant investment held and material investment plan.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period ended 30 June 2020, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

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\$1,092,000 (At 31 December 2019: approximately US\$1,102,000).

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 30 June 2020 amounted to approximately HK\$16.3 million (equivalent to approximately US\$2.1 million) is deposited into a licensed bank in Hong Kong as short-term fixed term deposits. The Company intends to use the remaining net proceeds in the coming years in accordance with the purposes set out in the prospectus issued on 30 June 2016 (the "Prospectus").

As at 30 June 2020, 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	23%	3.12	3.12	—
Upgrade R&D facilities	13%	1.74	0.32	1.42
Establishment of a R&D centre	13%	1.75	1.23	0.52
Promotional and marketing activities	15%	2.10	2.10	—
Improving marketing capabilities	13%	1.87	1.87	—
Improve brand awareness	3%	0.48	0.32	0.16
Install an enterprise resource planning system	1%	0.12	0.12	—
Strengthen patent portfolio	10%	1.40	1.40	—
Working capital and general corporate purposes	10%	1.40	1.40	—
	100%	13.98	11.88	2.10

DIVIDEND

The Board has resolved to declare an interim dividend of HK3.03 cents per share for the six months ended 30 June 2020. The interim dividend is expected to be paid on 25 August 2020 to the shareholders whose names appear in the Company's register of members of the Company at the close of business on 14 August 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 14 August 2020 for the purpose of determining the entitlement to the 2020 interim dividend. The record date for entitlement to receive the 2020 interim dividend is Friday, 14 August 2020. In order to be qualified for the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 August 2020. The cheques for dividend payment are expected to be sent on Tuesday, 25 August 2020.

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

At 30 June 2020, 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	754,496,000	1,504,000	71.9
Chau Kit Wai	Beneficial owner	4,496,000	1,504,000	0.6
Yip Kai Kut Kenneth	Beneficial owner	4,304,000	1,696,000	0.6
Chong Ming Pui	Beneficial owner	4,496,000	1,504,000	0.6
Yeung Yu	Beneficial owner	4,496,000	1,504,000	0.6

Save as disclosed above, as of the date of this Interim Report, 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 six months ended 30 June 2020 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 six months ended 30 June 2020 are as follows:

Grantee	Date of grant	Exercise price per share (HK\$)	Exercise period	Note	Movement of share options during the period				At 30 June 2019	
					At 1 January 2019	Granted	Exercised	Lapsed/ cancelled		
Directors										
Mr. Chan Wing Hong Alex	20/7/2016	0.483	20/7/2017-19/7/2021	(1), (2)	1,504,000	—	—	—	1,504,000	
Mr. Chau Kit Wai	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	1,504,000	—	—	—	1,504,000	
Mr. Yip Kai Kut Kenneth	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	2,600,000	—	(904,000)	—	1,696,000	
Mr. Chong Ming Pui	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	1,504,000	—	—	—	1,504,000	
Mr. Yeung Yu	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	1,504,000	—	—	—	1,504,000	
Consultants										
	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	576,000	—	—	—	576,000	
	10/10/2017	1.872	10/10/2019-9/10/2022	(4)	2,600,000	—	—	(100,000)	2,500,000	
	14/3/2018	1.934	14/3/2019-13/3/2023	(5)	3,300,000	—	—	—	3,300,000	
	14/9/2018	1.02	14/9/2019-13/9/2023	(6)	2,200,000	—	—	—	2,200,000	
	10/5/2019	1.18	10/5/2021-9/5/2024	(7)	100,000	—	—	—	100,000	
Employees										
	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	19,626,000	—	(3,180,000)	(208,000)	16,238,000	
	5/4/2017	0.720	5/4/2018-4/4/2022	(3)	7,319,000	—	(966,000)	—	6,353,000	
	10/10/2017	1.872	10/10/2019-9/10/2022	(4)	2,940,000	—	—	—	2,940,000	
	14/3/2018	1.934	14/3/2019-13/3/2023	(5)	3,200,000	—	—	—	3,200,000	
	14/9/2018	1.02	14/9/2019-13/9/2023	(6)	9,227,000	—	(22,000)	—	9,205,000	
	10/5/2019	1.18	10/5/2021-9/5/2024	(7)	2,972,000	—	—	(300,000)	2,672,000	
	31/12/2019	1.12	31/12/2021-30/12/2024	(8)	1,100,000	—	—	(100,000)	1,000,000	
					Total:	63,776,000	—	(5,072,000)	(708,000)	57,996,000

Notes:

1. Mr. Chan Wing Hong Alex is also the controlling shareholder of the Company.
2. For all share options granted on 20 July 2016, the first 25% of the total options can be exercised 1 year after the date of grant, and each 25% of the total options will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$0.46.
3. A total of 13,600,000 share options are granted on 5 April 2017. Among that, 25% of 8,400,000 can be exercised 1 year after the date of grant, and 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 the share options granted on 10 October 2017, the first 50% 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\$0.93.
7. For all the share options granted on 10 May 2019, the first 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\$1.12.
8. For all the share options granted on 31 December 2019, the first 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\$1.10.

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 30 June 2020, 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

Save for events disclosed in Note 16 of the notes to the unaudited condensed interim financial statements, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2020 and up to the date of this Interim Report.

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 period.

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 during the period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 during the period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's interim results including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the condensed consolidated financial statements for the six months ended 30 June 2020 with the management.

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 six months. 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, 10 August 2020