

plover bay

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 2016

SUMMARY

- Revenue for the six months ended 30 June 2016 was approximately US\$12,033,000, an increase of approximately 12.1% from approximately US\$10,734,000 for the six months ended 30 June 2015.
- Profit attributable to owners of the Company for the six months ended 30 June 2016 was approximately US\$2,801,000, while the profit attributable to owners of the Company for the six months ended 30 June 2015 was approximately US\$1,385,000, representing an increase of approximately 102.2%.
- Basic earnings per share for the six months ended 30 June 2016 was approximately US0.37 cents (for the six months ended 30 June 2015: basic earnings per share was approximately US0.18 cents).
- The Board has determined that an interim dividend of HK1.73 cents per share for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil) be payable on 19 September 2016 to the shareholders whose names appear in the Company's register of members on 7 September 2016.

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 (collectively, the "Group") for the six months ended 30 June 2016, together with the comparative figures for the six months ended 30 June 2015. These condensed consolidated financial statements for the six months ended 30 June 2016 were unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

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

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
		US\$'000	US\$'000
		(unaudited)	(unaudited)
Revenue	4	12,033	10,734
Cost of sales		(4,110)	(4,786)
Gross profit		7,923	5,948
Other income	5	24	59
Selling and distribution expenses		(607)	(467)
Administrative expenses		(1,344)	(1,284)
Research and development expenses		(2,015)	(2,034)
Listing expenses		(537)	(544)
Finance costs	6	(14)	(1)
Profit before taxation	7	3,430	1,677
Income tax expenses	8	(629)	(292)
Profit for the period		2,801	1,385
Other comprehensive (expense)/income for the period:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(17)	28
Total comprehensive income for the period		2,784	1,413
Profit for the period attributable to owners of the Company		2,801	1,385
Total comprehensive income for the period attributable to owners of the Company		2,784	1,413
Earnings per share	9		
— basic (<i>US cents</i>)		0.37¢	0.18¢

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2016 <i>US\$'000</i> (unaudited)	At 31 December 2015 <i>US\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	645	556
Intangible assets	12	302	277
		947	833
Current assets			
Inventories		4,925	4,138
Trade and other receivables	13	4,417	3,857
Amounts due from related companies		—	459
Pledged bank deposit		129	—
Bank balances and cash		6,353	6,062
		15,824	14,516
Current liabilities			
Trade and other payables	14	1,828	1,045
Amount due to a director		—	1,794
Amounts due to related companies		—	15
Deferred revenue		3,244	2,852
Tax liabilities		1,008	516
Bank borrowings	15	966	1,238
		7,046	7,460
Net current assets		8,778	7,056
Total assets less current liabilities		9,725	7,889

		At 30 June 2016 <i>US\$'000</i> (unaudited)	At 31 December 2015 <i>US\$'000</i> (audited)
Non-current liabilities			
Deferred tax liabilities		14	40
Deferred revenue		812	736
		<hr/>	<hr/>
Total non-current liabilities		826	776
		<hr/>	<hr/>
Net assets		8,899	7,113
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>16</i>	—	—
Reserves		8,899	7,113
		<hr/>	<hr/>
Equity attributable to owners of the Company		8,899	7,113
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital <i>US\$'000</i>	Capital reserve <i>US\$'000</i>	Exchange reserve <i>US\$'000</i>	Retained earnings <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2015 (audited)	—	98	6	6,492	6,596
Profit for the period	—	—	—	1,385	1,385
Other comprehensive income for the period	—	—	28	—	28
Profit and total comprehensive income for the period	—	—	28	1,385	1,413
Dividend paid	—	—	—	(1,000)	(1,000)
Deemed distribution to a shareholder	—	(98)	—	—	(98)
At 30 June 2015 (unaudited)	—	—	34	6,877	6,911
At 1 January 2016 (audited)	—	—	64	7,049	7,113
Profit for the period	—	—	—	2,801	2,801
Other comprehensive expense for the period	—	—	(17)	—	(17)
Profit and total comprehensive income for the period	—	—	(17)	2,801	2,784
Dividend paid	—	—	—	(998)	(998)
At 30 June 2016 (unaudited)	—	—	47	8,852	8,899

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Operating activities		
Cash generated from operations	3,554	1,765
Tax paid	(164)	—
	<hr/>	<hr/>
Net cash from operating activities	3,390	1,765
	<hr/>	<hr/>
Cash flows from investing activities		
Additions to intangible assets	(92)	(147)
Purchases of property, plant and equipment	(225)	(69)
Placement of pledged bank deposit	(129)	—
Other investing activities	—	(40)
	<hr/>	<hr/>
Net cash used in investing activities	(446)	(256)
	<hr/>	<hr/>
Cash flows from financing activities		
Dividend paid	(998)	(1,000)
Interests paid	(14)	(1)
Repayment of bank borrowings	(272)	—
(Repayment of) advances from a director	(1,794)	111
Other financing activities	444	73
	<hr/>	<hr/>
Net cash used in financing activities	(2,634)	(817)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	310	692
Cash and cash equivalents at the beginning of the period	6,062	3,696
Effect of foreign exchange rate change	(19)	28
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	6,353	4,416
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2015. It became the holding company of the Group as a result of the Reorganisation (the “Reorganisation”) as described in the paragraph headed “History, Reorganisation and Corporate Structure — Reorganisation” in the prospectus issued by the Company on 30 June 2016 (the “Prospectus”).

The Company is an investment holding company. The principal activities of its subsidiaries are the designing, development and marketing of SD-WAN routers and provision of software licences and warranty and support services.

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

2. REORGANISATION AND BASIS OF PREPARATION

The Reorganisation involved business combination of entities under common control and the Group is regarded and accounted for as a continuing group using the merger accounting method. Accordingly, the condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2016, and the condensed consolidated statement of financial position of the Group as at 30 June 2016 have been prepared as if the current group structure had been in existence beginning on 1 January 2015, or since their respective dates of incorporation, whichever is the shorter period. All significant intra-group transactions and balances have been eliminated on consolidation in full.

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”).

The condensed consolidated interim 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 for the year ended 31 December 2015 which were contained in the Prospectus.

3. PRINCIPAL ACCOUNTING POLICIES

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 2016 are the same as those set out in the Appendix I to the Prospectus.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i>

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Group’s revenue represents amounts received or receivable for sale of SD-WAN routers and provision of software licences and warranty and support services, net of discounts and sales related taxes.

The table below sets out the breakdown of revenue by nature of products and services:

	Six months ended 30 June	
	2016	2015
	US\$’000	US\$’000
	(unaudited)	(unaudited)
Sale of SD-WAN routers:		
Wired	3,273	3,725
Wireless	5,685	5,091
Warranty and support services	2,536	1,772
Software licences	539	146
Total	12,033	10,734

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

Six months ended 30 June 2016 (unaudited)

	<u>Sale of SD-WAN routers</u>		Software licences and warranty and support services <i>US\$'000</i>	Total <i>US\$'000</i>
	Wired routers	Wireless routers		
	<i>US\$'000</i>	<i>US\$'000</i>		
External sales and segment revenue	<u>3,273</u>	<u>5,685</u>	<u>3,075</u>	<u>12,033</u>
Segment profit	<u>1,612</u>	<u>2,019</u>	<u>2,209</u>	<u>5,840</u>
Other income				24
Selling and distribution expenses				(607)
Unallocated administrative expenses				(1,276)
Listing expenses				(537)
Finance costs				(14)
Profit before taxation				<u><u>3,430</u></u>

Six months ended 30 June 2015 (unaudited)

	<u>Sale of SD-WAN routers</u>		Software licences and warranty and support services <i>US\$'000</i>	Total <i>US\$'000</i>
	Wired routers	Wireless routers		
	<i>US\$'000</i>	<i>US\$'000</i>		
External sales and segment revenue	<u>3,725</u>	<u>5,091</u>	<u>1,918</u>	<u>10,734</u>
Segment profit	<u>1,729</u>	<u>829</u>	<u>1,327</u>	<u>3,885</u>
Other income				59
Selling and distribution expenses				(467)
Unallocated administrative expenses				(1,255)
Listing expenses				(544)
Finance costs				(1)
Profit before taxation				<u><u>1,677</u></u>

The principal assets employed by the Group are located in Hong Kong. Therefore, no segment information based on the geographical location of assets is presented.

Revenue from external customers is presented based on location of customers as follows:

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
North America	5,972	4,568
EMEA	3,158	3,338
Asia	2,350	2,540
Others	553	288
	<hr/>	<hr/>
Total	12,033	10,734
	<hr/> <hr/>	<hr/> <hr/>

Information about major customers

For the six months ended 30 June 2016, one single customer accounted for more than 10% of the Group's total revenue (six months ended 30 June 2015: one customer). The amount of sales to the one single customer amounted to approximately US\$3,197,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately US\$2,211,000).

5. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Sales of parts material	18	59
Foreign exchange gain, net	6	—
	<hr/>	<hr/>
	24	59
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Interests on bank borrowings	14	—
Interest on bank overdraft	—	1
	<hr/>	<hr/>
	14	1
	<hr/> <hr/>	<hr/> <hr/>

7. **PROFIT BEFORE TAXATION**

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	3,697	4,443
Foreign exchange (gain)/loss, net	(6)	114
Amortisation of intangible assets	67	29
Depreciation of property, plant and equipment	135	119
Provision of inventories	4	7
	<u><u> </u></u>	<u><u> </u></u>

8. **INCOME TAX EXPENSES**

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Current tax in Hong Kong:		
Current period	654	297
Underprovision in prior years	2	—
Deferred tax	(27)	(5)
	<u> </u>	<u> </u>
Income tax expenses	<u><u>629</u></u>	<u><u>292</u></u>

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands 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 periods.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic earnings per share, representing profit for the period attributable to owners of the Company	2,801	1,385

	Six months ended 30 June	
	2016	2015
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	750,000	750,000

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share

The weighted average number of shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2016 and corresponding period in 2015 has been adjusted for the effect of 749,999,998 shares to be allotted and issued, credited as fully paid to the then shareholders pursuant to the Capitalisation Issue (as defined in the Prospectus) immediately preceding the completion of the Global Offering (as defined in the Prospectus).

There were no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016, and therefore the diluted earnings per share amount is equivalent to the basic earnings per share.

10. DIVIDEND

The Board has resolved to declare an interim dividend of HK1.73 cents per share be payable on 19 September 2016 to the shareholders whose names appear in the Company's register of members on 7 September 2016. Save as disclosed above, there is no dividend been paid or declared by the Company since the date of its incorporation.

Prior to the Reorganisation, the subsidiaries of the Company distributed a final dividend for 2015 of approximately US\$998,000 during the six months ended 30 June 2016, and an interim dividend for 2015 of approximately US\$1,000,000 during the six months ended 30 June 2015, to the then shareholder, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, additions to property, plant and equipment amounted to approximately US\$225,000 (six months ended 30 June 2015: approximately US\$69,000) primarily due to the purchase of furniture and fixtures during the period.

12. INTANGIBLE ASSETS

During the six months ended 30 June 2016, additions to intangible assets amounted to approximately US\$92,000 (six months ended 30 June 2015: approximately US\$147,000) primarily due to 6 patents were granted during the period.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 <i>US\$'000</i> (unaudited)	At 31 December 2015 <i>US\$'000</i> (audited)
Trade receivables	2,677	2,745
Less: Allowance for doubtful debts	(43)	(43)
	<u>2,674</u>	<u>2,702</u>
Other receivables	218	184
Trade deposits paid	385	206
Utility and deposits	197	99
Prepaid expenses	355	376
Deferred listing expenses	588	290
	<u>4,417</u>	<u>3,857</u>

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period.

Ageing of trade receivables

	At 30 June 2016 <i>US\$'000</i> (unaudited)	At 31 December 2015 <i>US\$'000</i> (audited)
1–30 days	2,017	1,586
31–60 days	607	572
61–90 days	33	434
91–120 days	17	110
	<u>2,674</u>	<u>2,702</u>

14. **TRADE AND OTHER PAYABLES**

	At 30 June 2016 US\$'000 (unaudited)	At 31 December 2015 US\$'000 (audited)
Trade payables	326	223
Deposits received from customers	740	192
Accruals	704	605
Other payables	58	25
	<u>1,828</u>	<u>1,045</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period.

Ageing of trade payables

	At 30 June 2016 US\$'000 (unaudited)	At 31 December 2015 US\$'000 (audited)
Within 30 days	319	208
31 to 90 days	7	15
	<u>326</u>	<u>223</u>

15. **BANK BORROWINGS**

	At 30 June 2016 US\$'000 (unaudited)	At 31 December 2015 US\$'000 (audited)
Secured bank loan repayable within one year	<u>966</u>	<u>1,238</u>

The bank loan as at 30 June 2016 was secured by a pledged bank deposit of approximately US\$129,000.

The bank loan together with a facility granted by bank were guaranteed by the Company and secured by a limited guarantee of HK\$20,600,000 (equivalent to approximately US\$2,658,000) provided by our executive director, Mr. Chan Wing Hong Alex (“Mr. Chan”) at the end of each reporting period. Based on the bank facilities letter signed with the bank, the limited guarantee is subsequently released on 13 July 2016 (the “Listing Date”).

16. SHARE CAPITAL

The following changes in the Company’s authorised and issued share capital took place during the period from 5 May 2015 (date of incorporation) to 30 June 2016.

	<i>Notes</i>	Number of ordinary shares of HK\$0.01	Nominal value of ordinary shares HK\$
Unaudited			
Authorised:			
On incorporation and 31 December 2015	(a)	38,000,000	380,000
Increase in authorised share capital on 21 June 2016	(b)	<u>3,962,000,000</u>	<u>39,620,000</u>
As at 30 June 2016		<u><u>4,000,000,000</u></u>	<u><u>40,000,000</u></u>
Issued and fully paid:			
On incorporation and 31 December 2015	(a)	1	0.01
Allotment of 1 shares during the Reorganisation	(c)	<u>1</u>	<u>0.01</u>
As at 30 June 2016		<u><u>2</u></u>	<u><u>0.02</u></u>
			<i>US\$’000</i>
Shown in the financial statements			<u><u>—</u></u>

- (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 authorized 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 additional 3,962,000,000 shares.
- (c) On 15 June 2016, the Company further 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, as a result of the Reorganisation.
- (d) The share capital at 31 December 2015 represented the combined share capital of the Company.

17. CONTINGENCIES AND COMMITMENTS

The Group did not have any contingent liabilities as at 30 June 2016 (31 December 2015: nil).

As at 30 June 2016, the Group's operating lease commitment for future minimum lease payments under non-cancellable operating leases amounted to approximately US\$1,232,000 (31 December 2015: approximately US\$144,000). The increase was mainly due to the tenancy agreements entered with related companies which Mr. Chan has beneficial interests, as described in the paragraph headed "Continuing Connected Transactions" in the Prospectus.

18. RELATED PARTIES TRANSACTIONS

The Directors of the Company are of the opinion that all the related party transactions have been transacted under terms as negotiated with the related parties.

(a) Transactions with related companies

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Rental expenses:		
PBS Ventures Limited	34	34
Nice Achieve Limited	21	21
Talent Trend International Limited	24	24
Open Gain Limited	15	15
Advance Action Limited	24	24
Perfect Giant Limited	24	24
Plan Smart Limited	64	—
	<hr/>	<hr/>
	206	142
	<hr/>	<hr/>
Dividends paid:		
Tramunta Ventures Limited	—	1,000
Service expenses:		
Glamour Technologies Limited	—	15
	<hr/>	<hr/>

The related companies are companies in which Mr. Chan has beneficial interests.

(b) Guarantees provided by the Company or a director of the Company

The bank loan (as stated in note 15) together with a facility granted were guaranteed by the Company and secured by a limited guarantee of HK\$20,600,000 (equivalent to approximately US\$2,658,000) provided by Mr. Chan at the end of each reporting period. Based on the bank facilities letter signed with the bank, the limited guarantee is subsequently released on the Listing Date.

In addition, limited guarantees of HK\$10,000,000 (equivalent to approximately US\$1,290,000) were also provided by Mr. Chan to secure bank borrowings which had been fully paid as at 31 December 2015. Such guarantees were subsequently released in March 2016.

(c) **Remuneration of key management personnel of the Group**

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Short term employee benefits	544	549
Contribution to retirement benefit scheme	6	6
	550	555

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) 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 Global Offering, 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.
- (b) In connection with the Company's initial public offering, 250,000,000 shares of par value at HK\$0.01 each were issued at a price of HK\$0.50 per share for a total cash consideration, before expenses, of approximately HK\$125,000,000.
- (c) On the Listing Date, the total of 1,000,000,000 shares of HK\$0.01 each in the capital of the Company (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
- (d) On 1 August 2016, Pegatrack Limited, an indirect wholly-owned subsidiary of the Company, as tenant, has entered into tenancy agreements with two related companies, namely Real Energy Limited and Rise Gold Limited, which Mr. Chan has beneficial interests, for a term of two years and five months commencing from 1 August 2016 to 31 December 2018 (both days inclusive). The terms (including the monthly rents) of each of the tenancy agreements were negotiated on an arm's length basis with reference to the prevailing market rent of other similar premises in the Hong Kong market. Details can be referred to the announcement of the Company dated 1 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue

For the six months ended 30 June 2016, the revenue of the Group was approximately US\$12,033,000, representing an increase of approximately 12.1% from approximately US\$10,734,000 for the six months ended 30 June 2015. The increase in revenue is mainly attributed by the increase in revenue derived from warranty and support services and sale of software licences.

Details please refer to note 4 of the condensed consolidated financial statements.

Gross Profit

For the six months ended 30 June 2016, the gross profit was approximately US\$7,923,000, with gross profit margin of approximately 65.8%, while the gross profit and gross profit margin for the six months ended 30 June 2015 were approximately US\$5,948,000 and approximately 55.4%, respectively, representing an increase of approximately 10.4% in gross profit margin. This was mainly due to the increase in revenue derived from the sale of higher margin wireless routers during the six months ended 30 June 2016 as compared to 30 June 2015, as well as the warranty and support services income and sale of software licences which have higher gross profit margins.

Details please refer to note 4 of the condensed consolidated financial statements.

Other Income

Other income mainly represented net gain on sales of parts material to our contract manufacturers and net gain on foreign exchange. No significant fluctuation is noted during the six months ended 30 June 2016.

Selling and distribution expenses

Selling and distribution expenses comprise 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 six months ended 30 June 2016 and the six months ended 30 June 2015 was approximately US\$607,000 and approximately US\$467,000, respectively, representing an increase of approximately US\$140,000 or approximately

30.0%. This is mainly due to (i) an increase in average salaries and wages of our selling and distribution staff; and (ii) an increase in advertising and promotion expenses as a result of our increased efforts to promote our products when compared to the six months ended 30 June 2015.

Administrative expenses

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

Administrative expenses for the six months ended 30 June 2016 and the six months ended 30 June 2015 was approximately US\$1,344,000 and approximately US\$1,284,000, respectively, representing a slight increase of approximately US\$60,000 or approximately 4.7%.

Research and development expenses

Research and development 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 2016 and the six months ended 30 June 2015 was approximately US\$2,015,000 and approximately US\$2,034,000, respectively, representing a slight decrease of approximately US\$19,000 or approximately 0.9%.

Finance costs

Finance costs mainly represented interests on bank borrowings during the six months ended 30 June 2016.

Finance costs for the six months ended 30 June 2016 and the six months ended 30 June 2015 was approximately US\$14,000 and approximately US\$1,000, respectively, representing a slight increase of approximately US\$13,000. No interests on bank borrowings during the six months ended 30 June 2015 was incurred 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), are fully reimbursed by the related companies and set-off against the finance costs borne by the Group. New bank loan was subsequently raised in December 2015.

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 profit during the period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2016 was approximately US\$2,801,000, while the profit attributable to owners of the Company for the six months ended 30 June 2015 was approximately US\$1,385,000, representing an increase of approximately 102.2%. The increase was mainly due to the increase in revenue derived from warranty and support services and sale of software licences, and the increase of gross profit derived from sale of higher margin wireless routers, partly offset by the increase in selling and distribution expenses and income tax expenses.

Non-current assets

No significant fluctuation of non-current assets was noted during the period.

Current assets

Current assets increased approximately US\$1,308,000 or approximately 9.0%, from approximately US\$14,516,000 as at 31 December 2015 to approximately US\$15,824,000 as at 30 June 2016. The increase was mainly due to the combined effect of the following:

- Increase in inventory to cope with expected increase in sale of products;
- Increase in rental deposits paid due to the tenancy agreements entered with related companies (as stated in note 17);
- Increase in deferred listing expenses, included in other receivable, caused by the listing expenses incurred during the period;
- Repayment of current accounts with related parties in June 2016; and
- Increase in bank balances and cash received from net cash inflow from operating activities.

Current liabilities

Current liabilities decreased approximately US\$414,000 or approximately 5.5%, from approximately US\$7,460,000 as at 31 December 2015 to approximately US\$7,046,000 as at 30 June 2016. The decrease was mainly due to the combined effect of the following:

- Increase in trade payables due to the increase of purchase to cope with expected increase in sale of products;
- Increase in deposits received from customers due to the increase in sale orders received;
- Increase in accruals of listing expenses, included in other payables, during the period;
- Repayment of current accounts with related parties in June 2016;
- Deferred revenue represents payments in advance from customers for the provision of warranty and support services recognised as revenue on a straight-line basis over the estimated period of the warranty and support services. The increase in our deferred revenue was in line with the increase in sale volume of our SD-WAN routers;
- Increase in tax payables in line with the increase in income tax expenses during the period; and
- Repayment of bank loan according to the repayment schedule during the period.

Non-current liabilities

Non-current liabilities increased approximately US\$50,000 or approximately 6.4%, from approximately US\$776,000 as at 31 December 2015 to approximately US\$826,000 as at 30 June 2016 mainly due to the increase in deferred revenue resulted from the increase in payments in advance from customers for the provision of warranty and support services during the period.

Net cash from operating activities

Net cash from operating activities increased approximately US\$1,625,000 or approximately 92.1%, from approximately US\$1,765,000 for the six months ended 30 June 2015 to approximately US\$3,390,000 for the six months ended 30 June 2016. The increase was mainly due to the increase of the Group's payments in advance received from customers for the provision of warranty and support services, adjusted by the increase in deferred revenue during the six months ended 30 June 2016.

Net cash used in investing activities

Net cash used in investing activities increased approximately US\$190,000 or approximately 74.2%, from approximately US\$256,000 for the six months ended 30 June 2015 to approximately US\$446,000 for the six months ended 30 June 2016. The increase was mainly due to the increase of purchase of furniture and fixtures and placement of pledged bank deposit during the period.

Net cash used in financing activities

Net cash used in financing activities increased approximately US\$1,817,000 or approximately 222.4%, from approximately US\$817,000 for the six months ended 30 June 2015 to approximately US\$2,634,000 for the six months ended 30 June 2016. The increase was mainly due to repayment of advances from a director and dividend paid in June 2016.

Prospect

As described in the paragraph headed “Industry Overview” to the Prospectus, according to an industry report dated 18 June 2016 in respect of the SD-WAN router market prepared by an independent market researcher and consultant and 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. The Group believes that there is no significant change in the market from the date of the industry report to the date of this report.

The Group excels at delivering disruptive internet connectivity technologies. We will leverage this strength to deliver unbreakable mobility to major verticals such as transportation, maritime and internet of things (IOT). New product categories and cloud-based subscription services will be launched.

We will continue to further enhance our research and development capabilities and our promotion and marketing capabilities which will in turn enhance the global awareness of our brand.

Liquidity, financial resources and capital structure

As at 30 June 2016, our bank loan amounted to approximately US\$966,000 (as at 31 December 2015: US\$1,238,000) is repayable within one year and interest bearing at Hong Kong Best Lending Rate less 2.50% per annum. Such bank loan is denominated in Hong Kong dollars.

As at 30 June 2016, the Group had gearing ratio (which is defined as total borrowings over total equity) of approximately 10.9% (as at 31 December 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 six months ended 30 June 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 13 and note 14 of the condensed consolidated financial statements, 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 Hong Kong dollars which are pegged to US\$. In this respect, there is no significant currency mismatch in 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 salary packages with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 30 June 2016, the Group had 84 full-time employees.

Retirement benefits 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 six months ended 30 June 2016 were approximately US\$82,000.

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 six months ended 30 June 2016 were approximately US\$11,000.

Significant investment held and future plan for material investment

As at 30 June 2016, the Group had no significant investment held and material investment plan.

Material acquisitions and disposals

For the six months ended 30 June 2016, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

Contingent liabilities and commitments

Save as disclosed in note 17 of the condensed consolidated financial statements, we do not have other contingent liabilities or commitments as at 30 June 2016.

Pledge of assets

Save as disclosed in note 15 of the condensed consolidated financial statements, we do not have other pledge of assets as at 30 June 2016.

Share capital

Details please refer to note 16 of the condensed consolidated financial statements.

Segment information

Details please refer to note 4 of the condensed consolidated financial statements.

Directors' and chief executives' interests and short position in shares, underlying shares and debentures

As the Shares were listed on the Stock Exchange on 13 July 2016, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (Cap. 571) (the "SFO") as at 30 June 2016.

As at the date of this report, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) under the provisions of Divisions 7 and 8 of Part XV of the SFO, section 352 of the SFO and the Model Code (defined below) are as follows:

Long positions in Shares

(a) Long positions in Shares

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of shareholding %
Chan Wing Hong Alex	Beneficial owner	750,000,000	75

(b) Long positions in underlying Shares

Name of Directors	Nature of interest	Number of underlying Shares held under Share Option Scheme	Approximate percentage of shareholding %
Chan Wing Hong Alex	Beneficial owner	6,000,000	0.6
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 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.

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 the date of this report 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”). During the six months ended 30 June 2016, as the Share Option Scheme was not yet effective, no share option was granted, exercised, expired or lapsed and there was no outstanding share option.

On 20 July 2016, 78,700,000 share options were granted by the Company, of which 6,000,000 share options were granted to each of our executive Directors, Mr. Chan, Mr. Chau Kit Wai, Mr. Yip Kai Kut Kenneth, Mr. Chong Ming Pui and Mr. Yeung Yu, respectively; and the remaining 48,700,000 share options in aggregate were granted to employees and consultants of the Group. The exercise price of the share options granted is HK\$0.483 per Share, the average closing price of the Shares for the five business days immediately preceding the date of grant. The validity period of the share options is 5 years from the date of grant on 20 July 2016. All of 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. The share options shall lapse at the expiry of the validity period. From the date of grant of the share options on 20 July 2016 to the date of this report, no share options granted under the Share Option Scheme were exercised, expired, cancelled or lapsed.

Substantial shareholders’ interests and short positions in shares and underlying shares

As the Shares were not listed on the Stock Exchange as at 30 June 2016, the Company is not required to disclose any interests or short positions of the substantial shareholders of the Company in the shares or underlying shares under 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 as at 30 June 2016.

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

For the six months ended 30 June 2016 up to the date of this report, the Directors are not aware of any business or interests of the Directors and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

Audit committee

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Wan Sze Chung, Dr. Yu Kin Tim and Mr. Ho Chi Lam. Mr. Wan Sze Chung is the chairman of the Audit Committee. The Audit Committee together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, the financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2016.

Interim dividend

The Board has resolved to declare an interim dividend of HK1.73 cents per Share for the six months ended 30 June 2016. The interim dividend is expected to be paid on Monday, 19 September 2016 to the shareholders whose names appear in the Company's register of members of the Company on Wednesday, 7 September 2016.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 6 September 2016 to Wednesday, 7 September 2016 (both days inclusive) for the purpose of determining the entitlement to the interim dividend. The record date for entitlement to receive the interim dividend is Wednesday, 7 September 2016. In order to be qualified for the 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 Monday, 5 September 2016. The cheques for dividend payment will be sent on Monday, 19 September 2016.

Code on corporate governance practices

As the Shares were not listed on the Stock Exchange as at 30 June 2016, the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules was not applicable to the Company for the six months ended 30 June 2016. The Company has adopted 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 since the Listing Date and up to the date of this report.

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. As the Company was not listed on the Stock Exchange during the six months ended 30 June 2016, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors were not applicable to the Company for the six months ended 30 June 2016. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code from the Listing Date to the date of this report.

Use of proceeds from the global offering

The net proceeds from the issue of new Shares in the Global Offering (after deducting the underwriting fees and estimated expenses) amounted to approximately HK\$108.39 million, which are intended to be applied in the manner as disclosed in the announcement of the Company dated 12 July 2016 and details can be referred to the Prospectus. The Company has no change to the intended use of proceeds up to the date of this report.

Purchase, sale or redemption of shares

The Shares were not listed on the Stock Exchange during the six months ended 30 June 2016. There was no purchase, sale or redemption of any Shares by the Company or any of its subsidiaries from the Listing Date up to the date of this report.

By order of the Board
Plover Bay Technologies Limited
Chan Wing Hong Alex
Chairman

Hong Kong, 22 August 2016