



Plover Bay Technologies Limited

珩灣科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1523)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

SUMMARY

- Revenue for the six months ended 30 June 2019 increased approximately 11.6% to US\$22,025,000, from approximately US\$19,728,000 for the six months ended 30 June 2018.
- Profit attributable to the owners of the Company for the six months ended 30 June 2019 increased approximately 21.4% to US\$5,758,000, from approximately US\$4,743,000 for the six months ended 30 June 2018.
- During the period, the Company recorded basic earnings per share of approximately US0.56 cents (2018: approximately US0.47 cents).
- The Board has determined that an interim dividend of HK3.49 cents per share for the six months ended 30 June 2019 be payable on 26 August 2019 to the shareholders whose names appear in the Company's register of members on 15 August 2019.

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 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		(unaudited)	
		Six months ended 30 June	
		2019	2018
	Notes	US\$'000	US\$'000
Revenue	4	22,025	19,728
Cost of sales and services		<u>(7,965)</u>	<u>(7,279)</u>
Gross profit		14,060	12,449
Other income and gains, net	4	219	83
Selling and distribution expenses		(1,168)	(1,058)
Administrative expenses		(2,609)	(2,166)
Research and development expenses		(3,513)	(3,511)
Finance costs	5	<u>(54)</u>	<u>(21)</u>
Profit before tax	6	6,935	5,776
Income tax expense	7	<u>(1,177)</u>	<u>(1,033)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>5,758</u>	<u>4,743</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(14)</u>	<u>(32)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>5,744</u>	<u>4,711</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
— Basic (US cents)		0.56¢	0.47¢
— Diluted (US cents)		<u>0.54¢</u>	<u>0.45¢</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		At 30 June 2019 US\$'000 (unaudited)	At 31 December 2018 US\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		4,714	2,470
Intangible assets		1,000	891
Deferred tax assets		30	30
TOTAL NON-CURRENT ASSETS		5,744	3,391
CURRENT ASSETS			
Inventories	10	7,885	8,372
Trade receivables	11	4,668	4,922
Prepayments, deposits and other receivables		2,114	1,491
Tax recoverable		—	269
Cash and cash equivalents		26,858	26,850
TOTAL CURRENT ASSETS		41,525	41,904
CURRENT LIABILITIES			
Trade payables, other payables and accruals	12	3,041	2,274
Contract liabilities		6,752	6,763
Lease liabilities		893	—
Tax payable		1,110	216
Interest-bearing bank borrowings		847	1,306
TOTAL CURRENT LIABILITIES		12,643	10,559
NET CURRENT ASSETS		28,882	31,345
TOTAL ASSETS LESS CURRENT LIABILITIES		34,626	34,736

	At 30 June 2019 <i>US\$'000</i> (unaudited)	At 31 December 2018 <i>US\$'000</i> (audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	123	109
Contract liabilities	1,678	1,909
Lease liabilities	1,417	—
	<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES	3,218	2,018
	<hr/>	<hr/>
NET ASSETS	31,408	32,718
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	<i>13</i> 1,333	1,326
Reserves	30,075	31,392
	<hr/>	<hr/>
TOTAL EQUITY	31,408	32,718
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

		Attributable to owners of the parent					
	Note	Issued capital US\$'000	Share premium account US\$'000	Share option reserve US\$'000	Exchange fluctuation reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
At 1 January 2018 (audited)		1,307	14,596	855	—	11,992	28,750
Profit for the period		—	—	—	—	4,743	4,743
Other comprehensive loss for period:							
Exchange differences on translation of foreign operations		—	—	—	(32)	—	(32)
Total comprehensive income/(loss) for the period		—	—	—	(32)	4,743	4,711
Issue of shares upon exercise of share options		3	246	(52)	—	—	197
Equity-settled share option arrangements		—	—	413	—	—	413
Second interim 2017 dividend	8	—	—	—	—	(4,535)	(4,535)
At 30 June 2018 (unaudited)		1,310	14,842	1,216	(32)	12,200	29,536
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)		1,333	16,345	1,445	(13)	12,298	31,408

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	(unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,707	11,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	187	82
Purchase of items of property, plant and equipment	(266)	(319)
Additions to intangible assets	(346)	(236)
Proceeds from disposal of items of property, plant and equipment	—	1
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(425)	(472)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	392	197
Dividends paid	(7,721)	(4,535)
Interest elements of finance lease rental payments	(37)	—
Repayment of bank loans	(455)	(881)
Interest paid	(17)	(21)
Principal portion of finance lease rental payments	(430)	—
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(8,268)	(5,240)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14	5,547
Cash and cash equivalents at beginning of the period	26,850	16,747
Effect of foreign exchange rate changes, net	(6)	(60)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	26,858	22,234

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2018.

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 2019 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2018.

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 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015–2017 cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17. Since the Group recognized the right-of-use assets at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments there was no impact to the retained earnings.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. Such right-of-use assets were included in the property, plant and equipment in the condensed consolidated statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) US\$'000 (Unaudited)
Assets	
Increase in right-of-use assets	2,739
Decrease in prepayments, deposits and other receivables	(68)
	<hr/>
Increase in total assets	2,671
	<hr/> <hr/>
Liabilities	
Increase in lease liabilities	2,671
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Increase in total liabilities	2,671
	<hr/> <hr/>

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	<i>US\$'000</i> (Unaudited)
Operating lease commitment at 31 December 2018	2,850
Weighted average incremental borrowing rate as at 1 January 2019	2.94%
	<hr/>
Lease liabilities/discounted operating lease commitments as at 1 January 2019	<u>2,671</u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

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, listing 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					
	2019	2018	2019	2018	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment revenue:								
Sales to external customers	<u>3,955</u>	<u>4,056</u>	<u>11,503</u>	<u>10,601</u>	<u>6,567</u>	<u>5,071</u>	<u>22,025</u>	<u>19,728</u>
Segment result	<u>1,675</u>	<u>2,026</u>	<u>3,650</u>	<u>3,053</u>	<u>4,989</u>	<u>3,689</u>	<u>10,314</u>	<u>8,768</u>
<i>Reconciliation:</i>								
Other income and gains, net							219	83
Selling and distribution expenses							(1,168)	(1,058)
Unallocated administrative expenses							(2,376)	(1,996)
Finance costs							(54)	(21)
Profit before tax							<u>6,935</u>	<u>5,776</u>

Geographical information

Revenue from external customers

	(unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
North America	13,941	11,610
EMEA (Europe, Middle East, Africa)	4,814	4,783
Asia	2,850	2,900
Others	420	435
	<u>22,025</u>	<u>19,728</u>

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	(unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
<i>Revenue from contracts with customers</i>	22,025	—
Sale of SD-WAN routers		
— Wired	—	4,056
— Wireless	—	10,601
Provision of warranty and support services	—	4,208
Sales of software and licence fee income	—	863
	<u>22,025</u>	<u>19,728</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

Six months ended 30 June 2019

Type of goods or services	Software licences and warranty and support services		Total <i>US\$'000</i>
	Sale of SD-WAN routers <i>US\$'000</i>	<i>US\$'000</i>	
Sale of SD-WAN routers			
— Wired	3,955	—	3,955
— Wireless	11,503	—	11,503
Provision of warranty and support services	—	5,515	5,515
Sales of software and licence fee income	—	1,052	1,052
Total revenue from contracts with customers	<u>15,458</u>	<u>6,567</u>	<u>22,025</u>

	(unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Other income and gains, net		
Sales of parts	26	1
Bank interest income	187	82
Others	6	—
	<u>6</u>	<u>—</u>
	<u>219</u>	<u>83</u>

5. FINANCE COSTS

	(unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Interest on bank borrowings	17	21
Interest on lease liabilities	37	—
	<u>37</u>	<u>—</u>
	<u>54</u>	<u>21</u>

6. PROFIT BEFORE TAX

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

	(unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Cost of inventories sold	7,088	6,628
Depreciation*	753	215
Amortisation of intangible assets	234	171
Write-down/(reversal of write-down) of inventories to net realisable value	132	(1)
Foreign exchange differences, net	100	51
	<u>100</u>	<u>51</u>

* During the reporting period, depreciation of right-of-use assets of US\$463,000 (2018: nil) is included in this item.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	(unaudited)	
	Six months ended 30 June	
	2019	2018
	US\$'000	US\$'000
Current — Hong Kong		
Charge for the period	1,164	991
Over provision in prior years	(1)	—
Deferred	14	42
	<u>1,177</u>	<u>1,033</u>
Total tax charge for the period	<u>1,177</u>	<u>1,033</u>

8. DIVIDENDS

During the period, a second interim dividend of HK4.36 cents per ordinary share and a special dividend of HK1.52 cents per ordinary share for the year ended 31 December 2018 were paid to the shareholders of the Company on 27 March 2019.

In the Board Meeting held on 31 July 2019, the Board has resolved to declare an interim dividend of HK3.49 cents per share for the six months ended 30 June 2019 (2018: HK2.92 cents). The interim dividend is payable on Monday, 26 August 2019 to the shareholders whose names appear in the register of members of the Company on Thursday, 15 August 2019.

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 weighted average number of ordinary shares of 1,030,617,768 (2018: 1,015,583,470) 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	
	2019	2018
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,030,617,768	1,015,583,470
Effect of dilution — weighted average number of ordinary shares:		
Share options	27,968,978	45,682,803
	<u>1,058,586,746</u>	<u>1,061,266,273</u>

10. INVENTORIES

	(unaudited)	(audited)
	At	At
	30 June	31 December
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Raw materials and consumables	5,737	6,033
Finished goods	2,148	2,339
	<u>7,885</u>	<u>8,372</u>

11. TRADE RECEIVABLES

	(unaudited)	(audited)
	At	At
	30 June	31 December
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	4,763	5,016
Impairment	(95)	(94)
	<u>4,668</u>	<u>4,922</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
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 month	2,641	3,650
1 to 2 months	1,907	960
2 to 3 months	120	297
Over 3 months	—	15
	<u>4,668</u>	<u>4,922</u>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	(unaudited)	(audited)
	At	At
	30 June	31 December
	2019	2018
	US\$'000	US\$'000
Trade payables	1,046	930
Deposits received	385	189
Other payables	30	6
Accruals	1,580	1,149
	<u>3,041</u>	<u>2,274</u>

13. ISSUED CAPITAL

	(unaudited)	(audited)
	At	At
	30 June	31 December
	2019	2018
	US\$'000	US\$'000
Authorised:		
4,000,000,000 (31 December 2018: 4,000,000,000) ordinary shares of HK\$0.01 each	<u>5,152</u>	<u>5,152</u>
Issued and fully paid:		
1,034,728,000 (31 December 2018: 1,028,832,000) ordinary shares of HK\$0.01 each	<u>1,333</u>	<u>1,326</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 2018		1,014,336,000	10,143	1,307
Share options exercised	(a)	<u>14,496,000</u>	<u>145</u>	<u>19</u>
At 31 December 2018 and 1 January 2019		1,028,832,000	10,288	1,326
Share options exercised	(b)	<u>5,896,000</u>	<u>59</u>	<u>7</u>
At 30 June 2019		<u>1,034,728,000</u>	<u>10,347</u>	<u>1,333</u>

Notes:

- (a) The subscription rights attaching to 14,496,000 share options were exercised at a weighted average subscription price of HK\$0.507 per share, resulting in the issue of 14,496,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$937,000. An amount of approximately US\$318,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.
- (b) The subscription rights attaching to 5,896,000 share options were exercised at the weighted average subscription prices of HK\$0.521 per share, respectively, resulting in the issue of 5,896,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$392,000. An amount of approximately US\$128,000 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	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Rental expenses paid to related companies	—	342
Acquisition cost of right-of-use assets paid to related companies	2,739	—
	<u>2,739</u>	<u>—</u>

These related party transactions also constitute one-off connected transactions (2018: continuing connected transactions) as defined in Chapter 14A of the Listing Rules.

The acquisition cost and rental expenses 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)	
	2019		2018	
	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	0.865	82,236,000	0.647	77,960,000
Granted	1.180	3,172,000	1.934	13,500,000
Exercised	0.521	(5,896,000)	0.624	(2,488,000)
Forfeited	1.787	(3,972,000)	1.067	(2,388,000)
	<u>0.857</u>	<u>75,540,000</u>	<u>0.837</u>	<u>86,584,000</u>
At 30 June	<u>0.857</u>	<u>75,540,000</u>	<u>0.837</u>	<u>86,584,000</u>

The weighted average share price at the date of exercise for share options exercised during six months ended 30 June 2019 was HK\$1.119 per share (2018: HK\$0.624 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	
		2019	2018
20-7-2017 to 19-7-2021	0.483	1,476,000	3,220,000
20-7-2018 to 19-7-2021	0.483	2,982,000	18,200,000
20-7-2019 to 19-7-2021	0.483	18,100,000	18,200,000
20-7-2020 to 19-7-2021	0.483	18,100,000	18,200,000
5-4-2018 to 4-4-2022	0.72	18,000	624,000
5-4-2019 to 4-4-2022	0.72	2,554,000	3,050,000
5-4-2020 to 4-4-2022	0.72	2,475,000	2,575,000
5-4-2021 to 4-4-2022	0.72	2,475,000	2,575,000
10-10-2019 to 9-10-2022	1.872	3,070,000	3,270,000
10-10-2020 to 9-10-2022	1.872	1,535,000	1,635,000
10-10-2021 to 9-10-2022	1.872	1,535,000	1,635,000
14-3-2019 to 13-3-2023	1.934	925,000	2,475,000
14-3-2020 to 13-3-2023	1.934	2,367,000	4,225,000
14-3-2021 to 13-3-2023	1.934	1,646,000	3,350,000
14-3-2022 to 13-3-2023	1.934	1,646,000	3,350,000
14-9-2019 to 13-9-2023	1.02	2,666,000	—
14-9-2020 to 13-9-2023	1.02	3,066,000	—
14-9-2021 to 13-9-2023	1.02	2,866,000	—
14-9-2022 to 13-9-2023	1.02	2,866,000	—
10-5-2021 to 9-5-2024	1.18	1,586,000	—
10-5-2022 to 9-5-2024	1.18	793,000	—
10-5-2023 to 9-5-2024	1.18	793,000	—
		75,540,000	86,584,000

The fair value of the share options granted during the reporting period was approximately US\$86,000 (US\$0.027 each). A share option expense of approximately US\$275,000 was recognized during the reporting period, of which about US\$4,000 related to share options granted during the six months ended 30 June 2019.

The fair value of equity-settled share options granted during the current reporting period and the same period last year were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of option grant	10 May 2019	14 March 2018
Dividend yield (%)	6.30	5.33
Expected volatility (%)	36.52	35.61
Risk-free interest rate (%)	1.69	2.47
Expected life of options (year)	5.00	5.00
Weighted average share price (HK\$ per share)	1.15	1.92

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no other material events occurring after 30 June 2019 and up to the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Revenue and segment information

During the six months ended 30 June 2019, 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 2019, revenue of the Group was approximately US\$22,025,000, representing an increase of approximately US\$2,297,000 or 11.6% from approximately US\$19,728,000 in the same period last year. The growth during the period was mainly driven by 8.5% increase in wireless SD-WAN sales, 31.1% increase in warranty and support services and 21.9% increase in software licences. Meanwhile, sales of wired SD-WAN routers decreased 2.5% compared to the same period last year. The overall growth in wireless SD-WAN routers over wired is in line with our long-term strategy to focus in the wireless SD-WAN segment, as we see strong market potential in this relatively untapped market. The growth in warranty and support services and software licences are a result of our growing installed base of SD-WAN routers and the release of better software features.

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

	For the six months ended 30 June			
	2019		2018	
	Revenue	% of total	Revenue	% of total
	US\$'000	%	US\$'000	%
SD-WAN routers:				
Wired	3,955	18.0	4,056	20.6
Wireless	11,503	52.2	10,601	53.7
Warranty and support services	5,515	25.0	4,208	21.3
Software licences	1,052	4.8	863	4.4
Total	<u>22,025</u>	<u>100.0</u>	<u>19,728</u>	<u>100.0</u>

During the reporting period, sales to North America continued to grow 20.1% to approximately US\$13,941,000. Sales to Europe, Middle East and Africa (EMEA) stayed relatively flat at approximately US\$4,814,000, growing just approximately 0.6% compared to the previous reporting period. Sales to Asia slightly declined to about US\$2,850,000, from US\$2,900,000. The growth in North America was driven by the strong sales growth in the United States, where several key distributors have ramped up their marketing efforts and increased their own reseller channels. Outside of key partners, a general expansion of number of customers is also observed. In EMEA, growth slowed down because of a combination of structural issues within the sales channel, as well as weak business sentiment due to political and economic uncertainty in the region. Sales in Asia as a whole is reliant on government infrastructure projects and initiatives, which varies from time to time.

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 2019 and 2018:

	For the six months ended 30 June			
	2019		2018	
	Revenue	Weight	Revenue	Weight
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
North America	13,941	63.3	11,610	58.9
EMEA	4,814	21.9	4,783	24.2
Asia	2,850	12.9	2,900	14.7
Others	420	1.9	435	2.2
Total	<u>22,025</u>	<u>100.0</u>	<u>19,728</u>	<u>100.0</u>

Gross profit and gross profit margin

For the six months ended 30 June 2019, our gross profit was approximately US\$14,060,000, while gross profit margin was approximately 63.8%, representing a slight increase from last year's interim period.

The overall increase in gross profit margin was attributable to i) continuous cost improvements and increase in the scale of the wireless SD-WAN router business and ii) continued increased revenue mix of the warranty and support services and software licences segment. Conversely, gross margins in wired SD-WAN decreased as product mix shifted towards entry-level products for SMEs.

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

	Six months ended 30 June			
	2019		2018	
	Gross profit	Gross profit	Gross profit	Gross profit
	US\$'000	margin	US\$'000	margin
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
SD-WAN routers:				
Wired	2,315	58.5	2,751	67.8
Wireless	5,680	49.4	5,087	48.0
Warranty and support services	5,013	90.9	3,748	89.1
Software licences	1,052	100.0	863	100.0
	<u>14,060</u>	<u>63.8</u>	<u>12,449</u>	<u>63.1</u>
Total	<u>14,060</u>	<u>63.8</u>	<u>12,449</u>	<u>63.1</u>

Other income and gains, net

Other income and gains, net mainly represented interest income. For the six months ended 30 June 2019, other income and gains, net was approximately US\$219,000, an increase of approximately 163.9%, from approximately US\$83,000 for the six months ended 30 June 2018 mainly due to increase in interest income.

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 2019 and 2018 were approximately US\$1,168,000 and US\$1,058,000, respectively, representing an increase of approximately US\$110,000 or 10.4%. During the period, we gradually increased staff count and ramped up spending on sponsorship programs to support channel partners' marketing activities to improve our brand awareness.

Administrative expenses

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

Administrative expenses for the six months ended 30 June 2019 and 2018 were approximately US\$2,609,000 and US\$2,166,000, respectively, representing an increase of approximately US\$443,000 or 20.5%. This is due to increases in salaries as a result of increased headcount, amortisation of intangible assets and rental expenses (recognised as right-of-use assets and depreciated over the lease period).

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 2019 and 2018 were approximately US\$3,513,000 and US\$3,511,000, respectively. During the period, the increase in R&D and consultant costs are largely offset by the lower share-based payment expenses recognised.

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 2019 was approximately US\$275,000 compared to US\$413,000 during the same period last 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 2019 amounted to approximately US\$7,290,000 compared to approximately US\$6,735,000 during the same period last year, an increase of approximately 8.2%.

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 2019 was approximately US\$54,000 compared to US\$21,000 during the same period last year. The increase is mainly due to recognition of interest portion of lease liabilities as required by the newly adopted HKFRS 16.

Income tax expenses

We provided for Hong Kong profits tax at a rate of 16.5% on our estimated assessable profits arising in Hong Kong. The increase in income tax expenses corresponded to the increase of revenue and assessable profits during the six months ended 30 June 2019.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2019 was approximately US\$5,758,000 compared to approximately US\$4,743,000 during the same period last year, representing an increase of approximately US\$1,015,000 or 21.4%.

During the current period, basic and diluted earnings per share attributable to owners of the Company were 0.56 US cents and 0.54 US cents, (First half of 2018: basic earnings per share of 0.47 US cents and diluted earnings per share of 0.45 US cents), representing year-on-year increase of approximately 19.1% and 20.0%, respectively.

BUSINESS OUTLOOK

As an unbreakable connectivity company, the Company has accumulated a solid foundation of technologies to address networking challenges encountered by enterprises today and tomorrow. With our extensive range of wireless SD-WAN products, we are capable of ensuring unbreakable connectivity and decreased latency in deployment locations where there is no adequate fixed line access or where mobile network is the only choice. Having an unbreakable and secure mobile connectivity opens up new possibilities in transport, emergency services, enterprise, and many more other areas. Mobile is also much more agile than dedicated fixed lines, often more cost effective, and in some cases even faster. The arrival of 5G will only further accelerate the adoption of wireless networks as a main form of communication within enterprise branch and IoT networks. Our technologies in ensuring unbreakable wireless connectivity is poised to benefit from this trend.

With this in mind, it is vital to increase scalability of our products and our brand awareness. We are working on a new service called SpeedFusion Cloud that will massively reduce the complexity and capex required for enterprise customers to take advantage of the unbreakable connectivity offered by SpeedFusion. We will also continue to strengthen our marketing and business development capabilities to improve brand awareness in the market and provide better support to channel partners. Finally, R&D is always a cornerstone of our business, and we will dedicate more resources on new products and services to maintain our competitive edge.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, our bank borrowings amounted to approximately US\$847,000 (At 31 December 2018: approximately US\$1,306,000). As at 30 June 2019, the gearing ratio (which is defined as total borrowings over total equity) of our Group was approximately 2.7% (At 31 December 2018: approximately 4.0%). 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 2019, the Group had 126 full-time employees (31 December 2018: 121 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. During the reporting period, the Company issued share options on 10 May 2019. Details have been set out in the section headed "Share Option Scheme" elsewhere in this 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 2019, the Group has no significant investment held and material investment plan.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period ended 30 June 2019, 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\$1,119,000 (At 31 December 2018: US\$1,143,000).

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 2019 amounted to approximately HK\$38.4 million (equivalent to approximately US\$4.9 million) is deposited into a licensed bank in Hong Kong as short-term fixed term deposits. The Company intends to use the remaining net proceeds in the coming years in accordance with the purposes set out in the prospectus issued on 30 June 2016 (the "Prospectus").

As at 30 June 2019, the Group has utilised the Net Proceeds as follows:

	Percentage of total amount	Net proceeds <i>US\$ million</i>	Utilised amount <i>US\$ million</i>	Unutilised amount <i>US\$ million</i>
Strengthen our R&D capabilities:				
Expansion of R&D team	23%	3.12	2.52	0.60
Upgrade R&D facilities	13%	1.74	0.17	1.57
Establishment of a R&D centre	13%	1.75	1.23	0.52
Promotional and marketing activities				
Improving marketing capabilities	15%	2.10	1.26	0.84
Improve brand awareness	13%	1.87	1.18	0.69
Improve brand awareness	3%	0.48	0.16	0.32
Install an enterprise resource planning system				
Strengthen patent portfolio	1%	0.12	0.12	—
Working capital and general corporate purposes	10%	1.40	1.04	0.36
	10%	1.40	1.40	—
	<u>100%</u>	<u>13.98</u>	<u>9.08</u>	<u>4.90</u>

ADOPTION OF DIVIDEND POLICY

The board of directors of the Company has approved and adopted a dividend policy (the “Dividend Policy”) effective from 28 February 2019. The Company endeavours to maintain sufficient working capital to develop and operate the business of the Group and to provide stable and sustainable returns to the shareholders of the Company (“Shareholders”). For more details, please refer to the Company’s Annual Report for the year ended 31 December 2018.

DIVIDEND

The Board has resolved to declare an interim dividend of HK3.49 cents per share for the six months ended 30 June 2019. The interim dividend is expected to be paid on 26 August 2019 to the shareholders whose names appear in the Company’s register of members of the Company at the close of business on 15 August 2019.

CLOSURE OF REGISTER OF MEMBERS FOR 2019 INTERIM DIVIDEND

The register of members of the Company will be closed on Thursday, 15 August 2019 for the purpose of determining the entitlement to the 2019 interim dividend. The record date for entitlement to receive the 2019 interim dividend is Thursday, 15 August 2019. In order to be qualified for the 2019 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 Wednesday, 14 August 2019. The cheques for dividend payment will be sent on Monday, 26 August 2019.

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

At 30 June 2019, 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	753,000,000	3,000,000	73.1
Chau Kit Wai	Beneficial owner	3,000,000	3,000,000	0.6
Yip Kai Kut Kenneth	Beneficial owner	3,000,000	3,000,000	0.6
Chong Ming Pui	Beneficial owner	3,000,000	3,000,000	0.6
Yeung Yu	Beneficial owner	3,000,000	3,000,000	0.6

Save as disclosed above, as of the date of this 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 2019 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 2019 are as follows:

Grantee	Date of grant	Exercise price per share	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	HK\$0.483	20/7/2017-19/7/2021	(1), (2)	6,000,000	—	(3,000,000)	—	3,000,000
Mr. Chau Kit Wai	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	3,000,000	—	—	—	3,000,000
Mr. Yip Kai Kut Kenneth	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	3,000,000	—	—	—	3,000,000
Mr. Chong Ming Pui	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	3,000,000	—	—	—	3,000,000
Mr. Yeung Yu	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	3,000,000	—	—	—	3,000,000
Consultants									
	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	1,224,000	—	—	(104,000)	1,120,000
	10/10/2017	HK\$1.872	10/10/2019-9/10/2022	(4)	3,300,000	—	—	(100,000)	3,200,000
	14/3/2018	HK\$1.934	14/3/2019-13/3/2023	(5)	3,384,000	—	—	—	3,384,000
	14/9/2018	HK\$1.02	14/9/2019-13/9/2023	(6)	2,216,000	—	—	—	2,216,000
	10/5/2019	HK\$1.18	10/5/2021-9/5/2024	(7)	—	100,000	—	—	100,000

Grantee	Date of grant	Exercise price per share	Exercise period	Note	Movement of share options during the period				At 30 June 2019
					At 1 January 2019	Granted	Exercised	Lapsed/cancelled	
Employees	20/7/2016	HK\$0.483	20/7/2017-19/7/2021	(2)	26,496,000	—	(1,958,000)	—	24,538,000
	5/4/2017	HK\$0.720	5/4/2018-4/4/2022	(3)	8,512,000	—	(938,000)	(52,000)	7,522,000
	10/10/2017	HK\$1.872	10/10/2019-9/10/2022	(4)	2,940,000	—	—	—	2,940,000
	14/3/2018	HK\$1.934	14/3/2019-13/3/2023	(5)	6,516,000	—	—	(3,316,000)	3,200,000
	14/9/2018	HK\$1.02	14/9/2019-13/9/2023	(6)	9,648,000	—	—	(400,000)	9,248,000
	10/5/2019	HK\$1.18	10/5/2021-9/5/2024	(7)	—	3,072,000	—	—	3,072,000
					Total:	<u>82,236,000</u>	<u>3,172,000</u>	<u>(5,896,000)</u>	<u>(3,972,000)</u>

Notes:

- Mr. Chan Wing Hong Alex is also the controlling shareholder of the Company
- For all share options granted on 20 July 2016, the first 25% of the total options can be exercised 1 year after the date of grant, and each 25% of the total options will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$0.47.
- 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.
- For all share options granted on 10 October 2017, the first 50% of the total options can be exercised 2 years after the date of grant, and a further 25% of the total options will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$1.79.
- 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.
- For the 12,264,000 share options granted on 14 September 2018, 25% of 10,864,000 options can be exercised 1 year after the date of grant, and 25% will become exercisable in each subsequent year. For the remaining 1,400,000 options, 50% can be exercised 2 years after the date of grant, and 25% will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$1.02.
- For the 3,172,000 share options granted on 10 May 2019, 50% of 3,172,000 options can be exercised 2 year 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\$1.15.

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 2019, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2019 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 2019 with the management.

APPRECIATION

Finally, I would like to take this opportunity to thank the Group's shareholders and business partners for their support and encouragement to the Group during the past 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, 12 August 2019