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Plover Bay Technologies Limited

玊灣科技有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1523)

ANNOUNCEMENT OF ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

SUMMARY

- Revenue for the year ended 31 December 2019 reached approximately US\$45,910,000, an increase of approximately 9.8% over the year ended 31 December 2018.
- Profit attributable to the owners of the Company for the year ended 31 December 2019 was approximately US\$12,089,000, representing an increase of approximately 13.8% over the year ended 31 December 2018.
- Basic earnings per share for the year ended 31 December 2019 was approximately US1.17 cents, an increase of approximately 12.5% over the year ended 31 December 2018.
- The Board has resolved to declare a second interim dividend of HK4.64 cents per share and a special dividend of HK2.98 cents per share for the year ended 31 December 2019, respectively, and are expected to be paid on 27 March 2020 to the shareholders whose names appear in the Company's register of members on 13 March 2020.

The board (the “Board”) of directors (the “Directors”) of Plover Bay Technologies Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019, together with the comparative figures for the corresponding year in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 US\$'000	2018 US\$'000
Revenue	4	45,910	41,806
Cost of sales and services		(17,136)	(15,617)
Gross profit		28,774	26,189
Other income	4	484	295
Selling and distribution expenses		(2,411)	(2,107)
Administrative expenses		(5,537)	(4,814)
Research and development expenses		(7,221)	(7,318)
Finance costs	5	(95)	(32)
Profit before tax	6	13,994	12,213
Income tax expense	7	(1,905)	(1,593)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		12,089	10,620
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(6)	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		12,083	10,621
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
- Basic (<i>US cents</i>)		1.17	1.04
- Diluted (<i>US cents</i>)		1.14	1.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 US\$'000	2018 US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,403	2,470
Intangible assets		1,087	891
Deferred tax assets		30	30
TOTAL NON-CURRENT ASSETS		5,520	3,391
CURRENT ASSETS			
Inventories	10	7,387	8,372
Trade receivables	11	6,223	4,922
Prepayments, deposits and other receivables	12	2,022	1,491
Tax recoverable		-	269
Cash and cash equivalents	13	28,926	26,850
TOTAL CURRENT ASSETS		44,558	41,904
CURRENT LIABILITIES			
Trade payables, other payables and accruals	14	2,614	2,274
Lease liabilities		999	-
Contract liabilities		7,061	6,763
Tax payable		1,839	216
Interest-bearing bank borrowings		393	1,306
TOTAL CURRENT LIABILITIES		12,906	10,559
NET CURRENT ASSETS		31,652	31,345
TOTAL ASSETS LESS CURRENT LIABILITIES		37,172	34,736
NON-CURRENT LIABILITIES			
Deferred tax liabilities		133	109
Lease liabilities		1,095	-
Contract liabilities		1,830	1,909
TOTAL NON-CURRENT LIABILITIES		3,058	2,018
NET ASSETS		34,114	32,718
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	1,349	1,326
Reserves		32,765	31,392
TOTAL EQUITY		34,114	32,718

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Attributable to owners of the parent

	Issued capital US\$'000	Share premium account US\$'000	Share option reserve US\$'000	Exchange fluctuation reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
At 1 January 2018	1,307	14,596	855	-	11,992	28,750
Profit for the year	-	-	-	-	10,620	10,620
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	-	-	-	1	-	1
Total comprehensive income for the year	-	-	-	1	10,620	10,621
Issue of shares upon exercise of share options	19	1,236	(318)	-	-	937
Equity-settled share option arrangements	-	-	761	-	-	761
Second interim 2017 dividend	-	-	-	-	(4,534)	(4,534)
Interim 2018 dividend	-	-	-	-	(3,817)	(3,817)
At 31 December 2018	<u>1,326</u>	<u>15,832</u>	<u>1,298</u>	<u>1</u>	<u>14,261</u>	<u>32,718</u>
At 1 January 2019	1,326	15,832	1,298	1	14,261	32,718
Profit for the year	-	-	-	-	12,089	12,089
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	-	-	-	(6)	-	(6)
Total comprehensive income/(loss) for the year	-	-	-	(6)	12,089	12,083
Issue of shares upon exercise of share options	23	1,518	(398)	-	-	1,143
Equity-settled share option arrangements	-	-	530	-	-	530
Transfer of share option reserve upon the forfeiture of share options	-	-	(17)	-	17	-
Second interim 2018 dividend	-	-	-	-	(5,724)	(5,724)
2018 Special dividend	-	-	-	-	(1,997)	(1,997)
Interim 2019 dividend	-	-	-	-	(4,639)	(4,639)
At 31 December 2019	<u>1,349</u>	<u>17,350*</u>	<u>1,413*</u>	<u>(5)*</u>	<u>14,007*</u>	<u>34,114</u>

* These reserve accounts comprise the consolidated reserves of US\$32,765,000 (2018: US\$31,392,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	2019	2018
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	13,994	12,213
Adjustments for:		
Finance costs	95	32
Interest income	(443)	(243)
Write-down of inventories to net realisable value	339	48
Loss on disposal of items of property, plant and equipment	-	1
Depreciation	1,536	461
Impairment of trade receivables	17	2
Amortisation of intangible assets	518	368
Equity-settled share option expenses	530	761
	16,586	13,643
Decrease in inventories	646	3,209
Decrease/(increase) in trade receivables	(1,318)	2,839
Decrease/(increase) in prepayments, deposits and other receivables	(605)	222
Increase/(decrease) in trade payables, other payables and accruals	340	(356)
Increase in contract liabilities	219	2,460
	15,868	22,017
Cash generated from operations	15,868	22,017
Hong Kong profits tax refunded/(paid)	9	(2,526)
	15,877	19,491
NET CASH FLOWS FROM OPERATING ACTIVITIES	15,877	19,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	443	243
Purchase of items of property, plant and equipment	(506)	(939)
Additions to intangible assets	(714)	(598)
Proceeds from disposal of items of property, plant and equipment	-	1
Decrease in non-pledged bank deposit with original maturity of more than three months when acquired	-	7,115
	(777)	5,822
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(777)	5,822

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year ended 31 December 2019

	2019	2018
	US\$'000	US\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	1,143	937
Dividends paid	(12,360)	(8,351)
New bank loans	-	895
Repayment of bank loans	(910)	(1,527)
Interest paid	(28)	(32)
Principal portion of lease payments	(798)	-
Interest portion of lease payments	(67)	-
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NET CASH FLOWS USED IN FINANCING ACTIVITIES	(13,020)	(8,078)
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,080	17,235
Cash and cash equivalents at beginning of year	26,850	9,632
Effect of foreign exchange rate changes, net	(4)	(17)
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CASH AND CASH EQUIVALENT AT END OF YEAR	28,926	26,850
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	28,926	26,850
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1. CORPORATE AND GROUP INFORMATION

Plover Bay Technologies Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Unit B, 5/F, Dragon Industrial Building, 93 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- designing, development and marketing of software defined wide area network (the “SD-WAN”) routers; and
- provision of software licences and warranty and support services.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The financial statements are presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill and other intangible assets) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 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</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12
<i>2015-2017 Cycle</i>	and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) 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 recognise assets and liabilities for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify all leases using the same classification principle as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

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 certain office properties and warehouses. 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 leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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 and separately presented in the statement of financial position. 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.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets in the property, plant and equipment in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 was as follows:

	Increase/(decrease) US\$'000
Assets	
Increase in property, plant and equipment	2,739
Decrease in prepayments, deposits and other receivables	<u>(68)</u>
Increase in total assets	<u><u>2,671</u></u>
Liabilities	
Increase in lease liabilities	<u><u>2,671</u></u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	US\$'000
Operating lease commitment at 31 December 2018	2,850
Weighted average incremental borrowing rate as at 1 January 2019	<u>2.94%</u>
Discounted operating lease commitments and lease liabilities as at 1 January 2019	<u><u>2,671</u></u>

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. The Group determined that the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) the sale of SD-WAN routers segment that primarily engages in sale of wired and wireless routers; and
- (b) software licences and warranty and support services segment that primarily engages in the provision of warranty and support services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income, selling and distribution expenses, unallocated administrative expenses and finance costs are excluded from such measurement.

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

Operating segments:

	Sale 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	
Segment revenue:								
Sales to external customers	7,853	8,170	24,666	22,251	13,391	11,385	45,910	41,806
Segment result	3,581	3,986	7,150	6,054	10,305	8,462	21,036	18,502
<i>Reconciliation</i>								
Other income							484	295
Selling and distribution expenses							(2,411)	(2,107)
Unallocated administrative expenses							(5,020)	(4,445)
Finance costs							(95)	(32)
Profit before tax							13,994	12,213

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

	Sale of SD-WAN routers				Software licences and warranty and support services		Total	
	Wired routers		Wireless routers		2019	2018	2019	2018
	2019	2018	2019	2018				
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Other segment information:								
Amortisation of intangible assets	25	11	412	305	81	52	518	368
Write-down of inventories to net realisable value	82	13	257	35	-	-	339	48

Geographical information

Revenue from external customers

	2019	2018
	US\$'000	US\$'000
North America	27,627	24,368
EMEA (Europe, Middle East and Africa)	10,826	10,290
Asia	6,628	6,298
Others	829	850
	45,910	41,806

Non-current assets

	2019	2018
	US\$'000	US\$'000
Hong Kong	4,947	3,340
Taiwan	203	16
Malaysia	57	5
Lithuania	283	-
	5,490	3,361

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

Information about major customers

For the year ended 31 December 2019, revenue of approximately US\$13,761,000 from a major customer (2018: approximately US\$10,420,000) was derived from the sale of SD-WAN routers segment and software licences and warranty and support services segment.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2019 US\$'000	2018 US\$'000
<i>Revenue from contracts with customers</i>	45,910	41,806

Revenue from contracts with customers

(i) Disaggregated revenue information

Type of goods or services	Sale of SD-WAN routers		Software licences and warranty and support services		Total	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Sale of SD-WAN routers						
- Wired	7,853	8,170	-	-	7,853	8,170
- Wireless	24,666	22,251	-	-	24,666	22,251
Provision of warranty and support services	-	-	11,282	9,539	11,282	9,539
Sale of software and licence fee income	-	-	2,109	1,846	2,109	1,846
Total revenue from contract with customers	32,519	30,421	13,391	11,385	45,910	41,806
Geographical markets						
North America	19,959	17,949	7,668	6,419	27,627	24,368
EMEA	7,431	7,572	3,395	2,718	10,826	10,290
Asia	4,565	4,296	2,063	2,002	6,628	6,298
Others	564	604	265	246	829	850
Total revenue from contract with customers	32,519	30,421	13,391	11,385	45,910	41,806
Timing of revenue recognition						
Goods transferred at a point in time	32,519	30,421	1,348	1,597	33,867	32,018
Services transferred over time	-	-	12,043	9,788	12,043	9,788
Total revenue from contracts with customers	32,519	30,421	13,391	11,385	45,910	41,806

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 US\$'000	2018 US\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Provision of warranty and support services	6,361	4,834
Sale of software and licence fee income	402	202
	6,763	5,036

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sale of SD-WAN routers and software

The performance obligation is satisfied upon delivery of the routers and software and payment is generally due within 60 days from delivery.

Warranty and support services

The revenue from the provision of warranty services was derived from (i) the embedded warranty provided with the sale of SD-WAN routers; and (ii) the extended service-type warranty. For embedded warranty, it provides customers services such as after-sales services and updates, which is beyond fixing existing defects in the products and thus, embedded warranty represents a separate performance obligation and is considered as a service-type warranty. For other extended service-type warranty, it is sold separately and represented a separate performance obligation. The performance obligation is satisfied over time as services are rendered and advances are normally required before rendering the services.

Licence services

The performance obligation is satisfied over time as services are rendered and advances are normally required before rendering the services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 US\$'000	2018 US\$'000
Amounts expected to be recognised as revenue		
Within one year	7,061	6,763
After one year	1,830	1,909
	8,891	8,672

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to licence services and warranty and support services, of which the performance obligations are to be satisfied within three years.

	2019 US\$'000	2018 US\$'000
Other income		
Sale of parts	34	52
Bank interest income	443	243
Others	7	-
	484	295

5. FINANCE COSTS

	2019 US\$'000	2018 US\$'000
Interest on bank borrowings	28	32
Interest on lease liabilities	67	-
	<u>95</u>	<u>32</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2019 US\$'000	2018 US\$'000
Cost of inventories sold	16,248	14,740
Cost of services provided	888	877
Depreciation ^{a&b}	1,536	461
Amortisation of intangible assets ^c	518	368
Loss on disposal of items of property, plant and equipment	-	1
Minimum lease payments under operating leases	-	775
Lease payments not included in the measurement of lease liabilities	18	-
Auditor's remuneration	175	159
Employee benefit expense (excluding directors' remuneration) ^d :		
Wages, salaries and allowances	6,173	5,580
Equity-settled share-based payment expense	308	466
Retirement benefit scheme contributions (defined contribution schemes)	250	229
	<u>6,731</u>	<u>6,275</u>
Equity-settled share-based payment expense for consultants	147	150
Impairment of financial assets:		
Impairment of trade receivables	17	2
Write-down of inventories to net realisable value	339	48
Foreign exchange differences, net	<u>168</u>	<u>149</u>

- (a) Depreciation for the year of US\$272,000 (2018: US\$227,000) is included in "Cost of sales and services" on the face of the consolidated statement of profit or loss and other comprehensive income.
- (b) The total amount of depreciation includes the depreciation of right-of-use assets of US\$933,000 (2018: Nil).
- (c) Amortisation of intangible assets for the year of US\$518,000 (2018: US\$368,000) is included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.
- (d) Employee benefit expense of US\$4,816,000 (2018: US\$4,818,000) is included in "Research and development expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. The first US\$255,000 (2018: US\$255,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	2019	2018
	US\$'000	US\$'000
Current – Hong Kong		
Charge for the year	1,849	1,578
Underprovision in prior years	25	8
Current – Elsewhere		
Charge for the year	7	-
Deferred	24	7
	<hr/>	<hr/>
Total tax charge for the year	1,905	1,593
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8. DIVIDENDS

	Notes	2019	2018
		US\$'000	US\$'000
Dividends declared:			
Interim – HK3.49 cents (2018: HK2.92 cents)			
per ordinary share		4,639	3,817
Second interim – HK4.64 cents (2018: HK4.36 cents)			
per ordinary share	(a)	6,204	5,736
Special dividend – HK2.98 cents (2018: HK1.52 cents)			
per ordinary share	(b)	3,985	2,000
		<hr/>	<hr/>
		14,828	11,553
		<hr/>	<hr/>

Notes:

- (a) Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2019 of HK4.64 cents (2018: second interim dividend of HK4.36 cents) per ordinary share, in an aggregate amount of approximately US\$6,204,000 (2018: US\$5,736,000) has been declared by the directors of the Company.
- (b) In addition, the directors of the Company have declared a special dividend for the year ended 31 December 2019 of HK2.98 cents (2018: HK1.52 cents) per ordinary share, in an aggregate amount of approximately US\$3,985,000 (2018: US\$2,000,000) subsequent to the end of the reporting period.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,036,681,885 (2018: 1,020,193,468) in issue during the year.

The calculations of basic and diluted earnings per share are based on:

Earnings

The calculations of basic and diluted earnings per share are based on profit for the year attributable to ordinary equity holders of the parent.

Shares

	Number of shares	
	2019	2018
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,036,681,885	1,020,193,468
Effect of dilution – weighted average number of ordinary shares: Share options	25,137,627	38,600,698
	1,061,819,512	1,058,794,166

10. INVENTORIES

	2019	2018
	US\$'000	US\$'000
Raw materials and consumables	5,006	6,033
Finished goods	2,381	2,339
	7,387	8,372

11. TRADE RECEIVABLES

	2019	2018
	US\$'000	US\$'000
Trade receivables	6,335	5,016
Impairment	(112)	(94)
	6,223	4,922

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

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

	2019	2018
	US\$'000	US\$'000
Within 1 month	4,323	3,650
1 to 2 months	1,857	960
2 to 3 months	-	297
Over 3 months	43	15
	6,223	4,922

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December	1 January	31 December
	2019	2019	2018
Note	US\$'000	US\$'000	US\$'000
Prepayments	(a) 744	524	592
Deposits and other receivables	1,278	899	899
	2,022	1,423	1,491

The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default and past due amounts. The Group has thereby concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the rates for the deposits and other receivables. Since the deposits and other receivables are related to receivables which are still in current and the payment is not due, the expected credit loss rates of deposits and other receivables are assessed to be minimal as at 31 December 2019 and 2018.

Note:

- (a) As a result of the initial application of HKFRS 16, prepaid lease payments of US\$68,000 previously included in "Prepayments" were adjusted to the Property, plant and equipment recognised at 1 January 2019 (refer to note 2.2 for further details).

13. CASH AND CASH EQUIVALENTS

	2019	2018
	US\$'000	US\$'000
Cash and bank balances	<u>28,926</u>	<u>26,850</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019	2018
	US\$'000	US\$'000
Trade payables	735	930
Deposits received	512	189
Other payables	27	6
Accruals	<u>1,340</u>	<u>1,149</u>
	<u>2,614</u>	<u>2,274</u>

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

	2019	2018
	US\$'000	US\$'000
Within 1 month	672	910
1 to 2 months	61	19
2 to 3 months	-	-
Over 3 months	<u>2</u>	<u>1</u>
	<u>735</u>	<u>930</u>

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

15. ISSUED CAPITAL

	2019	2018
	US\$'000	US\$'000
Authorised:		
4,000,000,000 (2018: 4,000,000,000) ordinary shares of HK\$0.01 each	5,152	5,152
Issued and fully paid:		
1,046,792,000 (2018: 1,028,832,000) ordinary shares of HK\$0.01 each	1,349	1,326

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

	Notes	Number of shares in issue	Issued capital HK\$'000	Issued capital US\$'000
At 1 January 2018		1,014,336,000	10,143	1,307
Share options exercised	(a)	14,496,000	145	19
At 31 December 2018 and 1 January 2019		1,028,832,000	10,288	1,326
Share options exercised	(b)	17,960,000	180	23
At 31 December 2019		1,046,792,000	10,468	1,349

Notes:

- (a) The subscription rights attaching to 14,496,000 share options were exercised at the weighted average subscription price of HK\$0.507 per share, resulting in the issue of 14,496,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$937,000. An amount of approximately US\$318,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.
- (b) The subscription rights attaching to 17,960,000 share options were exercised at the weighted average subscription price of HK\$0.499 per share, resulting in the issue of 17,960,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$1,143,000. An amount of approximately US\$398,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Revenue and segment information

During the year ended 31 December 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 year ended 31 December 2019, revenue of the Group was approximately US\$45,910,000, representing a year-on-year increase of approximately 9.8%. During the year, wireless SD-WAN segment grew 10.9% year-on-year, primarily driven by strong sales and shipment growth of volume-based wireless SD-WAN routers. Sales from the wired SD-WAN segment decreased approximately 3.9% year-on-year as the Company's new product launched mainly focused on wireless SD-WAN products. Sales from Support and Warranty Services increased by 18.3% year-on-year as it follows the growth momentum of our SD-WAN routers. Software licenses increased by 14.2% year-on-year, driven by licensing sales for add-on features of our SD-WAN routers.

The table below sets out our revenue by product/service category for the years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December			
	2019		2018	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
SD-WAN routers:				
Wired	7,853	17.1	8,170	19.6
Wireless	24,666	53.7	22,251	53.2
Warranty and support services	11,282	24.6	9,539	22.8
Software licences	2,109	4.6	1,846	4.4
Total	45,910	100.0	41,806	100.0

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

Year ended 31 December 2019

	Sale of SD-WAN routers			Total US\$'000
	Wired routers US\$'000	Wireless routers US\$'000	Software licences and warranty and support services US\$'000	
External sales and segment revenue	7,853	24,666	13,391	45,910
Segment profit	3,581	7,150	10,305	21,036
Other income				484
Selling and distribution expenses				(2,411)
Unallocated administrative expenses				(5,020)
Finance costs				(95)
Profit before tax				13,994

Year ended 31 December 2018

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

We divide our sales into the following geographical regions: North America, EMEA (including Europe, Middle East and Africa), Asia and Other regions. During the year ended 31 December 2019, sales to North America increased to approximately US\$27,627,000, representing year-on-year growth of approximately 13.4%. Sales to EMEA rose to approximately US\$10,826,000, representing a year-on-year growth of approximately 5.2%. Sales to Asia increased approximately 5.2% to approximately US\$6,628,000 while other regions decreased approximately 2.5% year-on-year.

The table below sets out the breakdown of revenue by location of customers in terms of absolute amount and as a percentage of total revenue for the years ended 31 December 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
North America	27,627	60.2	24,368	58.3
EMEA	10,826	23.6	10,290	24.6
Asia	6,628	14.4	6,298	15.1
Others	829	1.8	850	2.0
Total	45,910	100.0	41,806	100.0

Gross profit and gross profit margin

For the year ended 31 December 2019, our gross profit was approximately US\$28,774,000, a year-on-year increase of approximately 9.9%. Our gross profit margin was approximately 62.7%, compared to approximately 62.6% for the year ended 31 December 2018. During the year, the gross margin of each individual product was largely stable. Overall change in gross margin in each segment was highly driven by product mix changes.

The table below sets out our Group's gross profit and gross profit margin by product/service category for the years ended 31 December 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
	Gross profit US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %
SD-WAN routers:				
Wired	4,841	61.7	5,427	66.4
Wireless	11,441	46.4	10,254	46.1
Warranty and support services	10,392	92.1	8,662	90.8
Software licences	2,100	99.5	1,846	100.0
Total	28,774	62.7	26,189	62.6

Other income

Other income mainly represented interest income. For the year ended 31 December 2019, other income was approximately US\$484,000, representing a year-on-year increase of approximately 64.1%.

Selling and distribution expenses

Selling and distribution expenses comprised mainly salaries and benefits of our sales and marketing staff, advertising and promotion expenses incurred to promote our products and other expenses relating to our sales and marketing activities.

Selling and distribution expenses for the year ended 31 December 2019 was approximately US\$2,411,000, a year-on-year increase of approximately 14.4%. During the year, the increase in selling and distribution expenses was mainly due to increases in headcount and salary of our marketing and business development teams and increased support and incentives to channel partners' marketing activities.

Administrative expenses

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

Administrative expenses for the years ended 31 December 2019 was approximately US\$5,537,000, representing a year-on-year increase of approximately 15.0%. The increase in administrative expense is due to higher headcount and salary, growth in amortisation of intangible assets and increase in lease expenses being recognised as depreciation of rights-of-use assets after the newly adopted HKFRS 16.

Research and development expenses

Research and development (“R&D”) expenses represented mainly salaries and benefits of our engineering, testing and supporting staff, product testing fee, certification costs, tooling, components and parts used for product research and development purpose.

Research and development expenses for the year ended 31 December 2019 was approximately US\$7,221,000, representing a year-on-year decrease of approximately 1.3%. During the year, headcount and salaries of the R&D team and external R&D consultants slightly increased, while cost incurred for R&D materials and samples decreased due to improvements in sourcing and procurement.

Equity-settled share-based payment expenses

Included in selling and distribution expenses, administrative expenses and research and development expenses were equity-settled share-based payment expenses, mainly represented equity-settled share-based payments to Directors, employees and consultants which are expensed on a straight-line basis over the vesting period since the grant date.

During the year, share options of the Group were granted on 10 May 2019 and 31 December 2019. Equity-settled share-based payment expense for the year ended 31 December 2019 was approximately US\$530,000 (year ended 31 December 2018: approximately US\$761,000). Details of share options granted by the Group are set out below under the heading “Share Option Scheme” of this annual results announcement.

Total operating expenses

Total operating expenses during the year ended 31 December 2019, which includes selling and distribution expenses, administrative expenses and research and development expenses from the above, amounted to approximately US\$15,169,000, representing a year-on-year increase of approximately 6.5%. Total staff cost (including equity-settled share-based expenses and executive directors’ remunerations) remains the largest component of our operating expenses and amounted to approximately US\$8,135,000 during the year, a year-on-year increase of approximately 5.0%.

Finance costs

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

Finance costs for the year ended 31 December 2019 was approximately US\$95,000, representing a year-on-year increase of approximately 196.9%. The increase is mainly due to recognition of interest portion of lease liabilities as required by the newly adopted HKFRS 16.

Income tax expense

During the year, we provided for Hong Kong profits tax at a rate of 16.5% on our estimated assessable profits arising in Hong Kong, except for one subsidiary which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. Taking into consideration the effects of potential deductions from qualified R&D expenses implemented by the HKSAR Government, the effective tax rate during the year was approximately 13.6%.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately US\$12,089,000, representing an increase of approximately 13.8% year-on-year.

Impact of the recent coronavirus situation

Up to the date of this announcement, management has not been aware of any cases of COVID-19 infection among our staff and the outbreak did not pose any significant impact to the Group's operations. We currently have an appropriate response plan in place. We will continue to monitor and assess the ongoing development and respond accordingly.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond our control.

- Brand recognition of our customers depends on our ability to keep up with the rapidly changing technologies or conduct R&D and market our new products and services;
- Competition from existing or new competitors may affect our market share in the SD-WAN markets and our revenue may be reduced;
- Our business and financial performance depend on our ability to manage our inventory effectively;
- Global trade policy uncertainties, which may affect the economics of the purchasing decisions of our end customers;
- We do not have long-term purchase commitments from our customers which may lead to significant uncertainty and volatility within our revenue; and
- We may be exposed to credit risk of our customers, affecting the collectability of trade receivables and adversely affecting our cash flow.

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisers before making any investment in the shares.

BUSINESS OUTLOOK

As mobile network operators are launching 5G networks, the focus won't be just for the consumer 5G smartphone market. Enterprise and industrial applications have different requirements other than just speed. Repeatable performance, ability to connect to multiple operator networks, simplified global deployment and management are more important elements.

Our vision has always been about providing user-friendly and reliable connectivity solutions over any forms of WAN, including 5G. In the coming year, besides broadening the catalogue of our 5G-capable routers, our focus will be to further enhance the adoption of our products and create further potential for future recurring revenues.

First, we will launch a new technology called FusionSIM, which enables zero-touch management and instant injection of mobile SIM cards through the cloud. Not only will this reduce the complexity of multi-region deployment, it will also allow enterprise users to dynamically manage their wireless connections to respond to the constantly changing mobile network conditions, effectively helping customers maximize network coverage and uptime in any location. This will also open up the possibility of new business models in the longer horizon, such as serviced mobile data with built-in SpeedFusion capabilities.

Furthermore, we will expand our subscription packages to include everything from wireless router equipment, software licenses for cloud management and SpeedFusion, and warranty and support service. These subscriptions lower the capex barrier to adopt our products, while also boosting our recurring revenue stream in the long run.

On the operation side, we will be enhancing our partnership with a few selected manufacturing partners who can work closely with us to capture the 5G mega opportunity. These partners have the strength in manufacturing high quality networking products on a large scale.

Together with our SpeedFusion ecosystem, we can drive the adoption of our proprietary technologies into all markets that require unbreakable connectivity, no matter the customer prefers a one-time perpetual model or a multi-year subscription.

Lastly, our new products and solutions will be well supported by our recently expanded global teams and reformed sales channel. Plover Bay is well-positioned for the coming wave of 5G-driven opportunities in the enterprise and industrial wireless networking market.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, our bank borrowings amounted to approximately US\$393,000 (as at 31 December 2018: approximately US\$1,306,000) which are secured by mortgages over the Group's buildings with aggregate carrying value at the end of the period of approximately US\$1,102,000 (2018: approximately US\$1,143,000).

As at 31 December 2019, the gearing ratio (which is defined as total borrowings over total equity) of our Group was approximately 1.2% (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 coming year. We did not experience any liquidity problem during the year ended 31 December 2019.

AGEING ANALYSIS OF TRADE RECEIVABLES AND TRADE PAYABLES

For details of our ageing analysis of trade receivables and trade payables, please refer to note 11 and note 14 to the consolidated financial information, respectively.

FOREIGN CURRENCY EXPOSURE

A majority of the Group's sales and purchases, receipts and payments as well as most of our bank balances and cash are denominated in US\$. Our bank loans and operating expenses are mainly denominated in US\$ or HK\$ which is pegged to US\$. In this respect, there is no significant currency mismatch in our operational cash flows and the Group considers its exposure to foreign currency exchange risk to be insignificant.

EMPLOYEE AND SALARY POLICIES

The Directors consider the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group offers remuneration packages including salary, bonuses and retirement benefits with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 31 December 2019, the Group had 159 full-time employees. The total amount of staff costs of the Group for the year was approximately US\$8,135,000.

The Company also adopted a share option scheme approved on 21 June 2016 for the purpose of, among other things, recognition of employees' contribution to the Company's continued growth. During the year, the Company issued share options on 10 May 2019 and 31 December 2019. Details have been set out in the section headed "Share Option Scheme" elsewhere in this announcement.

The emoluments of the Directors are decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics.

RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualified employees in Hong Kong. Contributions from employers and employees are 5% each of the employee’s relevant income. The maximum mandatory contribution per employee is HK\$1,500 per month. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. The expenses arising from the provident fund of the Group for the year ended 31 December 2019 were approximately US\$207,000 (2018: approximately US\$208,000).

The employees in the Group’s subsidiary in Malaysia are members of the state-managed retirement benefit scheme, the Employees Provident Fund (the “EPF Scheme”) operated by the Malaysia government. The subsidiary is required to contribute a certain percentage of payroll costs to the EPF Scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. The retirement benefit scheme contribution arising from the EPF Scheme charged to profit or loss and other comprehensive income for the year ended 31 December 2019 were approximately US\$32,000 (2018: approximately US\$31,000).

The employees in the Group’s subsidiary in Taiwan chose to participate in a defined contribution scheme governed by the Labour Pension Act of Taiwan. This subsidiary contributes at 6% of the total salaries of participating employees who have chosen to participate in the defined contribution scheme, deposited into individual pension accounts at the Bureau of Labour Insurance of Taiwan. The expenses arising from the defined contribution scheme for the year ended 31 December 2019 were approximately US\$21,000 (2018: Nil).

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLAN FOR MATERIAL INVESTMENT

As at 31 December 2019, the Group has no significant investment held and material investment plan.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

COMMITMENTS

As at 31 December 2019, the Group had no capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements (2018: Nil).

PLEDGE OF ASSETS

The Group's bank loans are secured by mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately US\$1,102,000 (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 31 December 2019 amounted to approximately HK\$24.4 million (equivalent to approximately US\$3.1 million) is deposited into a licensed bank in Hong Kong as short-term fixed term deposits. The Company intends to use the remaining net proceeds in the coming years in accordance with the purposes set out in the prospectus issued on 30 June 2016 (the "Prospectus").

As at 31 December 2019, the Group has utilised the Net Proceeds as follows:

	Percentage of total amount	Net proceeds US\$ million	Utilised amount US\$ million	Unutilised amount US\$ million
Strengthen our R&D capabilities:				
Expansion of R&D team	22%	3.12	3.12	-
Upgrade R&D facilities	13%	1.74	0.23	1.51
Establishment of a R&D centre	13%	1.75	1.23	0.52
Promotional and marketing activities	15%	2.10	1.73	0.37
Improving marketing capabilities	13%	1.87	1.59	0.28
Improve brand awareness	3%	0.48	0.16	0.32
Install an enterprise resource planning system	1%	0.12	0.12	-
Strengthen patent portfolio	10%	1.40	1.26	0.14
Working capital and general corporate purposes	10%	1.40	1.40	-
	100%	13.98	10.84	3.14

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”). During the year ended 31 December 2019, there has been no change to the Dividend Policy.

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

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

DECLARATION OF DIVIDENDS AND THE CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare a second interim dividend of HK4.64 cents per share and a special dividend of HK2.98 cents per share for the year ended 31 December 2019. For the purpose of determining the entitlement to the 2019 second interim dividend and special dividend (together, the “Dividends”), the register of members of the Company will be closed on Friday, 13 March 2020. The record date for entitlement to receive the Dividends is Friday, 13 March 2020. In order to be qualified for the Dividends, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 March 2020. The cheques for payment of the Dividends are expected to be sent on Friday, 27 March 2020.

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

At 31 December 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	754,496,000	1,504,000	72.2
Chau Kit Wai	Beneficial owner	4,496,000	1,504,000	0.6
Yip Kai Kut Kenneth	Beneficial owner	3,400,000	2,600,000	0.6
Chong Ming Pui	Beneficial owner	4,496,000	1,504,000	0.6
Yeung Yu	Beneficial owner	4,496,000	1,504,000	0.6
		771,384,000	8,616,000	74.6

Save as disclosed above, as of the date of this annual results announcement, so far as is known to any Director or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. Details of the Directors' interests in share options granted by the Company are set out below under the heading "Share Option Scheme".

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" below, at no time during the year ended 31 December 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 year ended 31 December 2019 are as follows:

Grantee	Date of grant	Exercise price per share (HK\$)	Exercise period	Note	Movement of share options during the year				At 31 December 2019
					At 1 January 2019	Granted	Exercised	Lapsed/cancelled	
Directors									
Chan Wing Hong, Alex	20/7/2016	0.483	20/7/2017-19/7/2021	(1), (2)	6,000,000	-	(4,496,000)	-	1,504,000
Chau Kit Wai	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	3,000,000	-	(1,496,000)	-	1,504,000
Yip Kai Kut Kenneth	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	3,000,000	-	(400,000)	-	2,600,000
Chong Ming Pui	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	3,000,000	-	(1,496,000)	-	1,504,000
Yeung Yu	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	3,000,000	-	(1,496,000)	-	1,504,000
Consultants									
	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	1,224,000	-	(544,000)	(104,000)	576,000
	10/10/2017	1.872	10/10/2019-9/10/2022	(4)	3,300,000	-	-	(700,000)	2,600,000
	14/3/2018	1.934	14/3/2019-13/3/2023	(5)	3,384,000	-	-	(84,000)	3,300,000
	14/9/2018	1.02	14/9/2019-13/9/2023	(6)	2,216,000	-	-	(16,000)	2,200,000
	10/5/2019	1.18	10/5/2021-9/5/2024	(7)	-	100,000	-	-	100,000
Employees									
	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	26,496,000	-	(6,870,000)	-	19,626,000
	5/4/2017	0.72	5/4/2018-4/4/2022	(3)	8,512,000	-	(1,141,000)	(52,000)	7,319,000
	10/10/2017	1.872	10/10/2019-9/10/2022	(4)	2,940,000	-	-	-	2,940,000
	14/3/2018	1.934	14/3/2019-13/3/2023	(5)	6,516,000	-	-	(3,316,000)	3,200,000
	14/9/2018	1.02	14/9/2019-13/9/2023	(6)	9,648,000	-	(21,000)	(400,000)	9,227,000
	10/5/2019	1.18	10/5/2021-9/5/2024	(7)	-	3,072,000	-	(100,000)	2,972,000
	31/12/2019	1.12	31/12/2021-30/12/2024	(8)	-	1,100,000	-	-	1,100,000
					82,236,000	4,272,000	(17,960,000)	(4,772,000)	63,776,000

Notes:

1. Mr. Chan Wing Hong Alex is also the controlling shareholder of the Company
2. For all share options granted on 20 July 2016, the first 25% of the total options can be exercised 1 year after the date of grant, and each 25% of the total options will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$0.46.

3. A total of 13,600,000 share options are granted on 5 April 2017. Among that, 25% of 8,400,000 can be exercised 1 year after the date of grant, and a further 25% will become exercisable in each subsequent year. For the remaining 5,200,000 options, 50% of the options can be exercised 2 years after the date of grant, and 25% will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$0.69.
4. For all share options granted on 10 October 2017, the first 50% of the total options can be exercised 2 years after the date of grant, and a further 25% of the total options will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$1.79.
5. For the 13,500,000 share options granted on 14 March 2018, 25% of the 9,900,000 options can be exercised 1 year after the date of grant, and 25% will become exercisable in each subsequent year. For the remaining 3,600,000 options, 50% can be exercised 2 years after the date of grant, and 25% will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$1.90.
6. For the 12,264,000 share options granted on 14 September 2018, 25% of 10,864,000 options can be exercised 1 year after the date of grant, and 25% will become exercisable in each subsequent year. For the remaining 1,400,000 options, 50% can be exercised 2 years after the date of grant, and 25% will become exercisable in each subsequent year. The closing price of the Share immediately before the date on which the options were granted was HK\$0.93.
7. For all share options granted on 10 May 2019, 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\$1.12.
8. For all share options granted on 31 December 2019, 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\$1.10.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Other than as disclosed in the paragraph headed "Directors' and chief executives' interests and short position in shares, underlying shares and debentures" above, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares which shall be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

NON-COMPETITION UNDERTAKINGS

Mr. Chan Wing Hong Alex (the "**Covenator**") has confirmed to the Company of his compliance with the terms of the Deed of Non-Competition during the year ended 31 December 2019.

Our independent non-executive Directors have reviewed compliance of the Deed of Non-Competition and were satisfied that the terms of the Deed of Non-Competition had been duly complied with and enforced during the year ended 31 December 2019.

As at 31 December 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 31 December 2019 and up to the date of this annual results announcement.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") as its own code of corporate governance, and is committed to maintaining high standards of corporate governance as well as transparency. The Company has complied with all applicable code provisions of the CG Code for the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquiries with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the year ended December 2019.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company reviewed the Group's consolidated annual results for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the consolidated financial statements for the year ended 31 December 2019 with the management.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkexnews.com.hk>) and the Company (<http://www.ploverbay.com>) in due course.

APPRECIATION

I would like to take this opportunity to thank the Group's shareholders and business partners for their support and encouragement to the Group during the past year. I would also like to thank our Directors and all staff member of the Group for their hard work and contribution to the Group.

By Order of the Board of
Plover Bay Technologies Limited
Chan Wing Hong Alex
Chairman and executive Director

Hong Kong, 27 February 2020

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