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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 2020**

##### **SUMMARY**

- Revenue for the year ended 31 December 2020 reached approximately US\$52,818,000, an increase of approximately 15.0% over the year ended 31 December 2019.
- Profit attributable to the owners of the Company for the year ended 31 December 2020 was approximately US\$14,230,000, representing an increase of approximately 17.7% over the year ended 31 December 2019.
- Diluted earnings per share for the year ended 31 December 2020 was approximately 1.33 US cents, an increase of approximately 16.7% over the year ended 31 December 2019.
- The Board has resolved to declare a second interim dividend of HK6.23 cents per share and a special dividend of HK2.17 cents per share for the year ended 31 December 2020, respectively, and are expected to be paid on 29 March 2021 to the shareholders whose names appear in the Company's register of members on 15 March 2021.

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 2020, together with the comparative figures for the corresponding year in 2019 as follows:

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

*For the year ended 31 December 2020*

	Notes	2020 US\$'000	2019 US\$'000
Revenue	4	52,818	45,910
Cost of sales and services		<u>(22,018)</u>	<u>(17,136)</u>
Gross profit		30,800	28,774
Other income and gains, net	4	737	484
Selling and distribution expenses		(2,475)	(2,411)
Administrative expenses		(5,535)	(5,537)
Research and development expenses		(7,425)	(7,221)
Finance costs	5	<u>(60)</u>	<u>(95)</u>
Profit before tax	6	16,042	13,994
Income tax expense	7	<u>(1,812)</u>	<u>(1,905)</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u><b>14,230</b></u>	<u><b>12,089</b></u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>62</u>	<u>(6)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u><b>14,292</b></u>	<u><b>12,083</b></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
	9		
- Basic ( <i>US cents</i> )		<u>1.34</u>	<u>1.17</u>
- Diluted ( <i>US cents</i> )		<u>1.33</u>	<u>1.14</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,109	4,403
Intangible assets		1,125	1,087
Deferred tax assets		132	30
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,366</b>	<b>5,520</b>
<b>CURRENT ASSETS</b>			
Inventories	10	12,509	7,387
Trade receivables	11	6,997	6,223
Prepayments, deposits and other receivables	12	2,202	2,022
Tax recoverable		82	-
Pledged deposit	13	2,000	-
Cash and cash equivalents	13	31,151	28,926
<b>TOTAL CURRENT ASSETS</b>		<b>54,941</b>	<b>44,558</b>
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	14	4,453	2,614
Lease liabilities		1,047	999
Contract liabilities		8,543	7,061
Tax payable		3,493	1,839
Interest-bearing bank borrowings		3,378	393
<b>TOTAL CURRENT LIABILITIES</b>		<b>20,914</b>	<b>12,906</b>
<b>NET CURRENT ASSETS</b>		<b>34,027</b>	<b>31,652</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>38,393</b>	<b>37,172</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		144	133
Lease liabilities		73	1,095
Contract liabilities		2,338	1,830
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,555</b>	<b>3,058</b>
<b>NET ASSETS</b>		<b>35,838</b>	<b>34,114</b>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	15	1,381	1,349
Reserves		34,457	32,765
<b>TOTAL EQUITY</b>		<b>35,838</b>	<b>34,114</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

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 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>
At 1 January 2020	1,349	17,350	1,413	(5)	14,007	34,114
Profit for the year	-	-	-	-	14,230	14,230
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	-	-	-	62	-	62
Total comprehensive income for the year	-	-	-	62	14,230	14,292
Issue of shares upon exercise of share options	32	2,237	(571)	-	-	1,698
Equity-settled share option arrangements	-	-	215	-	-	215
Transfer of share option reserve upon the forfeiture of share options	-	-	(84)	-	84	-
Second interim 2019 dividend	-	-	-	-	(6,270)	(6,270)
2019 Special dividend	-	-	-	-	(4,026)	(4,026)
Interim 2020 dividend	-	-	-	-	(4,185)	(4,185)
At 31 December 2020	<u>1,381</u>	<u>19,587*</u>	<u>973*</u>	<u>57*</u>	<u>13,840*</u>	<u>35,838</u>

\* These reserve accounts comprise the consolidated reserves of US\$34,457,000 (2019: US\$32,765,000) in the consolidated statement of financial position.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*Year ended 31 December 2020*

	<b>2020</b>	<b>2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>16,042</b>	13,994
Adjustments for:		
Finance costs	<b>60</b>	95
Interest income	<b>(212)</b>	(443)
Write-down of inventories to net realisable value	<b>693</b>	339
Covid-19-related rent concessions from lessors	<b>(7)</b>	-
Depreciation	<b>1,683</b>	1,536
Impairment of trade receivables	<b>-</b>	17
Amortisation of intangible assets	<b>656</b>	518
Equity-settled share option expenses	<b>215</b>	530
	<b>19,130</b>	16,586
Decrease/(increase) in inventories	<b>(5,815)</b>	646
Increase in trade receivables	<b>(773)</b>	(1,318)
Increase in prepayments, deposits and other receivables	<b>(180)</b>	(605)
Increase in trade payables, other payables and accruals	<b>1,839</b>	340
Increase in contract liabilities	<b>1,990</b>	219
Cash generated from operations	<b>16,191</b>	15,868
Hong Kong profits tax refunded/(paid)	<b>(353)</b>	9
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>15,838</b>	15,877
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>212</b>	443
Purchase of items of property, plant and equipment	<b>(318)</b>	(506)
Additions to intangible assets	<b>(683)</b>	(714)
Placement of a pledged deposit	<b>(2,000)</b>	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(2,789)</b>	(777)

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**  
*Year ended 31 December 2020*

	<b>2020</b>	<b>2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	<b>1,698</b>	1,143
Dividends paid	<b>(14,481)</b>	(12,360)
New bank loan	<b>3,000</b>	-
Repayment of bank loans	<b>(18)</b>	(910)
Interest paid	<b>(17)</b>	(28)
Principal portion of lease payments	<b>(1,005)</b>	(798)
Interest portion of lease payments	<b>(43)</b>	(67)
	<hr/>	<hr/>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(10,866)</b>	(13,020)
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,183</b>	2,080
Cash and cash equivalents at beginning of year	<b>28,926</b>	26,850
Effect of foreign exchange rate changes, net	<b>42</b>	(4)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENT AT END OF YEAR</b>	<b>31,151</b>	28,926
	<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>31,151</b>	28,926
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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 2020. 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. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of



whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s leased properties have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of US\$7K has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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 software licences and warranty and support services.

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

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

#### Operating segments:

	Sale of SD-WAN routers				Software licences and warranty and support services		Total	
	Wired SD-WAN routers		Wireless SD-WAN routers		2020	2019	2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Segment revenue:</b>								
Sales to external customers	9,152	7,853	28,441	24,666	15,225	13,391	52,818	45,910
<b>Segment result</b>	<b>3,542</b>	<b>3,581</b>	<b>7,044</b>	<b>7,150</b>	<b>12,132</b>	<b>10,305</b>	<b>22,718</b>	<b>21,036</b>
<i>Reconciliation</i>								
Other income and gains, net							737	484
Selling and distribution expenses							(2,475)	(2,411)
Unallocated administrative expenses							(4,878)	(5,020)
Finance costs							(60)	(95)
Profit before tax							<b>16,042</b>	<b>13,994</b>

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

	Wired SD-WAN routers		Wireless SD-WAN routers		Software licences and warranty and support services		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Other segment information:</b>								
Amortisation of intangible assets	53	25	483	412	120	81	656	518
Write-down of inventories to net realisable value	166	82	527	257	-	-	693	339

#### Geographical information

##### Revenue from external customers

	2020	2019
	US\$'000	US\$'000
North America	29,563	27,627
EMEA (Europe, Middle East and Africa)	14,492	10,826
Asia	7,791	6,628
Others	972	829
	<u>52,818</u>	<u>45,910</u>

## Non-current assets

	2020 US\$'000	2019 US\$'000
Hong Kong	3,794	4,947
Taiwan	157	203
Malaysia	30	57
Lithuania	253	283
	<u>4,234</u>	<u>5,490</u>

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 2020, revenue of approximately US\$10,490,000 from a major customer (2019: approximately US\$13,761,000) was derived from the sale of SD-WAN routers segment and software licences and warranty and support services segment.

## 4. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2020 US\$'000	2019 US\$'000
<i>Revenue from contracts with customers</i>	<u>52,818</u>	<u>45,910</u>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

Segments	Sale of SD-WAN routers		Software licences and warranty and support services		Total	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
<b>Type of goods or services</b>						
Sale of SD-WAN routers						
- Wired	9,152	7,853	-	-	9,152	7,853
- Wireless	28,441	24,666	-	-	28,441	24,666
Provision of warranty and support services	-	-	12,319	11,282	12,319	11,282
Sale of software and licence fee income	-	-	2,906	2,109	2,906	2,109
Total revenue from contract with customers	<u>37,593</u>	<u>32,519</u>	<u>15,225</u>	<u>13,391</u>	<u>52,818</u>	<u>45,910</u>
<b>Geographical markets</b>						
North America	21,006	19,959	8,557	7,668	29,563	27,627
EMEA	10,664	7,431	3,828	3,395	14,492	10,826
Asia	5,230	4,565	2,561	2,063	7,791	6,628
Others	693	564	279	265	972	829
Total revenue from contract with customers	<u>37,593</u>	<u>32,519</u>	<u>15,225</u>	<u>13,391</u>	<u>52,818</u>	<u>45,910</u>
<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	37,593	32,519	1,767	1,348	39,360	33,867
Services transferred over time	-	-	13,458	12,043	13,458	12,043
Total revenue from contracts with customers	<u>37,593</u>	<u>32,519</u>	<u>15,225</u>	<u>13,391</u>	<u>52,818</u>	<u>45,910</u>

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:

	2020 US\$'000	2019 US\$'000
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>		
Provision of warranty and support services	6,397	6,361
Sale of software and licence fee income	664	402
	<u>7,061</u>	<u>6,763</u>

**(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:

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Amounts expected to be recognised as revenue		
Within one year	<b>8,543</b>	7,061
After one year	<b>2,338</b>	1,830
	<b>10,881</b>	8,891

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.

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
<b>Other income and gains, net</b>		
Sale of parts	-	34
Bank interest income	<b>212</b>	443
Foreign exchange gains, net	<b>409</b>	-
Government grants	<b>112</b>	-
Others	<b>4</b>	7
	<hr/> <b>737</b> <hr/>	<hr/> 484 <hr/>

**5. FINANCE COSTS**

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Interest on bank borrowings	<b>17</b>	28
Interest on lease liabilities	<b>43</b>	67
	<hr/> <b>60</b> <hr/>	<hr/> 95 <hr/>

## 6. PROFIT BEFORE TAX

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

	2020	2019
	US\$'000	US\$'000
Cost of inventories sold	21,185	16,248
Cost of services provided	833	888
Depreciation <sup>a&amp;b</sup>	1,683	1,536
Amortisation of intangible assets <sup>c</sup>	656	518
Lease payments not included in the measurement of lease liabilities	-	18
Auditor's remuneration	176	175
Employee benefit expense (excluding directors' remuneration): <sup>d</sup>		
Wages, salaries and allowances	7,646	6,173
Equity-settled share-based payment expense	187	308
Retirement benefit scheme contributions (defined contribution schemes)	265	250
Less: Government subsidies - Hong Kong Special Administrative Region Employee Support Scheme <sup>e</sup>	(673)	-
Government subsidies - Lithuania <sup>f</sup>	(542)	-
	<u>6,883</u>	<u>6,731</u>
Equity-settled share-based payment expense for consultants	3	147
Impairment of financial assets:		
Impairment of trade receivables	-	17
Write-down of inventories to net realisable value	693	339
Foreign exchange differences, net	<u>(409)</u>	<u>168</u>

- a) Depreciation for the year of US\$287,000 (2019: US\$272,000) 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\$1,012,000 (2019: US\$933,000).
- c) Amortisation of intangible assets for the year of US\$656,000 (2019: US\$518,000) 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\$4,802,000 (2019: US\$4,816,000) is included in "Research and development expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.
- e) The subsidies were granted under Employment Support Scheme from the Government of Hong Kong Special Administrative Region. There were no unfulfilled conditions relating to the subsidies.
- f) The subsidies of approximately US\$542,000 were granted from the Government of Lithuania and were deducted in "Research and development expenses" on the face of the consolidated statement of profit or loss and other comprehensive income. During the year, the Company's subsidiary in Lithuania received subsidies of approximately an aggregate of US\$713,000 (2019: Nil) from the Government of Lithuania for several research and development projects. Amounts of approximately US\$112,000 and US\$59,000 are included in "Other income and gains, net" and "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income, respectively. There were no unfulfilled conditions relating to the subsidies.



## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first US\$258,000 (2019: US\$255,000) of assessable profits of this subsidiary is taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2020 US\$'000	2019 US\$'000
Current – Hong Kong		
Charge for the year	1,970	1,849
Under/(over)provision in prior years	(81)	25
Current – Elsewhere		
Charge for the year	13	7
Underprovision in prior years	2	-
Deferred	(92)	24
	<u>1,812</u>	<u>1,905</u>
Total tax charge for the year	<u>1,812</u>	<u>1,905</u>

## 8. DIVIDENDS

	Notes	2020 US\$'000	2019 US\$'000
Dividends declared:			
Interim – HK3.03 cents (2019: HK3.49 cents)			
per ordinary share		4,185	4,639
Second interim – HK6.23 cents (2019: HK4.64 cents)			
per ordinary share	(a)	8,614	6,204
Special dividend – HK2.17 cents (2019: HK2.98 cents)			
per ordinary share	(b)	3,001	3,985
		<u>15,800</u>	<u>14,828</u>

Notes:

- (a) Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2020 of HK6.23 cents (2019: second interim dividend of HK4.64 cents) per ordinary share, in an aggregate amount of approximately US\$8,614,000 (2019: US\$6,204,000) has been declared by the directors of the Company.
- (b) In addition, directors of the Company have declared a special dividend for the year ended 31 December 2020 of HK2.17 cents (2019: HK2.98 cents) per ordinary share, in an aggregate amount of approximately US\$3,001,000 (2019: US\$3,985,000) 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 1,058,011,541 (2019: 1,036,681,885) 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	
	<b>2020</b>	2019
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>1,058,011,541</b>	1,036,681,885
Effect of dilution – weighted average number of ordinary shares: Share options	<b>11,422,535</b>	25,137,627
	<b><u>1,069,434,076</u></b>	<u>1,061,819,512</u>

**10. INVENTORIES**

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Raw materials and consumables	<b>7,939</b>	5,006
Finished goods	<b>4,570</b>	2,381
	<b><u>12,509</u></b>	<u>7,387</u>

## 11. TRADE RECEIVABLES

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Trade receivables	<b>7,110</b>	6,335
Impairment	<b>(113)</b>	(112)
	<u><b>6,997</b></u>	<u>6,223</u>

The Group's trading terms with its customers are mainly on credit, except for new and individual customers, where payment in advance is normally required. The overall credit period is generally 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:

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Within 1 month	<b>4,471</b>	4,323
1 to 2 months	<b>2,366</b>	1,857
2 to 3 months	<b>152</b>	-
Over 3 months	<b>8</b>	43
	<u><b>6,997</b></u>	<u>6,223</u>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Prepayments	<b>814</b>	744
Deposits and other receivables	<b>1,388</b>	1,278
	<u><b>2,202</b></u>	<u>2,022</u>

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. 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 2020 and 2019.

### 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSIT

	2020 US\$'000	2019 US\$'000
Cash and bank balances	31,151	28,926
Time deposit	2,000	-
	<u>33,151</u>	<u>28,926</u>
Less: Pledged time deposit for a bank loan	<u>(2,000)</u>	<u>-</u>
Cash and cash equivalents	<u><u>31,151</u></u>	<u><u>28,926</u></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

	2020 US\$'000	2019 US\$'000
Trade payables	2,494	735
Deposits received	564	512
Other payables	29	27
Accruals	1,366	1,340
	<u>4,453</u>	<u>2,614</u>

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

	2020 US\$'000	2019 US\$'000
Within 1 month	2,386	672
1 to 2 months	76	61
2 to 3 months	7	-
Over 3 months	25	2
	<u>2,494</u>	<u>735</u>

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

## 15. ISSUED CAPITAL

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Authorised:		
4,000,000,000 (2019: 4,000,000,000) ordinary shares of HK\$0.01 each	<b>5,152</b>	5,152
Issued and fully paid:		
1,071,728,000 (2019: 1,046,792,000) ordinary shares of HK\$0.01 each	<b>1,381</b>	1,349

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

	Notes	<b>Number of shares in issue</b>	Issued capital HK\$'000	Issued capital US\$'000
At 1 January 2019		1,028,832,000	10,288	1,326
Share options exercised	(a)	17,960,000	180	23
At 31 December 2019 and 1 January 2020		1,046,792,000	10,468	1,349
Share options exercised	(b)	24,936,000	249	32
At 31 December 2020		1,071,728,000	10,717	1,381

Notes:

- (a) 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.
- (b) The subscription rights attaching to 24,936,000 share options were exercised at the weighted average subscription price of HK\$0.528 per share, resulting in the issue of 24,936,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$1,698,000. An amount of approximately US\$571,000 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 2020, we generated revenue mainly from the sale of SD-WAN routers and the grant of software licences, including SpeedFusion and InControl2 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 2020, revenue of the Group was approximately US\$52,818,000, representing a year-on-year increase of approximately 15.0%. During the year, wireless SD-WAN segment grew 15.3% year-on-year while sales from the wired SD-WAN segment increased approximately 16.5% year-on-year. Together, the sales of SD-WAN routers have grown 15.6% year-on-year due to the strong sales growth of our basic SD-WAN router series. Sales from warranty and support services increased 9.2% year-on-year, largely in line with past growth trend of SD-WAN routers. Software licenses increased by 37.8% year-on-year driven by sales of add-on features to a growing number of installed base.

The table below sets out our revenue by product/service category for the years ended 31 December 2020 and 31 December 2019:

	For the year ended 31 December			
	2020		2019	
	Revenue US\$'000	% of total	Revenue US\$'000	% of total
SD-WAN routers:				
Wired	9,152	17.3	7,853	17.1
Wireless	28,441	53.9	24,666	53.7
Warranty and support services	12,319	23.3	11,282	24.6
Software licences	2,906	5.5	2,109	4.6
Total	52,818	100.0	45,910	100.0

We consider sales of SD-WAN routers and add-on licences for software features to be one-time sales, which generally occur at a point in time. Recurring sales, which includes warranty and support services and subscription-based software licence sales, are generally subscribed annually and renewed upon expiry.

During the year, one-time sales increased 16.2% and recurring sales increased 11.7% year-over-year. As the installed base of SD-WAN routers continues to grow and as we continue to add new features and services into our subscriptions, we expect the proportion of recurring services to keep increasing in the coming years.

The table below sets out the breakdown of revenue according to the timing of revenue recognition for the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
One-time sales:	39,360	74.5	33,867	73.8
Recurring sales:	13,458	25.5	12,043	26.2
<b>Total</b>	<b>52,818</b>	<b>100.0</b>	45,910	100.0

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 2020, sales to North America increased to approximately US\$29,563,000, representing year-on-year growth of approximately 7.0%. Sales to EMEA rose to approximately US\$14,492,000, representing a year-on-year growth of approximately 33.9%. Sales to Asia increased approximately 17.5% to approximately US\$7,791,000. Other regions increased approximately 17.2% year-on-year to approximately US\$972,000.

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 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
North America	29,563	56.0	27,627	60.2
EMEA	14,492	27.4	10,826	23.6
Asia	7,791	14.8	6,628	14.4
Others	972	1.8	829	1.8
<b>Total</b>	<b>52,818</b>	<b>100.0</b>	45,910	100.0

## Gross profit and gross profit margin

For the year ended 31 December 2020, our gross profit was approximately US\$30,800,000, a year-on-year increase of approximately 7.0%. Our gross profit margin was approximately 58.3%, compared to approximately 62.7% for the year ended 31 December 2019. Gross profit margin decreased during the year mainly because of (i) write-down of inventories to net realisable value of approximately US\$693,000 and (ii) a continued product mix shift towards more basic SD-WAN routers with lower gross profit margins, which is in line with our strategy to increase our market presence and build up our recurring user base. At the product level, gross margins of each product did not vary materially compared to the previous year.

The table below sets out our Group's gross profit and gross profit margin by product/service category for the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	Gross profit US\$'000	Gross margin %	Gross profit US\$'000	Gross margin %
SD-WAN routers:				
Wired	4,882	53.3	4,841	61.6
Wireless	11,526	40.5	11,441	46.4
Warranty and support services	11,486	93.2	10,392	92.1
Software licences	2,906	100.0	2,100	99.6
<b>Total</b>	<b>30,800</b>	<b>58.3</b>	<b>28,774</b>	<b>62.7</b>

## Other income and gains, net

Other income and gains, net mainly represented interest income and exchange gains. For the year ended 31 December 2020, other income and gains, net was approximately US\$737,000, representing a year-on-year increase of approximately 52.3%. The increase was mainly due to approximately US\$409,000 foreign currency exchange gains compared to an exchange loss recorded in "Administrative expenses" in 2019, and approximately US\$112,000 government subsidies relating to research and development activities in 2019.



## **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 2020 was approximately US\$2,475,000, a year-on-year increase of approximately 2.7%. During the year, the increase in selling and distribution expenses was mainly due to expansion of our marketing and business development teams and increased spending on advertising and promotion.

## **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 2020 was approximately US\$5,535,000, almost unchanged compared to 2019. Changes in administrative expenses include growth in amortization of intangible assets and depreciation, and a reversion from exchange losses in 2019 to exchange gain this year, which is included in “Other income and gains, net”.

## **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 2020 was approximately US\$7,425,000, increasing 2.8% year-over-year. During the year, we continued to increase spending on R&D related expenses, including strengthening of our R&D teams and product development spending.

## **Government grants**

During the year, the Company’s subsidiaries received approximately US\$708,000 (2019: Nil) as subsidy from the Employee Support Scheme implemented by the HKSAR Government and approximately US\$713,000 (2019: Nil) from the Republic of Lithuania as grants for several R&D projects. An amount of approximately US\$112,000 grants for R&D activities in 2019 is included in “Other Income and gains, net”, while the remaining amount is included in “Administrative expenses” and “Research and development expenses”

### **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 14 December 2020. Equity-settled share-based payment expense for the year ended 31 December 2020 was approximately US\$215,000 (year ended 31 December 2019: approximately US\$530,000). 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 2020, which includes selling and distribution expenses, administrative expenses and research and development expenses from the above, amounted to approximately US\$15,435,000, representing a year-on-year increase of approximately 1.8%. Employee cost (including equity-settled share-based payment expenses and directors remuneration) remains our largest cost component at US\$8,215,000. The gross employee cost after adding back government grants is US\$9,465,000, representing a year-on-year increase of about 16.3%.

### **Finance costs and interest-bearing bank borrowings**

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

Finance costs for the year ended 31 December 2020 was approximately US\$60,000, representing a year-on-year decrease of approximately 36.8%. The decrease is mainly due to less interest from decreasing lease liabilities.

As at 31 December 2020, bank borrowings was approximately US\$3,378,000 (2019: approximately US\$393,000). The increase in borrowings is because of a credit facility drawn down for working capital purposes.

### **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. 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 11.3%.

## **Profit attributable to owners of the Company**

Profit attributable to owners of the Company for the year ended 31 December 2020 was approximately US\$14,230,000, representing an increase of approximately 17.7% year-on-year.

## **Inventory**

As at 31 December 2020, the Group's inventory balance was approximately US\$12,509,000 (2019: approximately US\$7,387,000). During the year, due to the ongoing global shortage of electronics components, we increased our electronic component purchases to ensure our inventory levels are sufficient to meet customer demands in the coming months.

## **Impact of COVID-19**

To safeguard against the risk of COVID-19 infection in our offices and among staff and minimise disruption to operations, the Group requires the wearing of facemasks at all times during work, offers flexible working hours to avoid crowded hours during commute, and accommodates work from home arrangements.

## **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 judgement or consult their own investment advisers before making any investment in the shares.

## BUSINESS OUTLOOK

Stepping into 2021, 5G networks around the world are starting to gain traction. We expect three things will happen:

First, for locations and facilities currently relying on LTE WAN, there will be a multi-year upgrade cycle to 5G for better speed and lower latency. Applications like surveillance cameras, Wi-Fi hotspots within transportations, live video streaming, fixed network failover, would create a strong demand on 5G wireless SD-WAN routers.

Second, the cost per GB with 5G will be substantially lower than LTE. Wireless WAN is always a “metered” network while the landline broadband has an “un-metered” fixed price. This has been a psychological barrier for some organisations to deploy mobile broadband, but as the cost per GB reaches a level low enough that the monthly fee is comparable to a landline broadband, the benefits of a SD-WAN based on 5G would overcome this psychological barrier.

Third, businesses will deploy more individual/separate networks for their workforces to work from remote locations because of digitalisation. This is not limited to the work-from-home scenarios, but also includes branch networks that need to move frequently or located in remote and ad-hoc places around the country or region. More small-sized, ad-hoc networks will be created and these networks need to be simple to use, fast to deploy, and must ensure reliable connection to the cloud. If there is a subscription option for building these networks, businesses will gladly embrace it.

As with any technologies in the early stages of their adoption cycles, currently there are many myths around 5G. A common misunderstanding is that the increased speed from 5G would eliminate the need for SD-WAN - or precisely speaking, a single 5G connection from just one mobile network operator (MNO) is thought to be fast enough for everything. Speed is one dimension of 5G, but relying on just one single MNO does not resolve the reliability issue. Just like any wireless technology, reliability of 5G is subject to network coverage, fair usage policy, network capacity, etc. Nobody can predict the degree of mobile congestion of a 5G base station at any given time. Because of this, wireless SD-WAN that connects to multiple MNOs to enhance reliability makes total sense. Our patented technology, SpeedFusion and our purpose-built devices are designed for this purpose, making wireless SD-WAN possible and reliable.

This brings an exciting opportunity for Plover Bay and our shareholders.

First of all, Plover Bay is not a hardware company. We design high performance, purpose-built hardware platforms for various vertical markets, which are tightly integrated with built-in software. Combining software and hardware together results in our reliable and easy-to-use products.

Furthermore, our platforms can be managed by a scalable cloud service, InControl. Our customers can remote manage and provision these devices all over the world. You can imagine without a scalable cloud service, deploying hundreds and thousands of devices and managing them efficiently will be a very slow and painful process. Our cloud service is realised by a warranty package and subsequent renewals. These two constitute our recurring sales, which today contributes about US\$13.5M, or approximately 25.5%, to our annual revenue of US\$52.8M.

Moving forward, Plover Bay will not just be doing SD-WAN. We will launch a new subscription service that greatly simplifies the deployment of networks based on 5G/LTE. It will be simple to use, easy to deploy and eliminates a lot of friction in deploying 5G/LTE devices.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2020, our bank borrowings amounted to approximately US\$3,378,000 (as at 31 December 2019: approximately US\$393,000) which are secured by the pledge of a time deposit amounting to US\$2,000,000 and mortgages over the Group's buildings with aggregate carrying value at the end of the period of approximately US\$1,073,000 (2019: approximately US\$1,102,000).

As at 31 December 2020, the gearing ratio (which is defined as total borrowings over total equity) of our Group was approximately 9.4% (2019: approximately 1.2%). The Directors confirm that the Group financed its operations principally from cash generated from its business operations and expect that this will continue to be the case in the coming year. We did not experience any liquidity problem during the year ended 31 December 2020.

## **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 2020, the Group had 167 full-time employees. The total amount of staff costs of the Group (including equity-settled share-based payment expenses and directors' remunerations) for the year was approximately US\$8,215,000.

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 14 December 2020. 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 2020 were approximately US\$209,000 (2019: approximately US\$207,000).

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 2020 were approximately US\$36,000 (2019: approximately US\$32,000).

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 2020 were approximately US\$30,000 (2019: US\$21,000).

## **SIGNIFICANT INVESTMENTS HELD AND FUTURE PLAN FOR MATERIAL INVESTMENT**

As at 31 December 2020, the Group has no significant investment held and material investment plan.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the year ended 31 December 2020, the Group had no material acquisitions or disposals of subsidiaries and associated companies.

## **COMMITMENTS**

As at 31 December 2020, 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 (2019: Nil).

## PLEDGE OF ASSETS

The Group's bank facilities amounting to US\$10,772,000 (2019: US\$3,023,000), of which US\$3,000,000 amount (2019: Nil) had been utilised as at the end of the reporting period, are secured by the pledge of a time deposit of the Group's amounting to US\$2,000,000 (2019: Nil). 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\$1,073,000 (2019: US\$1,102,000).

## USE OF PROCEEDS FROM THE LISTING

The Company's ordinary shares were listed on the Main Board of Stock Exchange on 13 July 2016 ("Listing Date"). The net proceeds ("Net Proceeds") from the initial public offering amounted to approximately HK\$108.4 million (equivalent to approximately US\$14.0 million). Unutilised Net Proceeds as at 31 December 2020 amounted to approximately HK\$5.2 million (equivalent to approximately US\$0.7 million) is deposited into a licensed bank in Hong Kong as short-term fixed term deposits. To accommodate the changing needs of the Company's development, the Company made an announcement titled "Change in Use of Proceeds" on 30 October 2020 regarding a change in the use of proceeds. For more details please refer to that announcement.

As at 31 December 2020, the Group has utilised the Net Proceeds as follows:

	Original use of proceeds % of total amount	New use of proceeds % 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%	36%	5.06	4.39	0.67
Upgrade R&D facilities	13%	3%	0.32	0.32	-
Establishment of a R&D centre	13%	9%	1.23	1.23	-
Promotional and marketing activities	15%	15%	2.10	2.10	-
Improving marketing capabilities	13%	13%	1.87	1.87	-
Improve brand awareness	3%	3%	0.48	0.48	-
Install an enterprise resource planning system	1%	1%	0.12	0.12	-
Strengthen patent portfolio	10%	10%	1.40	1.40	-
Working capital and general corporate purposes	10%	10%	1.40	1.40	-
	100%	100%	13.98	13.31	0.67

## **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 2020, 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 HK6.23 cents per share and a special dividend of HK2.17 cents per share (together, the “Dividends”) for the year ended 31 December 2020. For the purpose of determining the entitlement to the Dividends, the register of members of the Company will be closed on Monday, 15 March 2021. The record date for entitlement to receive the Dividends is Monday, 15 March 2021. 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 Friday, 12 March 2021. The cheques for payment of the Dividends are expected to be sent on Monday, 29 March 2021.



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

At 31 December 2020, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### Long positions in shares and underlying shares

Name of Directors	Nature of interest	Number of ordinary shares of the Company interested	Number of underlying ordinary shares of the Company held under Share Option Scheme	Approximate percentage of shareholding %
Chan Wing Hong Alex	Beneficial owner	756,000,000	-	70.5
Chau Kit Wai	Beneficial owner	6,000,000	-	0.6
Yip Kai Kut Kenneth	Beneficial owner	6,000,000	-	0.6
Chong Ming Pui	Beneficial owner	6,000,000	-	0.6
Yeung Yu	Beneficial owner	6,000,000	-	0.6
		<hr/>		
		780,000,000	-	72.9

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 2020 was the Group a party to any arrangements to enable the Directors, supervisors or chief executives of the Company, to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## SHARE OPTION SCHEME

A share option scheme was conditionally adopted by the Company on 21 June 2016, and became effective on the Listing Date (the “Share Option Scheme”). Details of movements of the share options granted under the Share Option Scheme for the year ended 31 December 2020 are as follows:

Grantee	Date of grant	Exercise price per share (HKS)	Exercise period	Note	At 1 January 2020	Granted	Exercised	Lapsed/cancelled	At 31 December 2020
<b>Directors</b>									
Chan Wing Hong, Alex	20/7/2016	0.483	20/7/2017-19/7/2021	(1), (2)	1,504,000	-	(1,504,000)	-	-
Chau Kit Wai	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	1,504,000	-	(1,504,000)	-	-
Yip Kai Kut Kenneth	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	2,600,000	-	(2,600,000)	-	-
Chong Ming Pui	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	1,504,000	-	(1,504,000)	-	-
Yeung Yu	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	1,504,000	-	(1,504,000)	-	-
<b>Consultants</b>									
	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	576,000	-	(568,000)	-	8,000
	10/10/2017	1.872	10/10/2019-9/10/2022	(4)	2,600,000	-	-	(1,200,000)	1,400,000
	14/3/2018	1.934	14/3/2019-13/3/2023	(5)	3,300,000	-	-	(1,000,000)	2,300,000
	14/9/2018	1.02	14/9/2019-13/9/2023	(6)	2,200,000	-	-	(1,000,000)	1,200,000
	10/5/2019	1.18	10/5/2021-9/5/2024	(7)	100,000	-	-	-	100,000
<b>Employees</b>									
	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	19,626,000	-	(12,968,000)	(220,000)	6,438,000
	5/4/2017	0.72	5/4/2018-4/4/2022	(3)	7,319,000	-	(1,243,000)	(178,000)	5,898,000
	10/10/2017	1.872	10/10/2019-9/10/2022	(4)	2,940,000	-	-	(28,000)	2,912,000
	14/3/2018	1.934	14/3/2019-13/3/2023	(5)	3,200,000	-	-	(400,000)	2,800,000
	14/9/2018	1.02	14/9/2019-13/9/2023	(6)	9,227,000	-	(1,541,000)	(206,000)	7,480,000
	10/5/2019	1.18	10/5/2021-9/5/2024	(7)	2,972,000	-	-	(300,000)	2,672,000
	31/12/2019	1.12	31/12/2021-30/12/2024	(8)	1,100,000	-	-	(300,000)	800,000
	14/12/2020	0.922	14/12/2022-13/12/2025	(9)	-	2,400,000	-	-	2,400,000
					<b>63,776,000</b>	<b>2,400,000</b>	<b>(24,936,000)</b>	<b>(4,832,000)</b>	<b>36,408,000</b>

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.
9. For all share options granted on 14 December 2020, 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\$0.92.

## **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 2020.

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 2020.

As at 31 December 2020, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2020 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 2020.

## **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 2020.

## **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 31 December 2020.

## **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 2020 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 2020, 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 2020 with the management.

## **THE ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2020 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.

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

Hong Kong, 25 February 2021

*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.*