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## **Plover Bay Technologies Limited**

**玊灣科技有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1523)**

### **ANNOUNCEMENT OF ANNUAL RESULTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **SUMMARY**

- Revenue for the year ended 31 December 2022 reached approximately US\$86,757,000, an increase of approximately 17.0% over the year ended 31 December 2021.
- Profit attributable to the owners of the Company for the year ended 31 December 2022 was approximately US\$22,659,000, representing an increase of approximately 6.9% over the year ended 31 December 2021.
- Diluted earnings per share for the year ended 31 December 2022 was approximately US2.06 cents, an increase of approximately 6.2% over the year ended 31 December 2021.
- The Board has resolved to declare a second interim dividend of HK8.69 cents per share for the year ended 31 December 2022. The dividends are expected to be paid on 24 March 2023 to the shareholders whose names appear in the Company's register of members on 10 March 2023.

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 2022, together with the comparative figures for the corresponding year in 2021 as follows:

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

For the year ended 31 December 2022

	Notes	2022 US\$'000	2021 US\$'000
Revenue	4	86,757	74,128
Cost of sales and services		<u>(40,250)</u>	<u>(30,973)</u>
Gross profit		46,507	43,155
Other income and gains, net	4	183	57
Selling and distribution expenses		(3,100)	(2,738)
General and administrative expenses		(8,173)	(6,973)
Research and development, consultancy and other expenses		(8,792)	(8,657)
Remeasurement loss on a disposal group classified as held for sale		-	(68)
Finance costs	5	<u>(244)</u>	<u>(49)</u>
Profit before tax	6	26,381	24,727
Income tax expense	7	<u>(3,722)</u>	<u>(3,527)</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u><u>22,659</u></u>	<u><u>21,200</u></u>
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(141)</u>	<u>(88)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u><u>22,518</u></u>	<u><u>21,112</u></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
- Basic (US cents)		<u><u>2.07</u></u>	<u><u>1.96</u></u>
- Diluted (US cents)		<u><u>2.06</u></u>	<u><u>1.94</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 December 2022*

	Notes	2022 US\$'000	2021 US\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,310	3,311
Intangible assets		1,807	1,336
Prepayments and deposits		266	31
Deferred tax assets		111	122
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,494</b>	<b>4,800</b>
<b>CURRENT ASSETS</b>			
Inventories	10	32,333	18,622
Trade receivables	11	12,054	11,664
Prepayments, deposits and other receivables	12	2,634	2,028
Tax recoverable		88	5
Pledged deposit	13	2,029	2,004
Cash and cash equivalents	13	28,658	31,641
		77,796	65,964
Assets of disposal groups classified as held for sale	15	-	979
<b>TOTAL CURRENT ASSETS</b>		<b>77,796</b>	<b>66,943</b>
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	14	6,900	5,625
Lease liabilities		1,572	1,162
Contract liabilities		15,114	11,681
Interest-bearing bank borrowings		6,471	4,639
Tax payable		5,176	4,278
		35,233	27,385
Liabilities of disposal groups classified as held for sale	15	-	3
<b>TOTAL CURRENT LIABILITIES</b>		<b>35,233</b>	<b>27,388</b>
<b>NET CURRENT ASSETS</b>		<b>42,563</b>	<b>39,555</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>48,057</b>	<b>44,355</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		673	1,220
Contract liabilities		3,745	2,820
Deferred tax liabilities		348	232
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,766</b>	<b>4,272</b>
<b>NET ASSETS</b>		<b>43,291</b>	<b>40,083</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December 2022*

	Notes	2022 US\$'000	2021 US\$'000
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	16	1,414	1,405
Reserves		41,877	38,678
<b>TOTAL EQUITY</b>		<b>43,291</b>	<b>40,083</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

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 2021	1,381	19,587	973	57	13,840	35,838
Profit for the year	-	-	-	-	21,200	21,200
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	-	-	-	(88)	-	(88)
Total comprehensive income/(loss) for the year	-	-	-	(88)	21,200	21,112
Issue of shares upon exercise of share options	24	2,550	(508)	-	-	2,066
Equity-settled share option arrangements	-	-	123	-	-	123
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	(15)	-	15	-
Second interim 2020 dividend	-	-	-	-	(8,629)	(8,629)
2020 special dividend	-	-	-	-	(3,005)	(3,005)
Interim 2021 dividend	-	-	-	-	(7,422)	(7,422)
At 31 December 2021	<u>1,405</u>	<u>22,137</u>	<u>573</u>	<u>(31)</u>	<u>15,999</u>	<u>40,083</u>
At 1 January 2022	<b>1,405</b>	<b>22,137</b>	<b>573</b>	<b>(31)</b>	<b>15,999</b>	<b>40,083</b>
Profit for the year	-	-	-	-	22,659	22,659
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	-	-	-	(141)	-	(141)
Total comprehensive income/(loss) for the year	-	-	-	(141)	22,659	22,518
Issue of shares upon exercise of share options	9	1,449	(263)	-	-	1,195
Equity-settled share option arrangements	-	-	266	-	-	266
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	(62)	-	62	-
Second interim 2021 dividend	-	-	-	-	(11,513)	(11,513)
2021 special dividend	-	-	-	-	(989)	(989)
Interim 2022 dividend	-	-	-	-	(8,269)	(8,269)
At 31 December 2022	<u><b>1,414</b></u>	<u><b>23,586</b></u> *	<u><b>514</b></u> *	<u><b>(172)</b></u> *	<u><b>17,949</b></u> *	<u><b>43,291</b></u>

\* These reserve accounts comprise the consolidated reserves of US\$41,877,000 (2021: US\$38,678,000) in the consolidated statement of financial position.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*For the year ended 31 December 2022*

	2022 US\$'000	2021 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	26,381	24,727
Adjustments for:		
Finance costs	244	49
Bank interest income	(104)	(30)
Write-down of inventories to net realisable value	105	295
Covid-19-related rent concessions from lessors	-	(4)
Depreciation	2,009	1,693
Impairment of trade receivables	11	18
Amortisation of intangible assets	801	739
Loss on disposal of items of property, plant and equipment	1	-
Gain on disposal of subsidiaries	(57)	-
Remeasurement loss on a disposal group classified as held for sale	-	68
Equity-settled share option expense	266	123
	<u>29,657</u>	<u>27,678</u>
Increase in inventories	(13,816)	(6,408)
Increase in trade receivables	(401)	(4,685)
Decrease/(increase) in prepayments, deposits and other receivables	(841)	174
Increase in trade payables, other payables and accruals	1,376	1,071
Increase in contract liabilities	4,358	3,620
	<u>20,333</u>	<u>21,450</u>
Cash generated from operations	20,333	21,450
Hong Kong profits tax paid, net	(2,538)	(2,532)
Overseas profits tax paid, net	(223)	(2)
	<u>17,572</u>	<u>18,916</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>17,572</b>	<b>18,916</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	104	30
Purchase of items of property, plant and equipment	(765)	(532)
Deposits paid for acquisition of property, plant and equipment	-	(31)
Additions to intangible assets	(1,274)	(958)
Deposits received related to the ULL and UPL Disposals	-	101
Disposal of subsidiaries	908	-
Increase in a pledged deposit	(25)	(4)
	<u>(1,052)</u>	<u>(1,394)</u>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(1,052)</b>	<b>(1,394)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

	2022	2021
	US\$'000	US\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	1,195	2,066
Dividends paid	(20,771)	(19,056)
New bank borrowings	21,521	5,282
Repayment of bank borrowings	(19,680)	(4,019)
Interest paid	(185)	(31)
Principal portion of lease payments	(1,404)	(1,137)
Interest portion of lease payments	(59)	(18)
	<u>(19,383)</u>	<u>(16,913)</u>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
	<u>(19,383)</u>	<u>(16,913)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,863)</b>	609
Cash and cash equivalents at beginning of year	31,663	31,151
Effect of foreign exchange rate changes, net	(142)	(97)
	<u>28,658</u>	<u>31,663</u>
<b>CASH AND CASH EQUIVALENT AT END OF YEAR</b>		
	<u>28,658</u>	<u>31,663</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	28,658	31,641
	<u>28,658</u>	<u>31,641</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	28,658	31,641
Cash and cash equivalents attributable to the disposal groups	-	22
	<u>-</u>	<u>22</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>28,658</u>	<u>31,663</u>

## NOTES TO CONSOLIDATED FINANCIAL INFORMATION

*For the year ended 31 December 2022*

### 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 (“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. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment 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 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 general and administrative expenses, remeasurement loss on a disposal group classified as held for sale 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					
	2022	2021	2022	2021	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Segment revenue</b>								
Sales to external customers	<b>14,430</b>	12,463	<b>46,773</b>	42,561	<b>25,554</b>	19,104	<b>86,757</b>	74,128
<b>Segment results</b>	<b>4,559</b>	4,986	<b>11,458</b>	12,950	<b>20,898</b>	15,823	<b>36,915</b>	33,759
<i>Reconciliation:</i>								
Other income and gains, net							<b>183</b>	57
Selling and distribution expenses							<b>(3,100)</b>	(2,738)
Unallocated general and administrative expenses							<b>(7,373)</b>	(6,234)
Remeasurement loss on a disposal group classified as held for sale							-	(68)
Finance costs							<b>(244)</b>	(49)
Profit before tax							<b>26,381</b>	24,727

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

	<b>Sale of SD-WAN routers</b>				<b>Software licences and warranty and support services</b>		<b>Total</b>	
	<b>Wired SD-WAN routers</b>		<b>Wireless SD-WAN routers</b>					
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Other segment information:</b>								
Amortisation of intangible assets	<b>145</b>	79	<b>484</b>	468	<b>172</b>	192	<b>801</b>	739
Write-down of inventories to net realisable value	<b>25</b>	67	<b>80</b>	228	-	-	<b>105</b>	295

## Geographical information

### Revenue from external customers

	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
North America	<b>52,017</b>	43,087
EMEA (Europe, Middle East and Africa)	<b>21,736</b>	19,658
Asia	<b>11,121</b>	9,322
Others	<b>1,883</b>	2,061
	<b>86,757</b>	74,128

## Non-current assets

	2022 US\$'000	2021 US\$'000
Hong Kong	4,212	4,107
Others	1,171	571
	<u>5,383</u>	<u>4,678</u>

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

## Information about a major customer

For the year ended 31 December 2022, total revenue of approximately US\$16,743,000 (2021: US\$13,863,000) was derived from transactions with a single customer reporting in the sale of SD-WAN routers segment and software licences and warranty and support services segment.

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

An analysis of revenue is as follows:

	2022 US\$'000	2021 US\$'000
<i>Revenue from contracts with customers</i>	<u>86,757</u>	<u>74,128</u>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

Segments	Sale of SD-WAN routers		Software licences and warranty and support services		Total	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
<b>Type of goods or services</b>						
Sale of SD-WAN routers						
- Wired	14,430	12,463	-	-	14,430	12,463
- Wireless	46,773	42,561	-	-	46,773	42,561
Provision of warranty and support services	-	-	21,107	15,724	21,107	15,724
Sale of software and licence fee income	-	-	4,447	3,380	4,447	3,380
Total revenue from contract with customers	<u>61,203</u>	<u>55,024</u>	<u>25,554</u>	<u>19,104</u>	<u>86,757</u>	<u>74,128</u>
<b>Geographical markets</b>						
North America	36,316	32,388	15,701	10,699	52,017	43,087
EMEA	15,857	14,777	5,879	4,881	21,736	19,658
Asia	7,815	6,325	3,306	2,997	11,121	9,322
Others	1,215	1,534	668	527	1,883	2,061
Total revenue from contract with customers	<u>61,203</u>	<u>55,024</u>	<u>25,554</u>	<u>19,104</u>	<u>86,757</u>	<u>74,128</u>
<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	61,203	55,024	1,801	1,791	63,004	56,815
Services transferred over time	-	-	23,753	17,313	23,753	17,313
Total revenue from contracts with customers	<u>61,203</u>	<u>55,024</u>	<u>25,554</u>	<u>19,104</u>	<u>86,757</u>	<u>74,128</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:

	2022 US\$'000	2021 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	10,023	7,582
Sale of software and licence fee income	1,658	961
	<u>11,681</u>	<u>8,543</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 service-type warranty provided with the sale of SD-WAN routers; and (ii) the extended service-type warranty. For embedded service-type warranty, it provides customer services such as after-sales services and updates, which is beyond fixing existing defects in the products and thus, embedded service-type 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 payment in advance is normally required.

*Licence services*

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

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

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Amounts expected to be recognised as revenue:		
Within one year	<b>15,114</b>	11,681
After one year	<b>3,745</b>	2,820
	<b>18,859</b>	14,501

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 seven years.

	2022 US\$'000	2021 US\$'000
<b>Other income and gains, net</b>		
Sale of parts	-	16
Bank interest income	104	30
Gain on disposal of subsidiaries	57	-
Others	22	11
	<u>183</u>	<u>57</u>

**5. FINANCE COSTS**

	2022 US\$'000	2021 US\$'000
Interest on bank borrowings	185	31
Interest on lease liabilities	59	18
	<u>244</u>	<u>49</u>



## 6. PROFIT BEFORE TAX

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

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Depreciation <sup>a&amp;b</sup>	<b>2,009</b>	1,693
Amortisation of intangible assets <sup>c</sup>	<b>801</b>	739
Employee benefit expense (excluding directors' remuneration) <sup>d</sup> :		
Wages, salaries and allowances	<b>9,076</b>	8,791
Equity-settled share-based payment expense	<b>247</b>	105
Retirement benefit scheme contributions (defined contribution schemes) <sup>e</sup>	<b>351</b>	310
Less: Government subsidies - Hong Kong Special		
Administrative Region Employee Support Scheme <sup>f</sup>	<b>(389)</b>	-
Government subsidies - Hong Kong Special		
Administrative Region STEM Internship Scheme <sup>f</sup>	<b>(9)</b>	(1)
Government subsidies - Lithuania <sup>g</sup>	<b>(465)</b>	(590)
Government subsidies - Singapore Jobs Support Scheme <sup>h</sup>	<b>-</b>	(1)
	<b>8,811</b>	8,614
Loss on disposal of property, plant and equipment	<b>1</b>	-
Impairment of financial assets:		
Impairment of trade receivables	<b>11</b>	18
Write-down of inventories to net realisable value	<b>105</b>	295
Remeasurement loss on a disposal group classified as held for sale	<b>-</b>	68

- a) Depreciation for the year of US\$285,000 (2021: US\$240,000) 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\$1,444,000 (2021: US\$1,079,000).
- c) Amortisation of intangible assets for the year of US\$801,000 (2021: US\$739,000) is included in "General and administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.
- d) Employee benefit expense of US\$5,675,000 (2021: US\$5,906,000) is included in "Research and development, consultancy and other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.
- e) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions. At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to pension schemes in future years (2021: Nil).
- f) The subsidies were granted under the Employment Support Scheme and STEM Internship Scheme (2021: STEM Internship Scheme) of the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions relating to the subsidies.

- g) During the year, the Company's subsidiary located in Lithuania received subsidies of approximately US\$490,000 (2021: US\$646,000) from the Government of Lithuania for several research and development projects. Subsidies of approximately US\$444,000 (2021: US\$565,000) were granted by the Government of Lithuania and are presented as a reduction in "Research and development, consultancy and other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income. Subsidies of approximately US\$46,000 (2021: US\$81,000) are presented as a reduction in "General and administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income. There were no unfulfilled conditions relating to the subsidies.
- h) The subsidies were granted under the Jobs Support Scheme by the Government of Singapore. 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% (2021: 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\$256,000 (2021: US\$257,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Current – Hong Kong		
Charge for the year	<b>3,447</b>	3,290
Overprovision in prior years	<b>(140)</b>	(31)
Current – Elsewhere		
Charge for the year	<b>299</b>	169
Overprovision in prior years	<b>(11)</b>	-
Deferred	<b>127</b>	99
	<hr/>	<hr/>
Total tax charge for the year	<b>3,722</b>	3,527
	<hr/> <hr/>	<hr/> <hr/>

## 8. DIVIDENDS

	Notes	2022 US\$'000	2021 US\$'000
Interim – HK5.90 cents (2021: HK5.32 cents) per ordinary share		8,269	7,422
Second interim – HK8.69 cents (2021: HK8.27 cents) per ordinary share	(a)	12,205	11,567
Special dividend – Nil (2021: HK0.71 cent) per ordinary share	(b)	-	993
		<u>20,474</u>	<u>19,982</u>

Notes:

- (a) Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2022 of HK8.69 cents (2021: HK8.27 cents) per ordinary share, in the aggregate amount of approximately US\$12,205,000 (2021: US\$11,567,000), has been declared by the Directors of the Company.
- (b) The Directors of the Company declared a special dividend for the year ended 31 December 2021 of HK0.71 cent per ordinary share, in the aggregate amount of approximately US\$993,000, subsequent to the end of the prior 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 1,094,013,375 (2021: 1,081,496,214) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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	
	2022	2021
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,094,013,375	1,081,496,214
Effect of dilution – weighted average number of ordinary shares: Share options	5,842,182	10,492,244
Number of shares used in the diluted earnings per share calculation	1,099,855,557	1,091,988,458

## 10. INVENTORIES

	2022	2021
	US\$'000	US\$'000
Raw materials and consumables	17,992	13,083
Finished goods	14,341	5,539
	32,333	18,622

## 11. TRADE RECEIVABLES

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Trade receivables	<b>12,078</b>	11,693
Impairment	<b>(24)</b>	(29)
	<b><u>12,054</u></b>	<u>11,664</u>

The Group's trading terms with its customers are mainly on credit, except for new and individual customers, where payment on demand or in advance is normally required. The overall credit period for credit sales 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 its trade receivables. 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>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Within 1 month	<b>9,344</b>	9,901
1 to 2 months	<b>1,938</b>	1,747
2 to 3 months	<b>483</b>	14
Over 3 months	<b>289</b>	2
	<b><u>12,054</u></b>	<u>11,664</u>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Prepayments	<b>542</b>	497
Deposits and other receivables	<b>2,092</b>	1,531
	<b><u>2,634</u></b>	<u>2,028</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. The loss allowance was assessed to be minimal as at 31 December 2022 and 2021.

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

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Cash and bank balances	<b>28,658</b>	31,641
Time deposit	<b>2,029</b>	2,004
	<b>30,687</b>	33,645
Less: Pledged time deposit for bank borrowings	<b>(2,029)</b>	(2,004)
Cash and cash equivalents	<b>28,658</b>	31,641

Certain cash at banks earns interest at floating rates based on applicable bank deposit rates. Short term time deposits are made for varying periods of between one and four 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

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Trade payables	<b>4,352</b>	3,255
Deposits received	<b>382</b>	571
Other payables	<b>53</b>	152
Accruals	<b>2,113</b>	1,647
	<b>6,900</b>	5,625

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

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Within 1 month	<b>3,973</b>	3,147
1 to 2 months	<b>340</b>	86
2 to 3 months	<b>18</b>	-
Over 3 months	<b>21</b>	22
	<b>4,352</b>	3,255

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

## 15. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 10 December 2021, Protean Holdings Limited, a direct wholly-owned subsidiary of the Company, entered into sales and purchase agreements (the “Agreements”) with Mr. Chan Wing Hong Alex, a director and beneficial controlling shareholder of the Company, to dispose of its entire equity interests in Ultra Land Limited (“ULL”) and Ultra Prosper Limited (“UPL”) and assign the loans which ULL and UPL owed to their holding companies and fellow subsidiaries at the completion date for total cash considerations (subject to certain net tangible asset value adjustments) of HK\$4,100,000 and HK\$3,800,000, respectively (the “ULL and UPL Disposals”). Upon the completion of the ULL and UPL Disposals on 24 February 2022, ULL and UPL ceased to be subsidiaries of the Company. Accordingly, as at 31 December 2021, certain groups of assets and liabilities of ULL and UPL to be disposed of pursuant to the Agreements were classified as “Assets of disposal groups classified as held for sale” and “Liabilities of disposal groups classified as held for sale”, respectively.

The major classes of assets and liabilities of disposal groups classified as held for sale as at 31 December 2021 were as follows:

	<b>2021</b>
	<b>US\$'000</b>
<i>Assets</i>	
Property, plant and equipment (note)	<b>957</b>
Cash and cash equivalents	<b>22</b>
	<hr/>
Assets of disposal groups classified as held for sale	<b>979</b>
	<hr/>
<i>Liabilities</i>	
Accruals	<b>1</b>
Tax payable	<b>1</b>
Deferred tax liabilities	<b>1</b>
	<hr/>
Liabilities of disposal groups classified as held for sale	<b>3</b>
	<hr/>
	<b>976</b>
	<hr/>

Note:

The buildings included in property, plant and equipment of disposal groups classified as held for sale with an aggregate net carrying amount of US\$1,025,000 immediately before the classification were written down to the lower of their carrying amounts and fair values less costs to sell of approximately US\$957,000, resulting in a remeasurement loss of approximately US\$68,000, which was recognised in profit or loss for the year ended 31 December 2021.

The buildings included in property, plant and equipment of disposal groups classified as held for sale with an aggregate net carrying amount of US\$957,000 as at 31 December 2021 situated in Hong Kong were pledged to secured certain banking facilities granted to the Group.

Further details of the ULL and UPL Disposals are also disclosed in the Company’s announcement dated 10 December 2021.

## 16. ISSUED CAPITAL

	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Authorised:		
4,000,000,000 (2021: 4,000,000,000) ordinary shares of HK\$0.01 each	<b>5,152</b>	5,152
Issued and fully paid:		
1,097,523,000 (2021: 1,090,811,000) ordinary shares of HK\$0.01 each	<b>1,414</b>	1,405

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 2021		1,071,728,000	10,717	1,381
Share options exercised	(a)	19,083,000	191	24
At 31 December 2021 and 1 January 2022		1,090,811,000	10,908	1,405
Share options exercised	(b)	6,712,000	67	9
At 31 December 2022		1,097,523,000	10,975	1,414

Notes:

- (a) The subscription rights attaching to 19,083,000 share options were exercised at the weighted average subscription price of HK\$0.842 per share, resulting in the issue of 19,083,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$2,066,000. An amount of approximately US\$508,000 was transferred from the share option reserve to share premium account upon the exercise of the share options.
- (b) The subscription rights attaching to 6,712,000 share options were exercised at the weighted average subscription price of HK\$1.393 per share, resulting in the issue of 6,712,000 ordinary shares for a total cash consideration, before expenses, of approximately US\$1,195,000. An amount of approximately US\$263,000 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

Plover Bay designs and markets connectivity related products and technologies, including wired and wireless routers, software and services. Our products include wired SD-WAN routers, wireless SD-WAN routers and networking peripherals that support customers' networks. We also sell add-on software licences, warranty and support services, which includes on-demand data services.

Our revenue segments consist mainly of the following categories: (i) SD-WAN routers, which is further divided into wired and wireless products; (ii) warranty and support services, which includes provision of warranty and usage-based data services; and (iii) software licences, which includes one-off software licences and subscription of InControl2 service.

#### Revenue overview

During the year ended 31 December 2022, the Group's revenue increased to approximately US\$86,757,000, representing an approximately 17.0% year-over-year growth. The sales of wired SD-WAN products increased to approximately US\$14,430,000, or an increase of about 15.8% year-over-year. Sales of wireless SD-WAN products increased to approximately US\$46,773,000, or an increase of about 9.9% year-over-year. Warranty and support services increased about 34.2% to US\$21,107,000. Finally, the sales of software licences increased about 31.6% year-over-year to US\$4,447,000.

Within the sales of wired and wireless SD-WAN routers, sales of 5G routers were particularly strong, while small enterprise routers and supporting products such as long-range mobile antenna also showed significant growth. This was partially offset by our LTE products portfolio as they transit to new platforms, as components for old platforms were being discontinued. Growth in warranty and support services has been driven by rapidly growing number of devices under subscriptions, which increased by approximately 32.7%, as well as subscription booking dollar amount, which increased by approximately 48.8% year-over-year. In addition, sales related to data services (recorded in warranty and support services) have also seen impressive growth.

The table below sets out our revenue by product and service category for the years ended 31 December 2022 and 31 December 2021:

	For the year ended 31 December			
	2022		2021	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
SD-WAN routers:				
Wired	14,430	16.6	12,463	16.8
Wireless	46,773	53.9	42,561	57.4
Warranty and support services	21,107	24.3	15,724	21.2
Software licences	4,447	5.2	3,380	4.6
<b>Total</b>	<b>86,757</b>	<b>100.0</b>	<b>74,128</b>	<b>100.0</b>

### Overview of one-time sales and recurring sales

We consider the sales of wired and wireless SD-WAN routers, licences for virtual appliances and add-on licences for software features to be one-time sales.

Recurring sales mainly include the revenue of i) embedded first-year warranty, ii) the subsequent renewal of warranty and support services (typically in one to three years intervals), subscription for InControl2 (typically in one to three years intervals) and iii) the sales of cloud and data services, which are based on data usage.

As part of the sale of a router or product, we include a one-year embedded warranty and access to various features and services. To reflect the embedded first-year warranty upon sales of a product, a portion equivalent to 15% of the product's sales value is deducted from the sales value and recognised as contract liabilities. This amount is then recognised as warranty and support services revenue over the embedded warranty period (i.e., twelve months) in equal instalment.

Subsequent renewal of warranty and support services refer to the extension of warranty and services after the embedded first-year warranty has run its course. Subsequent renewal requires additional purchase of subscription contracts which typically have a valid period of one to three years. We also refer to subsequent renewals as "subscriptions".

During the year, one-time sales increased approximately 10.9% and recurring sales increased approximately 37.2% year-over-year. Due to the deferred nature of revenue recognition of embedded first-year warranty and its subsequent renewal, the year-over-year growth of recurring sales generally follows the growth trend of our router sales of the past twelve months. In addition, the number of devices that are currently under a valid subscription has increased owing to our efforts to develop new features and services into our subscription bundles.

During the year, many products on older platforms have been migrated to new ones. The new platforms are designed to support new software features and have built-in access to our cloud and data services. In the longer term, as we accumulate a larger installed base and enrich our subscription services, we expect recurring sales to continue to increase rapidly.

The table below sets out the breakdown of revenue according to the timing of revenue recognition for the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
One-time sales:	<b>63,004</b>	<b>72.6</b>	56,815	76.6
Recurring sales:	<b>23,753</b>	<b>27.4</b>	17,313	23.4
<b>Total</b>	<b>86,757</b>	<b>100.0</b>	74,128	100.0

### Overview of sales in geographical regions

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 2022, sales from North America increased to approximately US\$52,017,000, representing year-over-year growth of approximately 20.7%. Sales from EMEA rose to approximately US\$21,736,000, representing a year-over-year growth of approximately 10.6%. Sales from Asia increased approximately 19.3% to approximately US\$11,121,000. Sales from other regions decreased approximately 8.6% year-over-year to approximately US\$1,883,000.

Sales from North America increased mainly due to strong growth in the sales of warranty and support services, 5G routers and small enterprise routers to a wide customer base, but offset by the decrease in sales of LTE products due to their transition to new platforms. In EMEA region, growth was mainly driven by 5G routers and warranty and support services for maritime and transport customers, offset by decreases in older platforms. In Asia, the increase was mainly contributed by strong growth in Hong Kong, Malaysia, and Japan, offset by general weakness in other Southeast Asian countries, particularly Singapore and Thailand. In the Others region, sales decreased mainly because of the high inflation and unfavorable exchange rate movements of local currencies against USD, eroding the purchasing power of customers in those regions.

The table below sets out the breakdown of revenue amount by geographical location of customers and the respective proportion of total revenue for the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
North America	52,017	60.0	43,087	58.1
EMEA	21,736	25.1	19,658	26.5
Asia	11,121	12.8	9,322	12.6
Others	1,883	2.1	2,061	2.8
<b>Total</b>	<b>86,757</b>	<b>100.0</b>	<b>74,128</b>	<b>100.0</b>

### Gross profit and gross profit margin

For the year ended 31 December 2022, our gross profit was approximately US\$46,507,000, a year-over-year increase of approximately 7.8%. Our gross profit margin for the year was approximately 53.6%, compared to approximately 58.2% for the year ended 31 December 2021.

During the year, our gross profit margin decreased as our product mix continued to shift towards high-volume, small enterprise router products, which are positioned at competitive prices to accelerate the growth of our installed base and subscription services in later years despite component cost increases.

The table below sets out our Group's gross profit and gross profit margin by product and service category for the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	Gross profit US\$'000	Gross margin %	Gross profit US\$'000	Gross margin %
SD-WAN routers:				
Wired	6,166	42.7	6,520	52.3
Wireless	16,682	35.7	18,389	43.2
Warranty and support services	19,782	93.7	14,866	94.5
Software licences	3,877	87.2	3,380	100.0
<b>Total</b>	<b>46,507</b>	<b>53.6</b>	<b>43,155</b>	<b>58.2</b>

## **Other income and gains, net**

Other income and gains, net for the year ended 31 December 2022 was approximately US\$183,000 (2021: approximately US\$57,000). They mainly comprised of approximately US\$104,000 bank interest income and approximately US\$57,000 gain on disposal of subsidiaries. For the year ended 31 December 2021, other income and gains, net mainly comprised of approximately US\$30,000 bank interest income and approximately US\$16,000 sale of parts.

## **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 2022 were approximately US\$3,100,000, a year-over-year increase of approximately 13.2%. During the year, the increase in selling and distribution expenses was mainly due to increased warehousing costs and increased spending on advertising and promotion.

## **General and administrative expenses**

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

General and administrative expenses for the year ended 31 December 2022 were approximately US\$8,173,000, a year-over-year increase of approximately 17.2%. During the year, approximately US\$1,657,000 foreign exchange losses, net were recorded (2021: approximately US\$821,000). Excluding the effects of foreign exchange fluctuations, general and administrative expenses increased by 5.9%, which mainly represents the increase in staff salaries and lease payments.

## **Research and development, consultancy and other expenses**

Research and development (“R&D”) expenses mainly represented salaries and benefits of our engineering, testing and supporting staff, product testing fees, certification costs, tooling, components and parts used for product research and development purposes. Consultancy and other expenses mainly represented payments to service providers for testing, technical support and system maintenance.

Research and development, consultancy and other expenses for the year ended 31 December 2022 were approximately US\$8,792,000, increasing 1.6% year-over-year. The increase was mainly contributed by increase in consultancy and other expenses offset by a decrease in discretionary bonus granted to R&D team compared to last year.

## **Government subsidies**

For the year ended 31 December 2022, government subsidies of approximately US\$401,000 (2021: Nil) were granted under the Employee Support Scheme implemented by the HKSAR Government and approximately US\$490,000 (2021: approximately US\$646,000) were granted by the Government of the Republic of Lithuania for several R&D projects.

## **Equity-settled share-based payment expenses**

Included in selling and distribution expenses, general and administrative expenses, and research and development, consultancy and other expenses were equity-settled share-based payment expense, representing 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, the Group granted 7,400,000 share options to 56 employees and 8 eligible consultants on 17 June 2022. Equity-settled share-based payment expense for the year ended 31 December 2022 was approximately US\$266,000 (2021: approximately US\$123,000). 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 for the year ended 31 December 2022, which includes selling and distribution expenses, general and administrative expenses, and research and development, consultancy and other expenses, amounted to approximately US\$20,065,000, representing a year-over-year increase of approximately 9.2%. Employee cost (including equity-settled share-based payment expense and directors’ remuneration) remained our largest cost component, which amounted to approximately US\$9,957,000 for the year (2021: approximately US\$9,854,000). Excluding the effects of government subsidies, the gross employee cost for the year amounted to approximately US\$10,832,000 (2021: approximately US\$10,446,000), representing a year-over-year increase of about 3.7%.

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

Finance costs mainly represented interest on bank borrowings and interest on lease liabilities.

Finance costs for the year ended 31 December 2022 were approximately US\$244,000, representing a year-over-year increase of approximately 398.0%. The increase was mainly due to more loans were borrowed during the year with higher interest rates.

As at 31 December 2022, bank borrowings were approximately US\$6,471,000 (2021: approximately US\$4,639,000). The increase in bank borrowings was mainly because of more credit facilities being drawn down for working capital purposes.

## **Income tax expense**

During the year, the Group provided for Hong Kong profits tax at a rate of 16.5% on its 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 super deductions of qualified R&D expenses implemented by the HKSAR Government, the overall effective tax rate for the year was approximately 14.1%.

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

Profit attributable to owners of the Company for the year ended 31 December 2022 was approximately US\$ 22,659,000, representing an increase of approximately 6.9% year-over-year.

## **Inventories**

As at 31 December 2022, the Group's inventory balance was approximately US\$32,333,000 (2021: approximately US\$18,622,000). During the year, we continue to accumulate a strong buffer of key components to ensure customer demands can be met within reasonable lead times. We also invested substantial working capital into new hardware product platforms in order to accelerate the growth of our user base and subscriptions.

## **Impact of COVID-19**

To reduce the risk of cross infection of COVID-19 among employees in our offices, the Group requires the wearing of facemasks at all times during work and regularly disinfects our premises. In addition, our offices are installed with medical grade air filters. We also implemented work from home arrangements to reduce the number of staff in the office at any given time.

## **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 inventories 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;

- We may be exposed to credit risk of our customers, affecting the collectability of trade receivables and adversely affecting our cash flows; and
- Disruption of supply chain and raw material shortages may affect our ability to meet customer demands.

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 Company's shares.



## **CHAIRMAN'S STATEMENT AND BUSINESS OUTLOOK**

Dear shareholders and partners,

Since the Company's foundation, we have been providing the routers and software features to make connectivity more reliable, faster and usable in all kinds of use cases and locations. We have been misunderstood as a hardware company for years.

Moving forward, we are going to change this perception to reflect what we do. That is "Supercharged Connectivity" for all industries.

In short, we "supercharge" connectivity for customers, whether the customer is using 5G, LTE, satellite, SD-WAN, or fixed network.

### ***What is "Supercharged Connectivity"?***

Network connectivity has become an indispensable part of our daily lives. For most of us, connecting to the Internet is as simple as subscribing to a 5G or broadband plan. However, relying on just one single connection is often not enough.

For example, in home offices, a single home broadband may not be enough for all the conferencing, cloud workload, and home entertainment content streaming.

POS terminals, cloud based SaaS applications and internal backend systems commonly used in small businesses may depend on a single business broadband. Any disruption to the connection would result in lost customers and revenues for these businesses.

Similarly, an enterprise using a single fiber connection will lose a lot of productivity to network congestion or network outage, even for just a few hours.

In another example, broadcasters uploading live footage with a single 5G connection are prone to network congestion or poor reception.

In all those cases, the problem lies in relying on a single connection, and the result is user frustration and lost productivity.

Peplink's extensive ecosystem can supercharge connectivity by combining different networks together, whether it is broadband and mobile, or multiple mobile networks, or even mobile and satellite.

Using multiple networks at the same time boosts network bandwidth, provides multiple redundancies, reduces network latency, and enables deployment in remote locations, vehicles and vessels.

The result is a better customer experience, more reliable network, and flexibility to deploy anywhere.

In fact, in a recent use case, one of the largest cruise ship operators in the world has selected Peplink to supercharge their connectivity on their whole cruise liner fleet by combining multiple Starlink connections. Combining multiple Starlinks allows passengers and crew onboard to stay in touch with their loved ones, stream their favorite content, or work remotely in the open seas. This is a game changer. We believe it will generate similar use cases among other maritime shipping companies in the coming months.

In this example, our technology has “supercharged” Starlink to make it more reliable, faster and more usable.

On top of that, we are also involved in numerous supercharged applications that were not financially or technologically feasible in the past, such as drones, remotely driven vehicles, and robotics.

Meanwhile, we continue to supercharge connectivity for businesses of all sizes. For example, we have been selected by a fast food chain restaurant operator in Malaysia to provide reliable connectivity to store backend systems in over 1,000 restaurants. In Hong Kong, a public transport company has deployed our ruggedised 5G routers to provide passenger WiFi in over 1,000 buses. In Australia, we have been chosen by a regional telecom operator to be the standard connectivity product for their small enterprise services.

We continue to gain traction in North America and Europe, the Middle East and Africa (EMEA) across many different businesses and verticals. These opportunities are mostly addressed by our service provider partners, who are our gateways to the diverse enterprise market. While these opportunities are not as high-profile as large cruise ships and robotics, they are equally important to our business as they represent the volume opportunities for supercharged connectivity.

Ultimately, Supercharged Connectivity is about making connectivity better, and the need for better connectivity is almost universal across all businesses and industries.

### ***Significant Growth in Recurring Revenue***

Supercharged connectivity is not just about selling routers and hardware. The underlying technology requires a cloud infrastructure to work, and our subscription packages and service bundles make it easier for users to build and manage their supercharged networks.

We have seen significant growth in our recurring revenues, which grew 37% year over year and now consist of over 27% of our sales. During the year we launched a software feature called InTouch, which enables web browser-based remote management of third party devices (such as connected cameras, server racks) without any dedicated terminal, additional software licenses, and the need for on-site work for IT operations. We have also enhanced the features available in our CarePlan subscriptions. We believe these efforts have driven significant growth to both the number of devices with at least one subscription, which grew 33% year-over-year, and subscription bookings dollar amount, which grew 49% year over year.

### ***Supply Chain***

During the semiconductor shortages, many of the key components for our best-selling LTE routers running on older platforms have been discontinued. We have successfully migrated to new platforms which allow us to enable more advanced software features.

We have taken up significant investments in these hardware platforms and get ourselves ready for an accelerated growth in software subscriptions. Our increased inventory is a reflection of this strategy. Again, we reiterate that Plover Bay is not a hardware company. We create value for our customers via software. We make hardware devices so these software features are available for every deployment scenario easily. Hence we need to make sure we have these hardware devices available and ready for our software subscriptions growth.

### ***Software Subscriptions and Profitability***

For instance, all our new platforms now have built-in 5G/LTE connectivity. Users now have the choice to turn on and use this built-in service only when they need an extra 5G connection to supercharge their network. The service does not require any contract or fixed monthly payment. Instead, data credits will be deducted based on actual usage. We have already seen promising results from a pilot project for this kind of built-in data service. Once our installed base for this service reaches a certain critical mass, we believe our recurring revenue growth will be extremely strong, and provide another stream of recurring revenue on top of our existing CarePlan service packages.

Therefore, we believe giving up short term profitability to accelerate the growth of our installed base will be very rewarding in the long term.

### ***Partnership or Crossover Opportunities***

Connectivity is highly crucial to the business models of IoT/SaaS service providers that use connected devices (e.g. cameras, sensors, GPS trackers, etc) to gather data and provide analytics and derive insights. This market is highly diverse, with applications spanning from agriculture to energy to retail and more. For these IoT/SaaS businesses, uninterrupted connectivity is pivotal to providing a high quality of service. Outages lead to dissatisfaction, and dissatisfaction leads to lost customers.

For this reason, we believe many IoT/SaaS companies will benefit from Supercharged Connectivity. Right now, the importance of connectivity is often overlooked. Therefore, we believe there are plenty of opportunities to partner or crossover with an IoT/SaaS provider. Going forward, this will be one of our focus areas to grow our business.

## *The Journey*

We believe what we are doing is a game changer for the connectivity market in the long run. Future connectivity should not just rely on a single network connection. Having just a single network connection should become history.

Using multiple networks at the same time delivers better speed, better redundancies, better latency and enables deployments and applications that were not financially or technically possible before. The whole process should be simple, easy and straightforward.

While this is going to be a multi-year journey, we are not alone. Over the years, we have built a community of channel partners who passionately work on the ground to build solutions and solve customer problems. They also provide valuable feature suggestions and insights which our own passion driven R&D teams experiment with, and turn into new products and features. This cyclic community driven by passion is never stagnant, and is not something that can be easily replicated.

During the discovery process, there are always ups and downs and all this requires relentless belief that we can build something amazing. We are fortunate to have team members who are also shareholders around the world working together in chasing this dream. Thank you for everybody's hard work and relentless effort.

It takes a lot of patience and courage to invest in Plover Bay and we appreciate this very much. Thank you for partnering with us in this journey.

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

As at 31 December 2022, our bank borrowings amounted to approximately US\$6,471,000 (2021: approximately US\$4,639,000) which are secured by the pledge of a time deposit amounting to approximately US\$2,029,000 (2021: approximately US\$2,004,000).

As at 31 December 2022, the gearing ratio (which is defined as total borrowings over total equity) of our Group was approximately 14.9% (2021: approximately 11.6%). 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 2022.

## **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**

The Group undertakes certain transactions denominated in foreign currencies, mainly in Euro, US dollars, Pound Sterling and Australian dollars, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely in order to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arise.

## **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 salaries, bonuses and retirement benefits with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 31 December 2022, the Group had 202 (2021: 190) full-time employees. The total amount of employee costs of the Group (including equity-settled share-based payment expense and directors' remuneration) for the year was approximately US\$9,957,000 (2021: approximately US\$9,854,000).

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 Group's continued growth. During the year, the Company issued share options on 17 June 2022. 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 2022 were approximately US\$257,000 (2021: approximately US\$235,000).

The employees of 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 Malaysian 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 contributions arising from the EPF Scheme charged to profit or loss for the year ended 31 December 2022 were approximately US\$44,000 (2021: approximately US\$39,000).

The employees of 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 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 2022 were approximately US\$48,000 (2021: approximately US\$40,000).

The employee of the Group’s subsidiary in Singapore participate in the Central Provident Fund scheme (the “CPF”) organized by the government of Singapore. This subsidiary and its employee are required to contribute a certain percentage of the employee’s payroll to the CPF. The contributions are charged to profit or loss as they become payable in accordance with the rules of the CPF. The subsidiary has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions. The expenses arising from the defined contribution scheme for the year ended 31 December 2022 were approximately US\$11,000 (2021: approximately US\$7,000).

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

As at 31 December 2022, the Group had no significant investment held and no material future investment plan.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the year ended 31 December 2022, other than the disposals of two subsidiaries on 24 February 2022, the Group had no other material acquisitions or disposals of subsidiaries and associated companies. Details of the disposals are also disclosed in the Group’s announcement dated 10 December 2021 and in note 20 to the Group’s consolidated financial statements for the year ended 31 December 2021.

## **COMMITMENTS**

As at 31 December 2022, the Group had approximately US\$145,000 in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements (2021: approximately US\$61,000).

## **PLEDGE OF ASSETS**

The Group's bank facilities amounting to US\$14,927,000 (2021: US\$10,752,000), of which US\$6,471,000 (2021: US\$4,282,000) 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\$2,029,000 (2021: US\$2,004,000).

## **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 2022, 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 HK8.69 cents per share (the "Dividend") for the year ended 31 December 2022. For the purpose of determining the entitlement to the Dividend, the register of members of the Company will be closed on Friday, 10 March 2023. The record date for entitlement to receive the Dividend is Friday, 10 March 2023. In order to be qualified for the Dividend, all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 9 March 2023. The cheques for payment of the Dividend are expected to be sent on Friday, 24 March 2023.

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

At 31 December 2022, 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	Through controlled corporation (note)	756,000,000	-	68.9
Chau Kit Wai	Beneficial owner	6,000,000	-	0.5
Chong Ming Pui	Beneficial owner	6,000,000	-	0.5
Yeung Yu	Beneficial owner	6,000,000	-	0.5
		774,000,000	-	70.4

#### Note:

The 756,000,000 shares of the Company are held by Namlong Development Limited, a company beneficially owned by Mr. Chan Wing Hong Alex.

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 2022 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 2022 are as follows:

Grantee	Date of grant	Exercise price per share (HK\$)	Exercise period	Notes	At 1 January 2022	Granted	Exercised	Forfeited	Lapsed/cancelled	At 31 December 2022
<b>Directors</b>										
Chan Wing Hong, Alex	20/7/2016	0.483	20/7/2017-19/7/2021	(1 & 2)	-	-	-	-	-	-
Chau Kit Wai	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	-	-	-	-	-	-
Chong Ming Pui	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	-	-	-	-	-	-
Yeung Yu	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	-	-	-	-	-	-
<b>Consultants</b>										
	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	-	-	-	-	-	-
	10/10/2017	1.872	10/10/2019-9/10/2022	(4 & 11)	1,400,000	-	(548,000)	-	(852,000)	-
	14/3/2018	1.934	14/3/2019-13/3/2023	(5 & 11)	2,300,000	-	(300,000)	-	-	2,000,000
	14/9/2018	1.02	14/9/2019-13/9/2023	(6 & 11)	1,200,000	-	(75,000)	-	-	1,125,000
	10/5/2019	1.18	10/5/2021-9/5/2024	(7)	52,000	-	-	-	-	52,000
	17/6/2022	2.988	17/6/2024-16/6/2027	(13)	-	800,000	-	-	-	800,000
<b>Employees</b>										
	20/7/2016	0.483	20/7/2017-19/7/2021	(2)	-	-	-	-	-	-
	5/4/2017	0.72	5/4/2018-4/4/2022	(3 & 12)	584,000	-	(584,000)	-	-	-
	10/10/2017	1.872	10/10/2019-9/10/2022	(4 & 12)	1,591,000	-	(1,376,000)	(100,000)	(115,000)	-
	14/3/2018	1.934	14/3/2019-13/3/2023	(5 & 12)	2,080,000	-	(742,000)	(100,000)	-	1,238,000
	14/9/2018	1.02	14/9/2019-13/9/2023	(6 & 12)	2,605,000	-	(1,831,000)	(251,000)	-	523,000
	10/5/2019	1.18	10/5/2021-9/5/2024	(7 & 12)	1,798,000	-	(714,000)	(51,000)	-	1,033,000
	31/12/2019	1.12	31/12/2021-30/12/2024	(8 & 12)	500,000	-	(146,000)	-	-	354,000
	14/12/2020	0.922	14/12/2022-13/12/2025	(9 & 12)	1,500,000	-	(396,000)	(200,000)	-	904,000
	9/11/2021	2.97	9/11/2023-8/11/2026	(10)	3,800,000	-	-	(900,000)	-	2,900,000
	17/6/2022	2.988	17/6/2024-16/6/2027	(13)	-	6,600,000	-	(600,000)	-	6,000,000
					<b>19,410,000</b>	<b>7,400,000</b>	<b>(6,712,000)</b>	<b>(2,202,000)</b>	<b>(967,000)</b>	<b>16,929,000</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.
10. For all share options granted on 9 November 2021, 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\$2.77.
11. The weighted average closing share price immediately before the dates on which the options were exercised by consultants was HK\$2.94 per share.
12. The weighted average closing share price immediately before the dates on which the options were exercised by employees was HK\$2.75 per share.
13. For all share options granted on 17 June 2022, 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\$2.96.

## **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 2022.

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 2022.

As at 31 December 2022, 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 2022 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 2022.

## **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 2022.

## **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 2022.

## **SCOPE OF WORK OF 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 2022 as set out in the preliminary announcement have been agreed by the Company's auditors, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors 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 2022, 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 2022 with the management.

## **THE ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2022 will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://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, 23 February 2023

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