MAXNERVA TECHNOLOGY SERVICES LIMITED
雲智匯科技服務有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1037)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board (the "Board") of directors (the "Directors") of Maxnerva Technology Services Limited (the "Company") would like to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2016. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

RESULTS AND FINANCIAL REVIEW

As disclosed in the 2015-16 annual report, the Group has undertaken a significant change in its business focus during the year ended 31 March 2016, creating a new Information Technology ("I.T.") Integration and Solutions Services segment to serve the rapidly growing "Industry 4.0" market.

For the six months ended 30 September 2016, turnover from the Group was approximately HK$242.2 million, representing an increase of 401.0% (2015: HK$48.3 million). The increase in turnover was mainly contributed by the new I.T. Integration and Solutions Services business which, with its higher gross profit margin, also helped to improve the Group's gross profit to approximately HK$88.8 million (2015: HK$12.5 million). Net profit for the Group increased by HK$47.1 million to HK$48.6 million (2015: HK$1.5 million).

The Board of Directors does not recommend any payment of interim dividend.

INVENTORY AND TRADE RECEIVABLES

The inventory level increased to approximately HK$73.3 million as at 30 September 2016 (31 March 2016: HK$43.3 million). Stock turnover was around 132 days (31 March 2016: 186 days). Trade receivables increased by HK$61.7 million to approximately HK$88.6 million as at 30 September 2016 (31 March 2016: HK$26.9 million) mainly due to the increase in sales.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents as at 30 September 2016 were approximately HK$208.7 million (31 March 2016: HK$216.2 million). Total available banking facilities of the Group were approximately HK$45.5 million (31 March 2016: HK$45.5 million), of which approximately HK$27.4 million were available for use (31 March 2016: HK$28.3 million). The Group had a net cash position as at 30 September 2016 and 31 March 2016 and therefore the gearing ratio, which was defined as total borrowings after netting off cash and cash equivalents (net debt) to total capital (being total equity plus net debt) was not applicable as at 30 September 2016 and 31 March 2016. The Group's assets were mostly financed by shareholders' equity, trade payables and bank borrowings. Trade payables were repayable within one year. Bank borrowings comprised trade financing repayable within one year based on original contractual maturity.

Borrowings were mostly denominated in Hong Kong dollars and United States dollars ("US dollars"). The Group's cash and cash equivalents were denominated in Hong Kong dollars, US dollars, New Taiwanese dollars and Chinese Renminbi. Most of the Group's borrowings were interest-bearing at floating rates which were based on the HIBOR rate or LIBOR rate. As a substantial part of trade payables and bank borrowings were denominated in Hong Kong dollars and US dollars, the exchange rate risk of the Group is not expected to be material. The Group did not use derivative financial instruments for speculative purposes.

BUSINESS REVIEW

During the six months ended 30 September 2016, the Group engaged in the following major business:

- I.T. Integration and Solutions Services; and
- Electronic Products Manufacturing.

I.T. Integration and Solutions Services

As disclosed in the 2015-16 annual report, the I.T. Integration and Solutions Services business has become the Group's main revenue driver which involves providing project-based system integration services in the area of smart factory and smart office initiatives and the sale of I.T. products. For the six months ended 30 September 2016, the revenue generated from this business segment in the amount of approximately HK$186.5 million accounted for approximately 77.0% of the Group's total revenue.

Electronic Products Manufacturing

The performance of the Electronic Products Manufacturing business started to deteriorate in previous financial year and is continuously performing disappointingly in the first half of this financial year. The business environment for this business segment has become more challenging as a result of increased labour costs, more keen competition and decline in the number of customers. For the six months ended 30 September 2016, revenue in the amount of approximately HK$55.6 million was recorded for this business segment, representing an increase of 15.1% or approximately HK$7.3 million compared with the same period last financial year. This segment recorded a loss of HK$4.8 million during the six months ended 30 September 2016 compared to a segment profit of HK$3.4 million for the six months ended 30 September 2015.

PROSPECTS

Industry 4.0 is the concept of improving business efficiency through digitalisation of manufacturing processes. The digitalisation is achieved by implementing (i) internet of things and the cloud, (ii) big data, (iii) artificial intelligence, and (iv) robotics. The management believes that the commercial opportunity in providing Industry 4.0 services is enormous as evidenced by the growth of the I.T. Integration and Solutions Services business which has become the major revenue driver of the Group. In light of this, the Company will devote more resources to expand this business segment and expand its customer base.

For Electronic Products Manufacturing business, the Directors will closely monitor and use their best endeavors to formulate the best strategy for the business. However, if it remains vapid, the Directors will take all possible measures to deal with the situation in response to the changing business environment and protect the interest of the shareholders.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2016, the Group had a total of approximately 470 (31 March 2016: approximately 450) full-time employees. The pay scale of the Group’s employees is maintained at a competitive level and employees are rewarded on a performance-related basis with in the general framework of the Group’s salary and bonus system. Other employee benefits include provident fund, insurance and medical cover.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) Six months ended 30 September **2016** *HK$'000*	2015 *HK$'000*
Continuing operations			
Turnover	*2*	**242,166**	48,335
Cost of sales		**(153,405)**	(35,852)
Gross profit		**88,761**	12,483
Other income		**91**	–
Net gain on disposal of property, plant and equipment		**–**	130
Selling and distribution expenses		**(3,040)**	(2,634)
General and administrative expenses		**(26,771)**	(7,182)
Operating profit		**59,041**	2,797
Finance costs – net		**(48)**	(284)
Profit before income tax		**58,993**	2,513
Income tax expense	*3*	**(10,363)**	(63)
Profit for the period from continuing operations		**48,630**	2,450
Loss for the period from discontinued operations		**–**	(986)
Profit for the period attributable to equity holders of the Company		**48,630**	1,464
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company – basic and diluted (rounded to HK cents)			
– Continuing operations	*5*	**7.34**	0.56
– Discontinued operations	*5*	**–**	(0.22)

Details of dividends payable to equity holders of the Company are set out on Note 4.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Comprehensive income:		
Profit for the period	**48,630**	1,464
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss		
– Fair value loss on available-for-sale financial assets, net of tax	**–**	(41)
– Currency translation differences	**(1,487)**	(735)
Other comprehensive loss for the period	**(1,487)**	(776)
Total comprehensive income for the period	**47,143**	688
Total comprehensive income attributable to equity holders of the Company		
– Continuing operations	**47,143**	1,464
– Discontinued operations	**–**	(776)
	47,143	688

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30 September 2016 HK$'000	(Audited) 31 March 2016 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**8,244**	1,680
Property, plant and equipment		**11,870**	3,946
Financial assets at fair value through profit or loss		**4,654**	–
Other long-term assets		**715**	1,767
		25,483	7,393
Current assets			
Inventories		**73,271**	43,265
Trade receivables	*6*	**88,601**	26,857
Prepayments, deposits and other receivables		**43,835**	32,859
Cash and cash equivalents		**208,703**	216,177
		414,410	319,158
Total assets		**439,893**	326,551
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**66,224**	66,224
Share premium		**234,640**	234,640
Reserves		**5,704**	(41,439)
Total equity		**306,568**	259,425
LIABILITIES			
Current liabilities			
Borrowings		**18,101**	17,191
Trade payables	*7*	**78,424**	40,788
Accruals and other payables		**31,387**	9,147
Tax payable		**5,413**	–
		133,325	67,126
Total liabilities		**133,325**	67,126
Total equity and liabilities		**439,893**	326,551

NOTE:

1(A) BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This unaudited condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2016.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Taxes on income for the six months ended 30 September 2016 are accrued using the tax rate that would be applicable to expected total annual earnings.

(iii) The following new standards and amendments to existing standards are mandatory for financial year beginning on 1 April 2016 and have no material impact to the Group:

HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvement 2012-2014 Cycle

(iv) The following published standards and amendments to existing standards are mandatory for financial year beginning on or after 1 April 2016 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments[1]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective date to be determined

Management is in the process of making an assessment of the impact of the above new standards and amendments to standards and is not yet in a position to state whether these new standards and amendments to standards would have a significant impact on the Group's results and financial position.

1(B) FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2016.

There have been no changes in the risk management policies since the last year end.

2 REVENUE AND SEGMENT INFORMATION

During the period ended 30 September 2015, the operating segments of electronic components distribution and personal computer products distribution were classified as discontinued operations as a result of the disposal taken place on 29 October 2015. The discontinued operations had resulted in a change in the Group's structure and therefore its composition of reporting segment. The comparative figures of segment disclosure have been restated to conform to current periods presentation. In addition, the business of provision of system and network integration, I.T. solutions development and implementation, and related maintenance services commenced during the year ended 31 March 2016.

The chief operating decision maker has been identified as the executive directors (collectively referred to as the "Chief Operation Decision Maker" or "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from the perspective of the nature of operations and the type of products or services, and considers that the Group mainly has two operating segments, namely "Electronic Products Manufacturing" and "I.T. Integration and Solutions Services", the latter is related to the new business which commenced during the year ended 31 March 2016.

Each of the Group's operating segments represents a strategic business unit that is managed by the respective business unit leaders. CODM assesses the performance of the operating segments based on a measure of profit before income tax. Other information provided to the CODM is measured in a manner consistent with that in the unaudited condensed consolidated interim financial information.

Assets of reportable segments exclude financial assets at fair value through profit or loss and corporate assets (mainly including corporate cash and bank balances), all of which are managed on a central basis. Liabilities of reportable segments exclude corporate liabilities. These are part of the reconciliation to total balance sheet assets and liabilities.

An analysis of the Group's turnover and contribution to operating profit by operating segments for the period is as follows:

	(Unaudited) Six months ended 30 September 2016		
	Electronic Products Manufacturing	**I.T. Integration and Solutions Services**	**Total**
	HK\$'000	***HK\$'000***	***HK\$'000***
Turnover			
Sales of goods	**55,622**	**9,005**	**64,627**
Rendering of services	**–**	**177,539**	**177,539**
	55,622	**186,544**	**242,166**
Results of reportable segments	**(4,770)**	**66,970**	**62,200**
A reconciliation of results of reportable segments to profit for the period is as follow:			
Results of reportable segments			**62,200**
Unallocated expenses			**(3,159)**
Operating profit			**59,041**
Finance costs – net			**(48)**
Profit before income tax			**58,993**

Note: Unallocated expenses mainly include salaries, legal and professional fees and other operating expenses incurred at corporate level.

	(Unaudited) Six months ended 30 September 2015	
	Electronic Products Manufacturing	Total
	HK$'000	*HK$'000*
Turnover		
Sales of goods	48,335	48,335
Results of reportable segments	3,390	3,390
A reconciliation of results of reportable segment to profit for the period is as follow:		
Results of reportable segments		3,390
Unallocated expenses		(593)
Operating profit		2,797
Finance costs – net		(284)
Profit before income tax		2,513

	(Unaudited) As at 30 September 2016		
	Electronic Products Manufacturing	**I.T. Integration and Solutions Services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets			
Segment assets	**64,564**	**306,498**	**371,062**
Other unallocated assets *(Note a)*			**68,831**
Total assets			**439,893**
Segment liabilities			
Segment liabilities	**63,160**	**66,503**	**129,663**
Other unallocated liabilities *(Note b)*			**3,662**
Total liabilities			**133,325**

Note a: As at 30 September 2016, other unallocated assets mainly included cash and cash equivalents for corporate usage.

Note b: As at 30 September 2016, other unallocated liabilities mainly included accruals and other payables for corporate expenses.

	Electronic Products Manufacturing	I.T. Integration and Solutions Services	Total
	(Audited) As at 31 March 2016		
	HK$'000	*HK$'000*	*HK$'000*
Segment assets			
Segment assets	74,288	173,627	247,915
Other unallocated assets *(Note a)*			78,636
Total assets			326,551
Segment liabilities			
Segment liabilities	28,801	35,883	64,684
Other unallocated liabilities *(Note b)*			2,442
Total liabilities			67,126

Note a: As at 31 March 2016, other unallocated assets mainly included furniture, fixtures and equipment and cash and cash equivalents for corporate usage.

Note b: As at 31 March 2016, other unallocated liabilities mainly included accruals and other payables for corporate expenses.

Revenue from external customers on the basis of customers' locations is analysed as follows:

	(Unaudited) Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**882**	5,176
Mainland China	**197,003**	7,074
North America	**1,902**	284
Europe	**35,248**	30,503
Other Asian countries	**7,131**	5,298
	242,166	48,335

3 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in Mainland China and Taiwan are subject to corporate income tax at the rate 25% (2015: 25%) and 17% (2015: 17%), respectively.

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing in July 2016, Wisecloud Technology Service Inc., located in Chongqing and engaged in a specified state-encouraged industry, was granted a preferential tax rate of 15% when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year.

The amount of taxation charged to the condensed consolidated income statement represents:

	(Unaudited) Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profits tax	**(570)**	–
– PRC corporate income tax	**(9,793)**	(63)
	(10,363)	(63)

4 DIVIDENDS

In the special general meeting held on 19 October 2015, the Company declared and paid a special dividend of HK$0.23 per ordinary share totalling approximately HK$100,565,000.

At a board meeting held on 29 November 2016, no interim dividend is declared by the Company's directors for the six months ended 30 September 2016.

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share are based on the Group's profit attributable to shareholders of approximately HK$48,630,000 (2015: HK$1,464,000). The basic earnings/(loss) per share is based on 662,239,448 (2015: 437,239,448) shares which is the weighted average of ordinary shares in issue during the period.

Dilutive earnings/(loss) per share is of the same amount as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the period.

6. TRADE RECEIVABLES

Trade receivables and their ageing analysis is as follows:

	30 September 2016	31 March 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Less than 60 days	**79,710**	22,226
60 to 120 days	**7,812**	4,631
Over 120 days	**1,079**	16,656
	88,601	43,513
Less: provision for impairment	**–**	16,656
	88,601	26,857

Majority of the Group's sales are made with credit terms generally ranging from 30 days to 90 days.

7. TRADE PAYABLES

Trade payables and their ageing analysis is as follows:

	30 September 2016	31 March 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Less than 60 days	**74,402**	32,536
60 to 120 days	**3,775**	8,252
Over 120 days	**247**	–
	78,424	40,788

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save for the following deviations from the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("the Listing Rules"), none of the Directors is aware of any information which would reasonably indicate that the Company has not complied with the Code during the six months ended 30 September 2016.

Code provision A.2.1

Under the Code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Since 3 November 2015, Mr. Hui Lap Shun, John assumed the position of Chairman and acting chief executive officer (the "CEO") of the Company in the course of recruiting the appropriate CEO. Mr. Sung Mahn Baker, Sam was subsequently appointed as CEO as well as executive Director on 12 April 2016. Code provision A.2.1 has been complied since then.

Code provision F.1.1

Mr. Tsang Hing Bun ("Mr. Tsang") was appointed as the company secretary of the Company with effect from 3 November 2015. Although Mr. Tsang is not an employee of the Company as required under the Code provision F.1.1, the Company has assigned Mr. Tse Tik Yang, Denis, the executive director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all Directors are still considered to have access to the advice and services of the company secretary in light of the above arrangement in accordance with the Code provision F.1.4. Having in place a mechanism that Mr. Tsang will get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Tsang as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulation.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Model Code"). Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 September 2016.

AUDIT COMMITTEE

The audit committee has three members comprising three independent non-executive directors, namely, Mr. Tang Tin Lok Stephen (Chairperson), Mr. Kan Ji Ran Laurie and Mr. Chen Timothy, with terms of reference in compliance with the Listing Rules. The audit committee review the Group's financial reporting, internal controls and make relevant recommendations to the Board.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the websites of the Hong Kong Stock Exchange ("Stock Exchange") and the Company. The interim report for the six months ended 30 September 2016 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maxnerva.com) in due course.

By order of the Board
Maxnerva Technology Services Limited
HUI LAP SHUN, JOHN
Chairman

Hong Kong, 29 November 2016

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Hui Lap Shun John, Mr. Chien Yi-Pin Mark (Mr. Cheng Yee Pun as his alternate), Mr. Tse Tik Yang Denis, Mr. Ryu Young Sang James, Mr. Sung Mahn (Sam) Baker and Mr. Fung Wai Ching, and three independent non-executive Directors, namely Mr. Tang Tin Lok Stephen, Mr. Kan Ji Ran Laurie and Mr. Chen Timothy.