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MAXNERVA
雲智匯科技服務

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 2017

SUMMARY AND HIGHLIGHTS

For the six months ended 30 September 2017:

- Revenue increased by 11.1% from HK$242.2 million to HK$269.2 million on a year-on-year basis.

- Net profit decreased by HK$18.8 million to HK$29.8 million from HK$48.6 million for the six months ended 30 September 2016 mainly due to the increase of operating expenses and lower margin businesses.

- Revenue from I.T. Integration and Solutions Services segment increased by 20.2% to HK$224.2 million, accounted for approximately 83.3% of the Group's total revenue. This business generated a segment profit of HK$47.7 million, representing a decrease of 28.8% as compared to the same period in the last financial year.

- The Board does not recommend any payment of interim dividend for the six months ended 30 September 2017.

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 2017. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and financial review

In wake of the continuous growth of the "Industry 4.0" market and the vast business opportunities available in other IoT applications, the Group has continued its business focus in the Information Technology ("I.T.") Integration and Solution Services. On top of the smart manufacturing solutions, we have leveraged on our existing expertise to develop other IoT solutions such as smart office and smart home solutions etc. to cater market demand.

For the six months ended 30 September 2017, our revenue increased by 11.1% to HK$269.2 million from HK$242.2 million for the comparable period in 2016. However, our net profit decreased by HK$18.8 million to HK$29.8 million (2016: HK$48.6 million) mainly due to (i) increase in lower margin business. More other IoT applications such as smart office and smart home solutions etc. were done during the period which yield lower margins due to fiercer market competitions; and (ii) the increase in operating expenses including staff costs, rental expenses and marketing expenses as a result of the expansion of operation. The Group believes that such expansion of operation is necessary since it helps to build a more solid foundation and position the Group for healthier business growth in the future.

The Board does not recommend any payment of interim dividend for the six months ended 30 September 2017.

Inventory and trade receivables

There were approximately HK$33.0 million and HK$205.1 million in inventory (31 March 2017: HK$25.5 million) and trade receivables (31 March 2017: HK$164.6 million) respectively as at 30 September 2017.

Liquidity and financial resources

We had a net cash position as at 30 September 2017. Cash and cash equivalents as at 30 September 2017 were approximately HK$252.1 million (31 March 2017: HK$219.4 million). As at 30 September 2017, our total assets of approximately HK$573.4 million were financed by current liabilities of approximately HK$196.6 million, a non-current liability of approximately HK$16.0 million and shareholders' equity of approximately HK$360.8 million. We have a current ratio of approximately 2.66. Total available banking facilities of the Group were approximately HK$37.5 million (31 March 2017: HK$57.5 million), of which approximately HK$12.6 million were available for use (31 March 2017: HK$38.9 million). Debt to equity ratio, which was defined as total borrowings divided by total equity at the end of the period, was 6.9% (31 March 2017: 5.7%). Trade payables were repayable within one year while bank borrowings comprised trade financing repayable within one year based on original contractual maturity.

Treasury Policy

We generally financed our operations with internally generated resources and credit facilities provided by banks. Bank facilities available to the Group include trust receipt loans, clean import loans and revolving loans, etc. Our borrowings were interest-bearing at floating rates which were based on the Hong Kong Interbank Offered Rate ("HIBOR") rate or London Interbank Offered Rate ("LIBOR") rate. Borrowings were denominated in Hong Kong dollars ("HK$") and United States dollars ("US dollars"). Our cash and cash equivalents were denominated in HK$, US dollars, New Taiwanese dollars ("NTD") and Chinese Renminbi ("RMB").

Foreign Exchange Exposure

We mainly operate in Hong Kong, Taiwan and Mainland China with most of the transactions settled in HK$, NTD and RMB. We are exposed to foreign exchange risk from various currencies, primarily with respect to NTD and RMB. Management has a policy to require group companies to manage their foreign exchange risk against their functional currencies. It mainly includes managing the exposures arising from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. We also manage our foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and would consider the use of foreign exchange contracts to manage its foreign exchange risks, where appropriate. We did not use derivative financial instruments for speculative purposes.

Contingent liability

We had no significant contingent liability as at 30 September 2017.

Charge on Assets

We had no charge on the Group's assets as at 30 September 2017.

BUSINESS REVIEW

During the six months ended 30 September 2017, we engaged in the following two major businesses:

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

I.T. Integration and Solutions Services

In the first half of this financial year, the I.T. Integration and Solutions Services business is 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 2017, the revenue generated from this business segment increased by approximately 20.2% to approximately HK$224.2 million, accounted for approximately 83.3% of the Group's total revenue. This business generated a segment profit of HK$47.7 million, representing a decrease of 28.8% as compared to the same period in the last financial year.

There had been a number of wrong perceptions since we commenced the I.T Integration and Solutions Services in early 2016. Firstly, it is expected that the idea of smart manufacturing would gain tractions from the mass market after the "Made in China 2025" blueprint was published by the PRC government in early 2015. Indeed, smart manufacturing solutions have drawn lot of attentions and discussions since the publication of the blueprint but the implementation of the solutions has fallen short of expectation. Some aggressive manufacturers, including Hon Hai Precision Industry Company Limited and its subsidiaries (collectively "Hon Hai Group"), have fully embraced the idea in a bid to increase their productivity and competitiveness. However, the majority of the rest remains conservative. We have been marketing our smart manufacturing solutions aggressively but we gradually recognized it will take longer time than expected to reach the sweet spot.

Secondly, the business of the Company would thrive solely by relying on the business opportunities from Hon Hai Group. In fact, this is not true as evidenced by the followings. Business opportunities from Hon Hai Group reached a short term peak in 2016 and revenue from Hon Hai Group in the first half of 2017 fell by more than 20% as compared with the comparative period in 2016.

Thirdly, it is difficult to change the project-based nature for I.T. Integration and Solutions Services. The drawback of project-based business is it is more volatile because revenue and profits are highly dependent on the number of projects in hand and the lifecycle of each project. It is also not easy for the management to estimate the number and the size of the new projects which may be obtained and thus, the visibility and predictability of the business performance is low.

We recognized all these misceptions and issues and tried to rectify them in the beginning of this financial year. We re-defined our target markets and focused to promote our tailor-made smart manufacturing solutions to selected customers in a handful of industries. On top of smart manufacturing solutions, we leveraged our existing expertise and know-how and developed other IoT applications such as smart office and smart home etc. for external customers. We developed products in a bid to reduce our reliance on project based business. To meet the goals of all the above initiatives, we rebuilt and expanded our product, sales and marketing teams during the period. We also held our first "Maxnerva Day" at Shenzhen Marriott Hotel Nanshan on 16 November 2017. We invited over 200 business partners, existing and potential customers to join this event. The first session of the day is a forum about Industry 4.0. We invited scholars, our business partners and our existing customers to share their thoughts on Industry 4.0. and experience on the implementation of smart manufacturing solutions on their production lines. The second session of the day is to demonstrate our new products.

We witnessed positive results from our actions. Revenue from independent customers in the first half of this financial year increased by more than four folds as compared with the comparative period in 2016 fully offsetting the fall in revenue from Hon Hai Group. We witnessed an approximately 20% increase in the overall segment revenue for the six months ended 30 September 2017 as compared with the comparative period in 2016. However, this stream of revenue was mostly from other IoT solutions which yield lower gross margins due to fiercer market competitions. The expansion of our product, sales & marketing and general administrative teams resulted in the increase in our headcounts in this segment from 197 staff as at 31 March 2017 to more than 460 staff as at 30 September 2017, which resulted in significant increase in selling and distribution expenses and general and administrative expenses which dragged down our overall operating margin.

Electronic Products Manufacturing

The performance of Electronic Products Manufacturing business remains disappointing. For the six months ended 30 September 2017, the revenue generated from this segment dropped by 19.0% to approximately HK$45.0 million compared with the same period in the last financial year. We recorded a loss of HK$3.3 million in this segment during the six months ended 30 September 2017 compared to a loss of HK$4.8 million for the same period last year.

PROSPECTS

For the I.T. Integration and Solutions Services business, we remain bullish on our smart manufacturing solutions business in the medium to long run since the idea of Industry 4.0 is to improve business efficiency and competitiveness through digitalisation of manufacturing and management processes. In wake of challenging macro business environment and technological disruptions, decision makers in the manufacturing sector are looking into every measure to enhance their productivity in order to survive and thrive from the competitions. Our smart manufacturing solutions cater this need. In the short run, we will continue to educate our potential customers and work closely with our strategic partners to cultivate the market.

For other IoT applications, we have launched our smart office flagship product on our "Maxnerva Day" in November 2017. It is an interactive LCD white board product targeting to substitute projectors in conference rooms at appealing prices. With an available size of 65-inch and 75-inch, this product fits into most of the conference room settings. Users are able to exchange ideas by writing and drawing on it as well as doing presentation and sharing photos and charts. All the materials on the white board could be saved and shared. Users are able to interact with the other attendees wherever they are as long as they have a handheld device with them. This will be our key product for the forthcoming year.

For the Electronic Products Manufacturing business, our Directors are actively considering several strategic options to deal with this prolonged loss-making business in order to optimise the use of our resources and will make an appropriate announcement in due course.

To sum up, we do not expect we are able to reverse the declining trend of our profit in the second half of this year. But we have deployed resources in the appropriate areas and we have been working hard with a goal to generate better returns to our shareholders in the forthcoming years.

In order to align our financial year end date with that of our major PRC operating subsidiaries, which are statutorily required to have their financial year end date set at 31 December, we has changed our financial year end date from 31 March to 31 December. We expect such change can facilitate timely and efficient financial reporting. As a result, the forthcoming financial year end date of the Company will be 31 December 2017.

The framework agreements entered into between Hon Hai Group and us in 2015 regarding the (i) provision of I.T. support and maintenance services to Hon Hai Group; (ii) provision of Build-Own-Operate and I.T. Project services to Hon Hai Group; (iii) purchase of enterprise-level products from Hon Hai Group to be used primarily for the provision of various I.T. services; and (iv) sale of ancillary I.T. products to Hon Hai Group, the contemplated transactions pursuant to which constituted continuing connected transactions of the Company, will expire in March 2018. As a result, we renewed such framework agreements with Hon Hai Group on 22 September 2017 for another three years ending 31 December 2018, 2019 and 2020. Such transactions are subject to the approval of our independent shareholders at the forthcoming special general meeting.

Notwithstanding the renewal of the continuing connected transaction framework agreements with Hon Hai Group, our Directors believe we have no undue reliance on Hon Hai Group. For smart manufacturing solutions, we have gradually acquired new independent third party customers from home appliances, consumer electronics, automotive and food and beverage industries since late 2016 and will continue to explore new business opportunities with a diverse range of customers. As mentioned earlier, we have also been leveraging on our expertise in IoT to develop a range of IoT applications on top of smart manufacturing solutions. These IoT applications include smart office, smart home solutions etc. During the six months ended 30 September 2017, the proportion of revenue attributable to Hon Hai Group dropped to approximately 47.2% of our total revenue as compared to 63.7% for the financial year ended 31 March 2017. This demonstrated our commitments to our shareholders and regulatory bodies for growing our business from a much healthier base.

EMPLOYEES AND EMOLUMENT POLICY

The Board has set up the Remuneration Committee and the members are Mr. Kan Ji Ran Laurie (chairperson of the Remuneration Committee), Mr. Tang Tin Lok Stephen and Mr. Tse Tik Yang Denis. As at 30 September 2017, the Group had a total of approximately 655 (31 March 2017: approximately 469) full-time employees. Among the 655 employees, 468 (31 March 2017: 197) employees are in the I.T. Integration and Solutions Services Segment and the remaining 187 (31 March 2017: 272) employees are in the Electronic Products Manufacturing Segments. 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

		(Unaudited) Six months ended 30 September	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**269,246**	242,166
Cost of sales		**(187,462)**	(153,405)
Gross profit		**81,784**	88,761
Other income		**180**	91
Net gain on disposal of property, plant and equipment		**316**	–
Selling and distribution expenses		**(10,122)**	(3,040)
General and administrative expenses		**(29,687)**	(26,771)
Operating profit		**42,471**	59,041
Finance income/(costs) – net		**430**	(48)
Profit before income tax		**42,901**	58,993
Income tax expense	*3*	**(13,067)**	(10,363)
Profit for the period		**29,834**	48,630
Earnings per share for profit attributable to equity holders of the Company			
– basic	*5*	**HK4.51 cents**	HK7.34 cents
– diluted	*5*	**HK4.47 cents**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Comprehensive income:		
Profit for the period	**29,834**	48,630
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
– Currency translation differences	**3,135**	(1,487)
Other comprehensive income/(loss) for the period	**3,135**	(1,487)
Total comprehensive income for the period	**32,969**	47,143
Total comprehensive income attributable to:		
Equity holders of the Company	**32,969**	47,143

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30 September 2017 HK$'000	(Audited) 31 March 2017 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**6,975**	8,318
Property, plant and equipment		**42,959**	25,025
Financial assets at fair value through profit or loss		**–**	–
Other long-term assets		**540**	540
		50,474	33,883
Current assets			
Inventories		**33,018**	25,451
Trade receivables	*6*	**205,145**	164,598
Prepayments, deposits and other receivables		**31,930**	44,807
Tax recoverable		**783**	301
Cash and cash equivalents		**252,053**	219,421
Total current assets		**522,929**	454,578
Total assets		**573,403**	488,461
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**66,224**	66,224
Share premium		**234,640**	234,640
Reserves		**59,883**	26,767
Total equity		**360,747**	327,631
Non-current liability			
Finance lease obligation		**16,024**	–
Current liabilities			
Borrowings		**24,872**	18,573
Trade payables	*7*	**94,443**	71,308
Finance lease obligation		**3,995**	–
Accruals and other payables		**69,040**	65,102
Tax payable		**4,282**	5,847
Total current liabilities		**196,632**	160,830
Total liabilities		**212,656**	160,830
Total equity and liabilities		**573,403**	488,461

NOTE:

1(A) BASIS OF PREPARATION AND ACCOUNTING POLICIES

General information

Maxnerva Technology Services Limited (the "Company", together with its subsidiaries the "Group"), is a limited liability company incorporated in Bermuda on 3 February 1994 as an exempted company under Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 April 1994.

This unaudited condensed consolidated interim financial information is presented in Hong Kong Dollar ("HK$"), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved for issue by the Board on 23 November 2017.

This unaudited condensed consolidated interim financial information has not been audited.

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2017 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2017 except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

(i) The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 April 2017, but do not have material effect to the Group:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

(ii) The following published standards and amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2017 and have not been early adopted by the Group:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15[1]
HKFRS 16	Leases[2]
HK(IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration[1]
HKAS 40 (Amendments)	Transfer of Investment Property[1]

[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

The Group will apply the above new standards and amendments to existing standards when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group, except for HKFRS 15 "Revenue from contracts with customers" and HKFRS 16 "Leases" as explained below:

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing and pattern of the recognition of revenue; and

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$24,033,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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 interim condensed consolidated financial statements 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 2017.

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

Fair value estimation

The following table shows fair value measurement hierarchy to which the Group's financial assets at fair value through profit or loss is measured at fair value belong as at 31 March 2017:

	2017
	HK$'000
Level 3	
Financial assets at fair value through profit or loss	–

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value level 3 financial instruments include techniques such as discounted cash flow analysis and net asset value model.

The following table presents the changes in level 3 instruments for the year ended 31 March 2017.

	Financial assets at fair value through profit or loss
	HK$'000
At 1 April 2016	–
Addition	4,654
Fair value loss	(4,654)
At 31 March 2017	–

Quantitative information about fair value measurements using significant unobservable inputs:

The key unobservable assumptions used in the valuation of the unlisted investment as at 31 March 2017 are:

Valuation techniques	**Unobservable inputs**	**2017**
Discounted cash flow analysis	Annual growth rate	**(3%)**
	Terminal growth rate	**3%**
	Post-tax discount rate	**21.7%**

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade receivables, deposits and other receivables, and the Group's current financial liabilities including trade payables, accruals and other payables, and borrowings, approximate their fair values due to their short maturities.

2 REVENUE AND SEGMENT INFORMATION

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 "I.T. Integration and Solutions Services" and "Electronic Products Manufacturing".

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 consolidated financial statements.

Assets of reportable segments exclude corporate assets (mainly including corporate cash and cash equivalents), all of which are managed on a central basis. Liabilities of reportable segments exclude corporate liabilities (mainly including accruals and other payables). These are part of the reconciliation to total balance sheet assets and liabilities.

	(Unaudited) Six months ended 30 September 2017		
	I.T. Integration and Solutions Services	**Electronic Products Manufacturing**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue			
Sales of goods	**74,245**	**45,033**	**119,278**
Render of services	**149,968**	**–**	**149,968**
	224,213	**45,033**	**269,246**
Results of reportable segments	**47,698**	**(3,343)**	**44,355**
A reconciliation of results of reportable segments to profit for the period is as follow:			
Results of reportable segments			**44,355**
Unallocated incomes			**7**
Unallocated expenses *(Note)*			**(1,891)**
Operating profit			**42,471**
Finance income – net			**430**
Profit before income tax			**42,901**

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

	I.T. Integration and Solutions Services	Electronic Products Manufacturing	Total
	(Unaudited) Six months ended 30 September 2016		
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Sales of goods	9,005	55,622	64,627
Render of services	177,539	–	177,539
	186,544	55,622	242,166
Results of reportable segments	66,970	(4,770)	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 *(Note)*			(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.

	I.T. Integration and Solutions Services	Electronic Products Manufacturing	Total
	(Unaudited) **As at 30 September 2017**		
	HK$'000	*HK$'000*	*HK$'000*
Segment assets			
Segment assets	**510,445**	**41,723**	**552,168**
Other unallocated assets *(Note a)*			**21,235**
Total assets			**573,403**
Segment liabilities			
Segment liabilities	**173,508**	**38,906**	**212,414**
Other unallocated liabilities *(Note b)*			**242**
Total liabilities per consolidated balance sheet			**212,656**

Notes:

(a) As at 30 September 2017, other unallocated assets mainly included cash and cash equivalents for corporate usage.

(b) As at 30 September 2017, other unallocated liabilities mainly included accruals and other payables for corporate expenses.

	(Audited) As at 31 March 2017		
	I.T. Integration and Solutions Services	Electronic Products Manufacturing	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets			
Segment assets	402,329	38,290	440,619
Other unallocated assets *(Note a)*			47,842
Total assets per consolidated balance sheet			488,461
Segment liabilities			
Segment liabilities	130,284	28,646	158,930
Other unallocated liabilities *(Note b)*			1,900
Total liabilities per consolidated balance sheet			160,830

Notes:

(a) As at 31 March 2017, other unallocated assets mainly included cash and cash equivalents for corporate usage.

(b) As at 31 March 2017, other unallocated liabilities mainly included accruals and other payables for corporate expenses.

The analysis of revenue by geographical area is as follows:

	(Unaudited) Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**1,102**	882
Mainland China	**164,879**	197,003
North America	**58,077**	1,902
Europe	**23,934**	35,248
Other Asian countries	**21,254**	7,131
	269,246	242,166

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% (six months ended 30 September 2016: 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 of 25% and 17% (six months ended 30 September 2016: 25% and 17%), respectively.

One of the subsidiaries in Mainland China was approved by the relevant local tax bureaus under the preferential tax policy for the western region of Mainland China, and was entitled to a preferential corporate income tax rate of 15% (six months ended 30 September 2016: 15%) until 2020.

	(Unaudited) Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profits tax	**–**	(570)
– PRC corporate income tax	**(13,067)**	(9,793)
	(13,067)	(10,363)

4 DIVIDENDS

At a Board meeting held on 23 November 2017, no interim dividend is declared by the Directors for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

5 EARNINGS PER SHARE

Basic

The calculation of basic earnings per share for the period is based on the consolidated profit attributable to equity holders of the Company and on the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 September	
	2017	2016
Profit attributable to equity holders of the Company *(HK$'000)*	**29,834**	48,630
Weighted average number of ordinary shares in issue *('000)*	**662,238**	662,238
Basic earnings per share *(HK cent)*	**4.51**	7.34

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	(Unaudited) Six months ended 30 September	
	2017	2016
Profit attributable to equity holders of the Company *(HK$'000)*	**29,834**	48,630
Weighted average number of ordinary shares in issue *('000)*	**662,238**	662,238
Adjustments for share options *('000)*	**5,800**	–
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**668,038**	662,238
Diluted earnings per share *(HK cent)*	**4.47**	7.34

6 TRADE RECEIVABLES

Trade receivables and their ageing analysis is as follows:

	(Unaudited) 30 September 2017 *HK$'000*	(Audited) 31 March 2017 *HK$'000*
Less than 60 days	**194,440**	157,538
60 to 120 days	**2,654**	7,060
Over 120 days	**24,707**	16,656
	221,801	181,254
Less: provision for impairment	**(16,656)**	(16,656)
	205,145	164,598

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:

	(Unaudited) 30 September 2017 *HK$'000*	(Audited) 31 March 2017 *HK$'000*
Less than 60 days	**91,646**	71,308
60 to 120 days	**2,170**	–
Over 120 days	**627**	–
	94,443	71,308

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 2017.

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 non-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 2017.

AUDIT COMMITTEE

The Audit Committee has three members comprising three independent non-executive directors, namely, Mr. Tang Tin Lok Stephen (chairperson of the Audit Committee), Mr. Kan Ji Ran Laurie and Mr. Chen Timothy, with terms of reference in compliance with the Listing Rules. The Audit Committee reviews the Group's financial reporting, internal controls and makes 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 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2017, 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 2017 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, 23 November 2017

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