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 JUNE 2018

SUMMARY AND HIGHLIGHTS

For the six months ended 30 June 2018:

- Revenue from continuing operations was approximately RMB105.1 million as compared to approximately RMB189.4 million for the six months ended 30 September 2017.
- Net loss from continuing operations was approximately RMB20.0 million as compared to net profit of approximately RMB28.4 million for the six months ended 30 September 2017.
- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2018.

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 June 2018. 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

The Group focuses on the provision of Information Technology ("I.T.") Integration and Solution Services, namely smart manufacturing solutions, other Internet-of-things ("IoT") solutions and I.T. operating services.

Due to the change of financial year end date from 31 March to 31 December in the previous financial year, unless otherwise specified, the comparative period of the last interim results in financial year 2017 shown in this announcement are the six months ended 30 September 2017.

For the six months ended 30 June 2018, our revenue decreased by 44.5% to RMB105.1 million and we experienced a net loss of RMB20.0 million as compared to a net profit of RMB25.2 million for the comparable period in 2017. Such decrease was mainly due to (i) a fall in the overall revenue due to lack of sizable smart manufacturing projects and a drop in the revenue attributable to the provision of other IoT solutions, (ii) a drop in gross margins for all three lines of business, (iii) a significant increase in selling and distribution expenses and (iv) an one-off impairment of RMB10.3 million was made on the trade receivable balance of a US customer.

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2018.

Inventory, and trade and lease receivables

There were approximately RMB28.4 million and RMB132.8 million in inventory (31 December 2017: RMB24.2 million), and trade and lease receivables (31 December 2017: RMB233.3 million) respectively as at 30 June 2018.

An impairment of RMB10.3 million was made particularly for a US customer of the Group. We delivered a significant amount of products to this customer in the second half of 2017. This customer soft-launched its third generation product during Thanksgiving and Christmas season in 2017. Since the software and related platform of this US customer were required to fine-tune after they received feedbacks from their end customers, the promotion of their product only started in late February in 2018 after the upgrade was done. Given most of the financial resources of this customer were used upfront, an undersized marketing budget has been expended to promote its product since March 2018, and as a result, the sales volumes of its product in the second quarter and early third quarter of 2018 were below expectation. This customer is in the process of raising money to finance its marketing budget and payment to its suppliers. Except that a small amount of money had been received from this customer in March 2018, the remaining receivable from this customer was largely unpaid as at 30 June 2018. In the wake of this situation, we decided to make an impairment of RMB10.3 million on the long due balance of this customer. We will closely monitor the business situation of this customer and continue to evaluate the collectability of this outstanding balance in the coming months.

Liquidity and financial resources

We had a net cash position as at 30 June 2018. Cash and cash equivalents and short-term bank deposit as at 30 June 2018 were approximately RMB177.2 million (31 December 2017: RMB173.8 million). As at 30 June 2018, our total assets of approximately RMB403.9 million were financed by current liabilities of approximately RMB81.1 million, a non-current liability of approximately RMB13.3 million and shareholders' equity of approximately RMB309.5 million. We have a current ratio of approximately 4.42. We had no borrowing as at 30 June 2018 and 31 December 2017. Trade payables were repayable within one year.

Treasury policy

We generally financed our operations with internally generated resources. Our cash and cash equivalents were denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), New Taiwanese dollars ("NTD") and Chinese Renminbi ("RMB").

Foreign exchange exposure

We mainly operate in Mainland China, Taiwan and Hong Kong with most of the transactions settled in RMB, USD, NTD and HKD. We are exposed to foreign exchange risk from various currencies, primarily with respect to USD. Management has a policy to require members of the Group 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 members of the Group 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 June 2018.

Charge on assets

We had no charge on the Group's assets as at 30 June 2018.

Significant investments held by the group

There were no material investments held by the Group during the six months ended 30 June 2018.

Material acquisitions and disposals

There were no material acquisitions and disposals of the Group's subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

BUSINESS REVIEW

We used to engage in both I.T. Integration and Solutions Services and Electronic Products Manufacturing businesses. On 28 December 2017, an agreement was entered into to dispose of the Electronic Products Manufacturing business at a consideration of approximately RMB11.8 million. Since then and during the six months ended 30 June 2018, the I.T. Integration and Solutions Services has become the sole business of the Group.

Smart manufacturing solutions

We provide full range of smart manufacturing solutions to our customers and our solutions seamlessly connect operational technology and information technology to enable smart processes that utilized the power of data analytics to lower costs and increase operational effectiveness. We mainly focused on providing our smart manufacturing solutions to Hon Hai Precision Industry Company Limited and its subsidiaries (collectively, "Hon Hai Group") for a number of trial projects in 2016 and early 2017. However, sizeable and profitable projects from Hon Hai Group reached a short term peak in late 2016 and a drop of sales from this single customer has been recorded since the comparable period of 2017. During the reporting period, we secured a number of smart manufacturing projects from Hon Hai Group and third party customers, including two LCD module manufacturers and one leading producer on drinking water purifiers and related products. However, the size of these projects is relatively small when contrasted to those completed in the last two years, resulted in an approximately 25% drop in revenue for smart manufacturing solution business as opposed to the comparable period in 2017. Profitability of the projects done in the first half of 2018 was also significantly lower due to fiercer market competitions and mediocre project management and execution. We replaced the co-heads of this business in mid 2018 with more aggressive and market-oriented personnel.

Other IoT solutions

Other IoT solutions consisted of two parts, namely the sales of VPanel, our flagship smart office product, and the provision of IoT solutions other than smart manufacturing solutions. We soft-launched our VPanel products on our "Maxnerva Day" on 16 November 2017 and have started marketing the products since March 2018. Instead of distributing the products through the traditional national and provincial wholesales network, we focus on building our own direct distribution channels. We have established our regional sales teams in Northern, Central, Southern and Western China by June 2018. To increase our brand awareness, we have participated in four to five key national or provincial smart office related exhibitions every month since May 2018. We invested significant amount of resources in the development of our VPanel 2.0 products. By adding new features and functions, we believe they will further enhance the user experience of our products. Since VPanel products are still in the rolling-out mode, the revenue contributions were minimal during the reporting period but we are confident our VPanel products are likely to outshine most of the competitors in one to two-years' time. For other IoT solutions, we completed a number of projects for Hon Hai Group and third party customers during the first half of this year. Since we delivered a significant amount of IoT products to a US customer during the comparable period in 2017 and no such order was placed during the reporting period, revenue for other IoT solution business fell by approximately 60% when compared with the comparable period in last year. We suffered gross loss for this business in the first half of this year.

I.T. operating services

We provide I.T. infrastructure services, including cloud services, planning and design, deployment and maintenance and IT-related equipment procurement, to Hon Hai Group and other third party customers. Revenue generated during the reporting period was in line with last year. This business managed to obtain more contracts in the first half of the year but the gross margin was eroded by price pressure from customers and increasing labour costs.

For the six months ended 30 June 2018, overall revenue decreased by approximately 44.5% to approximately RMB105.1 million and gross margin fell from 33.0% to 14.2%. Selling and distribution expenses increased by 126.4% to RMB7.5 million since we are establishing our regional sales teams for smart manufacturing and other IoT solution businesses, and we are marketing aggressively for our VPanel products during the reporting period. We incurred a net loss of approximately RMB20.0 million for the first half of this year as opposed to a net profit of RMB25.2 million for the comparable period in 2017.

PROSPECTS

Smart manufacturing solutions

With the supports from the central and local Chinese government, market interests in smart manufacturing solutions have gradually gained tractions. Together with our sales and marketing efforts, we secured another new smart manufacturing solutions project from a China listed manufacturer of electrical capacitors in August 2018 and expect to obtain more new contracts in this year. However, the trade tension between the US and China may adversely affect the business performance of our existing and potential customers in the near future as they may retract their overall investments in smart manufacturing solutions due to the business uncertainties ahead. We shall closely monitor the situation and adopt appropriate measures with an aim to maintain a more stable business performance.

Other IoT solutions

For VPanel products, we shall continue to increase our sales and marketing efforts in the second half of the year in order to convert the increasing brand awareness to higher actual sales numbers. For other IoT solutions, our facial recognition solutions for the Industrial Park of Hon Hai Group in Shenzhen are expected to start contributing to the Group's revenue in the second half of the year. There are also a number of smart industrial park project opportunities available from third party customers which are pending for our biddings in the rest of the year.

To sum up, we have been working hard to achieve a business turnaround and we wish the overall operating performance of the Company in the second half of 2018 will be better than the first half of 2018. However, we believe it may take more time than expected to improve the overall financial performance of the Group.

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. Kao Shih-Chung. As at 30 June 2018, the Group had a total of approximately 527 (31 December 2017: 483) 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 within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover. We provide well-organized training schemes for our employees, including new starter course for new employees, training materials on a wide variety of topics tailor-made in video clip format such that employees are able to watch them anytime anywhere, and online courses on specific topics such as artificial intelligence are provided for selected employees. We also conduct a mentorship program in which each of the senior and middle management of the relevant members of the Group in Mainland China are required to provide regular coaching and experience sharing with one to two new employees.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**(Unaudited) Six months ended 30 June 2018** *RMB'000*	(Unaudited) Six months ended 30 September 2017 (Re-presented) *RMB'000*
Continuing operations			
Revenue	*2*	**105,140**	189,409
Cost of sales		**(90,186)**	(126,861)
Gross profit		**14,954**	62,548
Other income		**1,138**	325
Other gains		**904**	511
Provision for impairment of trade receivables		**(10,287)**	—
Selling and distribution expenses		**(7,542)**	(3,332)
General and administrative expenses		**(20,114)**	(21,349)
Operating (loss)/profit		**(20,947)**	38,703
Finance income		**1,087**	476
(Loss)/profit before income tax		**(19,860)**	39,179
Income tax expense	*3*	**(178)**	(10,793)
(Loss)/profit for the period from continuing operations		**(20,038)**	28,386
Discontinued operations			
Loss for the period from discontinued operations		**—**	(3,183)
(Loss)/profit for the period		**(20,038)**	25,203

	Note	(Unaudited) Six months ended 30 June 2018	(Unaudited) Six months ended 30 September 2017 (Re-presented)
		RMB cents	*RMB cents*
(Losses)/earnings per share for (loss)/profit from continuing and discontinued operations attributable to ordinary equity holders of the Company			
Basic	*5*		
— from continuing operations		**(3.03)**	4.29
— from discontinued operations		**—**	(0.48)
Basic (losses)/earnings per share for (loss)/profit attributable to ordinary equity holders of the Company		**(3.03)**	3.81
Diluted	*5*		
— from continuing operations		**(3.03)**	4.25
— from discontinued operations		**—**	(0.48)
Diluted (losses)/earnings per share for (loss)/profit attributable to ordinary equity holders of the Company		**(3.03)**	3.77

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 June 2018	(Unaudited) Six months ended 30 September 2017 (Re-presented)
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(20,038)**	25,203
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss		
Currency translation differences	**17**	(8,315)
Other comprehensive income/(loss) for the period, net of tax	**17**	(8,315)
Total comprehensive (loss)/income for the period	**(20,021)**	16,888
Total comprehensive (loss)/income for the period attributable to owners of the Company arising from:		
Continuing operations	**(20,021)**	19,401
Discontinued operations	**—**	(2,513)
	(20,021)	16,888

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30 June 2018 RMB'000	(Audited) 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**4,154**	5,924
Property, plant and equipment		**32,635**	32,070
Finance lease receivables	*6*	**6,199**	7,013
Other long-term assets		**2,662**	1,027
Total non-current assets		**45,650**	46,034
Current assets			
Inventories		**28,400**	24,204
Trade and lease receivables	*6*	**132,802**	233,328
Contract assets		**1,772**	—
Prepayments, deposits and other receivables		**18,089**	31,677
Short-term bank deposit		**45,971**	30,000
Cash and cash equivalents		**131,263**	143,819
Total current assets		**358,297**	463,028
Total assets		**403,947**	509,062
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**65,111**	65,111
Share premium		**191,340**	191,340
Reserves		**52,999**	72,423
Total equity		**309,450**	328,874

	Note	(Unaudited) 30 June 2018 RMB'000	(Audited) 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Obligation under finance lease		**13,360**	11,764
Current liabilities			
Trade payables	7	**46,727**	111,843
Accruals and other payables		**16,363**	51,465
Contract liabilities		**13,829**	—
Obligation under finance lease		**3,664**	2,885
Tax payables		**554**	2,231
Total current liabilities		**81,137**	168,424
Total liabilities		**94,497**	180,188
Total equity and liabilities		**403,947**	509,062

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

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 Renminbi ("RMB"), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved for issue by the Board on 27 August 2018.

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

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 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 nine months ended 31 December 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 nine months ended 31 December 2017 except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

(i)(a) New and amended standards adopted by the Group

The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2018.

Annual Improvements Project HKFRS 1 and HKAS 28 (amendments)	Annual improvement 2014–2016 Cycle
HKFRS 2 (amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (amendments)	Insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (amendments)	Clarifications to HKFRS 15
HKAS 40 (amendments)	Transfer of investment property
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The adoption of these new and amended standards did not have material effect to the Group, other than those further explained below.

(i)(b) Impact on the financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Condensed Consolidated Balance Sheet (extract)	**As at 31 December 2017 As originally reported** *RMB'000*	**Impact of initial adoption of HKFRS 15** *RMB'000*	**As at 1 January 2018 Restated** *RMB'000*
Current assets			
Trade and lease receivables	233,328	(9,444)	223,884
Contract assets	—	9,444	9,444
Current liabilities			
Accruals and other payables	(51,465)	23,488	(27,977)
Contract liabilities	—	(23,488)	(23,488)

(i)(c) HKFRS 9 Financial Instruments — impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 does not have material impact to the Group, except for the methodology of impairment of financial assets. The new accounting policies in relation to measurement of impairment of financial assets are set out in below.

Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade and lease receivables;
- contract assets; and
- other financial assets at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The provision for impairment of these financial assets is based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting inputs to the impairment calculation, based on Group's past history, factors that are specific to the customers, existing market conditions as well as forward looking estimates at the end of each reporting period.

Trade and receivables, and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade and lease receivables, and contract assets.

To measure the expected credit losses, trade and lease receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Applying the ECL model, resulted in immaterial impact on the provision for impairment for these financial assets.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. Applying the ECL model, resulted in immaterial impact on the provision for impairment for these financial assets.

(i)(d) HKFRS 9 Financial Instruments — accounting policies

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the ECL associated with its other financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and lease receivables, and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(i)(e) HKFRS 15 Revenue from contracts with customers — impact of adoption

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018; and (iv) the Group elects to apply the new standard only to contracts that are not completed contracts at 1 January 2018. The impact of the change in the classification in the condensed consolidated balance sheet at the date of initial application (1 January 2018) is disclosed in the table in note 1(A)(i)(b).

(i)(f) HKFRS 15 Revenue from contracts with customers — accounting policies

The Group has identified a number of revenue recognition policies and disclosures that is impacted by HKFRS 15. Those major impacts are as below:

HKFRS 15 requires the identification of deliverables in contracts with customers that qualify as separate "performance obligations". The performance obligations identified depend on the nature of individual customer contracts. The transaction price receivable from customers must be allocated between the Group's performance obligations under the contracts on a relative stand-alone selling price basis. The application of HKFRS 15 results in the identification of more separate performance obligations for some of the I.T. projects, depending on the nature of individual customer contracts. The primary impact on revenue reporting is that when the Group determines that there are separate performance obligations in the I.T. project, revenues will be recognised separately for the hardware/software and service components on a relative stand-alone selling price basis at a point in time or over time. In addition, the Group has to determine if it acts as principal or agent for each of the performance obligations identified depending on whether the Group controls the specified goods or services before they are transferred to the customer.

(ii) Standards and amendments to existing standards that not yet effective and have not been early adopted by the Group

The following published standards and amendments to existing standards are relevant to the Group's operations mandatory for the Group's accounting periods beginning after 1 January 2018 and have not been early adopted by the Group:

Annual Improvements Project HKFRS 3, HKFRS 11, HKFRS 12 and HKAS 23 (amendments)	Annual improvement 2015–2017 Cycle[1]
HKFRS 9 (amendments)	Prepayment features with negative compensation[1]
HKFRS 16	Leases[1]
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture[2]
HKAS 19 (amendments)	Employee Benefits: Plan amendment, curtailment or settlement[1]
HK(IFRIC) 23	Uncertainty over income tax treatments[1]

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

[2] Effective date to be determined

(ii) Standards and amendments to existing standards that not yet effective and have not been early adopted by the Group (Continued)

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 16 "Leases" as explained below:

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 except for the definition of lease and accounting for sublease.

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 approximately RMB17,634,000. 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

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest-rate 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 December 2017.

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

(b) Fair value estimation

As at 30 June 2018 and 31 December 2017, all the resulting fair value estimates on the financial instruments are made according to the fair value measurement hierarchy under HKFRS 7.

The different levels of fair value measurements are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(b) Fair value estimation (Continued)

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, short-term bank deposit, trade and lease receivables, contract assets, deposits and other receivables, and the Group's current financial liabilities including trade payables, accruals and other payables and obligation under finance lease, approximate their fair values due to their short maturities.

2 REVENUE AND SEGMENT INFORMATION

In December 2017, the operating segment-electronic products manufacturing has been disposed of and therefore classified as discontinued operations for the nine months ended 31 December 2017 ("Disposal"). The discontinued operations have resulted in a change in Group's structure and therefore its composition of reporting segment. The comparative figures has been re-presented.

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, after the Disposal the Group has only one operating segment, namely "I.T. Integration and Solutions Services".

	(Unaudited) Six months ended 30 June 2018 *RMB'000*	(Unaudited) Six months ended 30 September 2017 (Re-presented) *RMB'000*
Revenue		
I.T. project	**61,349**	138,390
Maintenance and consulting services	**33,886**	32,959
Sales of goods	**7,914**	15,776
Lease income	**1,991**	2,284
	105,140	189,409
Revenue from contracts with customers:		
— Recognised over time	**67,977**	95,097
— Recognised at a point of time	**35,172**	92,028
Revenue from other source:		
— Lease income	**1,991**	2,284
	105,140	189,409

2 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue by geographical location is determined by the destination where the services/products were delivered for the six months ended 30 June 2018 and 30 September 2017. Substantially all of the Group's revenue were derived in PRC with others in Hong Kong, Taiwan and North America.

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% (30 September 2017: 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%, respectively, for six months ended 30 June 2018 and 30 September 2017, where applicable.

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% from 2017 until 2020.

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

	(Unaudited) Six months ended 30 June 2018	(Unaudited) Six months ended 30 September 2017 (Re-presented)
	RMB'000	*RMB'000*
Current taxation:		
— Taiwan income tax	**171**	—
— PRC corporate income tax	**7**	10,793
	178	10,793

4 DIVIDENDS

At a Board meeting held on 27 August 2018, no interim dividend is declared by the Directors for the six months ended 30 June 2018 (six months ended 30 September 2017: Nil).

5 (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic losses/earnings per share is calculated by dividing the loss/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 June 2018	(Unaudited) Six months ended 30 September 2017 (Re-presented)
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity holders of the Company	**(20,038)**	25,203
Excluding:		
Loss from discontinued operations attributable to equity holders of the Company	**—**	3,183
(Loss)/profit from continuing operations attributable to equity holders of the Company	**(20,038)**	28,386

	(Unaudited) Six months ended 30 June 2018	(Unaudited) Six months ended 30 September 2017 (Re-presented)
Weighted average number of ordinary shares in issue *('000)*	**662,239**	662,239
Basic (losses)/earnings per share *(rounded to RMB cents)*		
— Continuing operations	**(3.03)**	4.29
— Discontinued operations	**—**	(0.48)
	(3.03)	3.81

(b) Diluted

Diluted (losses)/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 June 2018	(Unaudited) Six months ended 30 September 2017 (Re-presented)
(Loss)/profit attributable to equity holders of the Company *(RMB'000)*	**(20,038)**	25,203
Excluding:		
Loss from discontinued operations attributable to equity holders of the Company *(RMB'000)*	**—**	3,183
(Loss)/profit from continuing operations attributable to equity holders of the Company *(RMB'000)*	**(20,038)**	28,386
Weighted average number of ordinary shares in issue *('000)*	**662,239**	662,239
Adjustments for share options *('000)*	**—**	5,800
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**662,239**	668,039
Diluted (losses)/earnings per share *(rounded to RMB cent)*		
— Continuing operations	**(3.03)**	4.25
— Discontinued operations	**—**	(0.48)
	(3.03)	3.77

6 TRADE AND LEASE RECEIVABLES

	(Unaudited) **30 June** **2018** ***RMB'000***	(Audited) 31 December 2017 *RMB'000*
Trade receivables		
— third parties	**73,177**	106,436
— related parties	**68,890**	117,240
	142,067	223,676
Amounts due from contract customers		
— third parties	**—**	4,897
— related parties	**—**	4,547
	142,067	233,120
Finance lease receivables — total	**7,440**	7,440
Trade and lease receivables — gross	**149,507**	240,560
Less: provision for impairment	**(10,506)**	(219)
Trade and lease receivables — net	**139,001**	240,341
Less: Finance lease receivables — non current	**(6,199)**	(7,013)
Trade and lease receivables — current	**132,802**	233,328

Notes:

Trade receivables and their ageing analysis based on invoice date is as follows:

	(Unaudited) **30 June** **2018** ***RMB'000***	(Audited) 31 December 2017 *RMB'000*
Less than 60 days	**56,335**	109,350
60 to 120 days	**11,981**	75,175
Over 120 days	**73,751**	39,151
	142,067	223,676

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

7 TRADE PAYABLES

Trade payables and their ageing analysis based on invoice date is as follows:

	(Unaudited) **30 June** **2018** ***RMB'000***	(Audited) 31 December 2017 *RMB'000*
Less than 60 days	**17,879**	110,494
60 to 120 days	**6,007**	573
Over 120 days	**22,841**	776
	46,727	111,843

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save for the following deviations from the Corporate Governance Code (the "Code") as set out in Appendix 14 to 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 June 2018.

Code provision F.1.1

Mr. Tsang Hing Bun ("Mr. Tsang") was appointed as the company secretary of the Company (the "Company Secretary") 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. Cheng Yee Pun, 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 (the "Model Code") as its own code of conduct regarding Directors' securities transactions. 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 June 2018.

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 June 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2018, 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 June 2018 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
Chien Yi-Pin Mark
Chairman

Hong Kong, 27 August 2018

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Chien Yi-Pin Mark, Mr. Kao Shih-Chung, Mr. Kao Chao Yang and Mr. Cheng Yee Pun, two non-executive Directors, namely, 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.