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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

SUMMARY AND HIGHLIGHTS

For the year ended 31 December 2018:

- Revenue from the continuing operations was RMB326.2 million compared to RMB335.4 million for the nine months ended 31 December 2017.
- Net profit from the continuing operations was RMB1.4 million compared to RMB42.7 million for the nine months ended 31 December 2017 mainly due to the provision of an impairment of RMB57.1 million on the trade receivable of a US customer.
- The Board does not recommend the payment of a final dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "**Board**") of Maxnerva Technology Services Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("**Group**" or "**we**") for the full year ended 31 December 2018 together with comparative figures of the nine months ended 31 December 2017.

FINANCIAL REVIEW

As disclosed in the Company's announcement dated 31 August 2017, we changed the financial year end date from 31 March to 31 December in 2017 to align the financial year end date with our major operating subsidiaries in the PRC which are statutorily required to have their financial year end date set at 31 December. As a result, the comparative figures shown in this report covers only a nine months period from 1 April 2017 to 31 December 2017. The current financial year covers a twelve months period from 1 January 2018 to 31 December 2018.

Revenue and gross profit were approximately RMB326.2 million (nine months ended 31 December 2017: RMB335.4 million) and RMB125.8 million (nine months ended 31 December 2017: RMB104.9 million). We recorded a profit from continuing operations of RMB1.4 million versus a profit from continuing operations of RMB42.7 million for the comparable period in 2017. The decrease in profit from continuing operations was mainly due to the provision of an impairment of RMB57.1 million on the trade receivable balance of a US customer.

Inventories and Trade and Lease Receivables

As at 31 December 2018, the inventories, and trade and lease receivables were RMB24.8 million (31 December 2017: RMB24.2 million) and RMB231.1 million (31 December 2017: RMB240.3 million) respectively.

An impairment of RMB57.1 million was made particularly for the trade receivable balance of a US customer of other Internet-of-things ("**IoT**") and system integration solution business of the Group. We delivered a significant amount of products to this customer in the second half of 2017. However, the sales volumes of the product during the year under review were far below expectation and this customer is currently raising fund to finance its 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 31 December 2018. After a careful assessment of the collectability of the due balance, an impairment of RMB57.1 million was made to cover all the due balance from this customer.

Liquidity and Financial Resources

We had a net cash position as at 31 December 2018. Cash and cash equivalents and short-term bank deposits as at 31 December 2018 were RMB141.5 million (31 December 2017: RMB173.8 million) and were mainly in Chinese Yuan, US dollars, New Taiwanese dollars and Hong Kong dollars. As at 31 December 2018, our total assets of RMB457.4 million were financed by total liabilities of RMB127.8 million and shareholders' equity of RMB329.7 million. We had a current ratio of 3.5. Trade payables were repayable within one year. As at 31 December 2018, no banking facilities were available to the Group (31 December 2017: Nil) and we had no bank borrowing as well.

Treasury Policy

We generally financed our operations with internally generated resources. We have adopted a prudent management approach for our treasury policies and therefore maintained a healthy liquidity position throughout the reporting year. We strive to reduce credit risk exposure by performing periodic credit evaluations of our external customers.

Foreign Exchange Exposure

We mainly operate in Mainland China, Taiwan and Hong Kong with most of the transactions settled in Chinese Yuan, US dollars, New Taiwanese dollars and Hong Kong dollars. We are exposed to foreign exchange risk from various currencies, primarily with respect to US dollars. We have a policy to require group companies to manage their foreign exchange risk against their functional currencies which 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 exposures and would consider the use of foreign exchange contracts to manage or foreign exchange risks, where appropriate. We did not use derivative financial instruments for speculative purposes.

BUSINESS REVIEW

Smart Manufacturing Solutions

We provide full range of smart manufacturing solutions to our customers. Segment revenue and profit increased 62.3% and 25.7% year-on-year to RMB133.2 million and RMB54.7 million respectively due to stronger project execution for both clients related to Hon Hai Precision Industry Company Limited and its subsidiaries (collectively, the "**Hon Hai Group**") and independent third party clients in the second half of the year under review. Segment margin was down to 41% from 53% due to the lower utilization rate in the first half of the reporting year and margin erosion caused by higher competition during the reporting year.

Starting from the mid of the reporting year, we assigned designated teams to serve internal clients within Hon Hai Group and external customers. We believe external market opportunity are the future growth engine of this business although Hon Hai Group remains one of our most important clients in the near future. Those serving Hon Hai Group continuing to provide a wide range of solutions: from the traditional ERP and manufacturing execution system ("**MES**") implementation, smart logistics and visualization products to more sophisticated artificial intelligence visual inspection solutions.

The teams serving external customers focuses on both green field and brown field projects. For green field projects, we provide overall designs of the factory and production line for our targeted customers. We normally compete with global players for the overall layout design projects because local players do not have such reputation, expertise and know-how to take up these kind of projects. Our comparative advantages to compete with the global competitors are Hon Hai Group's invaluable experience in over 30 new industrial parks construction and ample new production lines installation in China in the previous two decades. We obtained a landmark layout design case from a China leading manufacturer of drinking water purifiers and related products in mid of 2018 for their green field plant at Shaoxing, Zhejiang Province of China. Overall layout design projects offer us a first mover advantage to obtain the other smart manufacturing implementation projects subsequently for the same plant. For brown field projects, we are helping clients to transform their old system to more advanced one including but not limited to MES system, smart logistics, production line automation and business intelligence system. During the year, we completed MES system upgrades for two leading LCD module producers, a China A-share listed electronic capacitor producer and a prominent audio system speaker manufacturer. We have joined a number of high profile exhibitions to reach our potential clients as well as increase our brand awareness. We are currently bidding a number of green field and brown field projects with an aim to build a project pipeline with sustainable income stream.

Other IoT and System Integration Solutions

We provide a wide range of IoT and system integration solutions to Hon Hai Group-related and independent third party clients. Segment revenue and profit during the reporting year were RMB105.5 million (nine months ended 31 December 2017: RMB179.4 million) and RMB7.7 million, excluding the provision of impairment on the trade receivable of a specific US customer, (nine months ended 31 December 2017: RMB12.0 million) respectively. Since we delivered a significant amount of IoT products to a US customer during 2017 and no further order was placed during the year under review, segment sales and profit fell accordingly in 2018.

We completed a facial recognition project for Hon Hai Group's industrial parks in Shenzhen during the reporting year. Through thousands of monitoring cameras installed in the parks and production lines, together with our back-end facial recognition platform, human traffic of approximately two hundred thousand staff and visitors has been authenticated and recorded instantly in these industrial parks. Access cards are no longer needed for staff and registered visitors. After installing this system, security of the campuses has been significantly enhanced and the system are also served for staff attendance purpose. Such system is expected to be replicated gradually to other industrial parks in China and worldwide within Hon Hai Group.

We have also developed a smart construction site solution for one of our clients during the reporting year. Location based devices and sensors are implanted in the helmets of the workers, together with surveillance cameras and our back-end platform, workers' on-site locations are fully identified and shown in the system. Alerts will send to control center when there are abnormalities such as workers are suspected to shirk from their duties or fall from heights. Furthermore, the process of installation and construction of key parts can be monitored through cameras real time. As a result, productivity and safety of the workers and quality of work are greatly enhanced. On 21 March 2019, we entered an agreement with the property arm of Shandong based Haier Group Corporation ("**Haier Group**") and Jimo district government of Tsingdao, Shandong province, to establish a joint venture at Tsingdao in an effort to commence the commercial operations of this smart construction solution product nationwide. The first project of this alliance is to develop a smart construction demo site at Jimo Haier International Plaza, a real estate property project developed by Haier Group. Going forward, the joint venture will be responsible for the smart construction solution implementation for all the property development projects managed or owned by Haier Group.

We also completed a video conference and administrative system for a local county government at Henan province. In the past, officials are required to travel to headquarter to join regular and ad hoc government meetings of this county and attendees in general are required to spend the whole day back and forth. With this system, attendees save a lot of their travelling time. Materials could be shared along with the video conference and all the discussions and handwriting on the whiteboard could be stored in the cloud and downloaded to local devices through scanning a system generated QR code. We planned to promote the system to third and fourth tier county governments in China in the near future.

For VPanel business, we devoted significant amount of resources to develop the product and its distribution channels during the year under review. However, the results were in general below our expectation. After a thorough strategic review on this business, we decided to spin-off this business. We entered an agreement with the VPanel's core management team on 26 March 2019 and transferred VPanel related trademark and IPs to them in exchange for a strategic interest of their newly founded company. The team has successfully raised sufficient fund from Chinese investors at a decent valuation to finance the future development and operation of the VPanel products. We believe this is a win-win outcome for both our shareholders and the VPanel product team.

Information Technology Services

Operating services business was renamed as information technology services ("**ITS**") business during the year under review. In spite of growing price pressure from customers and ever-rising labour costs, this business managed to increase their segment revenue and profit during the year to RMB87.5 million (nine months ended 31 December 2017: RMB73.9 million) and RMB32.0 million (nine months ended 31 December 2017: RMB31.8 million) respectively. However, segment margin was down to 37% from 43%.

Other than providing I.T. infrastructure services, including i) cloud services, ii) planning, design, deployment and maintenance, iii) related equipment procurement, to our customers, ITS derived a significant fraction of revenue from virtual desktop infrastructure ("**VDI**") in 2018 since this product is well received by clients which required higher security level for their data and operations. We believe there are rooms for further growth in VDI and we will devote more efforts to promote such products in the near future.

BUSINESS PROSPECT

Starting from the mid of 2018, the US and China have waged an escalating battle over trade, transfer of technology and network security. Under the mounting pressure from the US government, there were reports stating that China might prolong or even forgo its own "Made in China 2025" plan. By upgrading the manufacturing sector, it is the ambition for China to gradually emerge from low value-added labour intensive manufacturing nation to be one of the world's leading advanced manufacturing economies. "Made in China 2025" plan is also a crucial step to boost China's own economic growth in the coming decades. After the disputes between US and China are settled, we believe Chinese government may turn to become much lower profile on "Made in China 2025" policy. Nevertheless, it is hardly likely that China will totally surrender the chance to move forward to become a world class manufacturing economy.

With rising US interest rate and the negative impacts from other domestic and international adverse factors, most of the leading economic indicators are pointing to a slowdown in China and global economy. To weather for the future uncertainties and survive from the deteriorating business environment, entrepreneurs are adopting every measure to reduce cost and improve productive and competitiveness. Due to the ever rising wages and shortage of labour in China, smart manufacturing solutions could be one way for manufacturers to preserve and enhance their competitiveness.

The seeds of smart manufacturing have been sowed to the soil of China's manufacturing sector, we believe it will grow brightly and healthily when the spring comes after the protracted cold winter.

USE OF PROCEEDS FROM SHARE SUBSCRIPTION

On 29 April 2015, we entered into three separate share subscription agreements with Asia-IO Acquisition Fund, L.P., Asia-IO Holdings Limited and Huatai Principal Investments Limited pursuant to which the company conditionally agreed to issue for a total of 225,000,000 new ordinary shares at HK$1.144 per share, representing a total amount of HK$257.4 million. The market price on the same date was HK$4.42 per share. The gross proceeds of the subscription were used to strengthen the engineering and managerial teams, increase the working capital base, upgrade the Company's production and/or service capabilities, and to explore new business opportunities, details of which are set out as follows:

1. Approximately HK$150 million to build and expand a dedicated team of sales, software development and system implementation professionals to further explore and expand the business opportunities of the Group. It was expected the Group will gradually expand such to 300 people for project design, development and implementation by the end of 2017;

2. Approximately HK$80 million to strengthen the general working capital base which includes, among other, sales and marketing expenses for the proposed new smart solution services, purchase of inventory and administrative expenses for expanding its offices; and

3. The remaining balance of HK$27 million for selective capacity expansion and upgrade of production facilities to accommodate the proposed production of smart sensor devices and IoT devices by the business of the Group.

Up to 31 December 2018, the proceeds of HK$150 million were fully utilized to build and expand a dedicated team of sales, software development and system implementation professionals. The proceeds of HK$80 million for general working capital were fully utilized by 31 March 2017 in purchasing inventory, establishing new offices in Chongqing, Shenzhen and Wuhan and allocating resources in sales and marketing activities. Due to the disposal of the electronic products manufacturing business on 28 December 2017, the remaining proceeds for capacity expansion and upgrade of production facilities were turned to be fully utilized as general working capital by 31 December 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's business risks are mainly (i) the macroeconomic conditions of China which in turn will affect the general demand of I.T. solutions; and (ii) market acceptance of smart manufacturing solutions and other IoT and system integration solutions; (iii) foreign exchange risks.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, SIGNIFICANT INVESTMENTS, CHARGES ON GROUP'S ASSETS, CAPITAL COMMITMENT, CONTINGENT LIABILITIES, EVENTS AFTER REPORTING DATE

We had no i) material acquisition and disposal of subsidiaries, associates and joint ventures and ii) significant investment during the reporting year. On 28 December 2017, we entered into a disposal agreement to dispose of the entire electronic products manufacturing business at a consideration of HK$14 million (equivalent to RMB11.8 million). A gain on disposal of subsidiaries of RMB21.9 million was resulted. The operating segment of electronic products manufacturing had been classified as discontinued operations in the comparable period.

As at 31 December 2018, there were no charges on the Group's assets and no significant capital commitment and contingent liabilities. (31 December 2017: Nil).

Save as disclosed in this announcement, there were no material events affecting the Company after 31 December 2018.

CAPITAL STRUCTURE AND DIVIDENDS

As at 31 December 2018, the Company has a total of 662,239,448 issued shares with a par value of HK$0.1 each (31 December 2017: 662,239,448 shares). We repurchased 5,628,000 shares during the reporting year and another 1,748,000 shares in early 2019 and no shares were issued in 2018. As at the date of this announcement, the above shares repurchased by the Company have yet to be cancelled.

The Board does not recommend any payment of a final dividend in respect of the reporting year (31 December 2017: Nil).

EMPLOYEES, ENVIRONMENTAL POLICIES AND COMPLIANCE

As at 31 December 2018, the Group employed a total of 488 employees (31 December 2017: 483 employees) located in Mainland China, Taiwan and Hong Kong.

The Board believes that the Group's remuneration policy is in line with the prevailing market practices and is determined on the basis of performance and experience of the individuals. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target and account receivables collection. General staff are offered year-end discretionary bonuses, which are based on the divisional performance and individual appraisals. Emolument payable to directors are based on market practices, their performance and their contributions to the Group.

We have adopted a share option scheme approved by a resolution passed by our shareholders on 30 August 2013, under which it may grant options to eligible participants, including any full time or part time employees of the Group (including any directors).

We are committed to devote more resources in providing internal and external training to the employees. Other than sending staff to participate in relevant seminars and lectures, we continue recommending qualified staff to take part in professional courses. The training programs not only enhance employees' professional knowledge and career development, but also contribute to improving the management system of the Group.

We are dedicated to creating a favourable circumstance for caring for our environment and community. It is our goal to build a more harmonious, civilized and sustainable society by maintaining a high standard operation with integrity, providing services of high quality and protecting the environment.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	**For the year ended 31 December 2018**	For the nine months ended 31 December 2017
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*3*	**326,188**	335,384
Cost of sales	*5*	**(200,357)**	(230,522)
Gross profit		**125,831**	104,862
Other income	*4*	**5,666**	159
Other gains, net	*4*	**3,275**	164
Selling and distribution expenses	*5*	**(14,096)**	(8,968)
General and administrative expenses	*5*	**(52,690)**	(40,175)
Loss allowances for trade and other receivables		**(57,193)**	(219)
Operating profit		**10,793**	55,823
Finance income	*6*	**2,805**	1,261
Profit before income tax		**13,598**	57,084
Income tax expense	*7*	**(12,158)**	(14,366)
Profit for the year/period from continuing operations		**1,440**	42,718
Discontinued operations			
Profit for the period from discontinued operations		**–**	6,497
Profit for the year/period		**1,440**	49,215

	Note	For the year ended 31 December 2018 RMB cents	For the nine months ended 31 December 2017 RMB cents
Earnings per share for profit from continuing and discontinued operations attributable to ordinary equity holders of the Company			
Basic			
– from continuing operations		**0.22**	6.45
– from discontinued operations		**–**	0.98
Basic earnings per share for profit attributable to ordinary equity holders of the Company	*8*	**0.22**	7.43
Diluted			
– from continuing operations		**0.22**	6.45
– from discontinued operations		**–**	0.98
Diluted earnings per share for profit attributable to ordinary equity holders of the Company	*8*	**0.22**	7.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	For the year ended 31 December 2018 *RMB'000*	For the nine months ended 31 December 2017 *RMB'000*
Profit for the year/period	**1,440**	49,215
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Release of exchange reserve upon disposal of subsidiaries	**–**	(7,188)
Currency translation differences	**1,511**	(4,158)
Other comprehensive income/(loss) for the year/period	**1,511**	(11,346)
Total comprehensive income for the year/period	**2,951**	37,869
Total comprehensive income for the year/period attributable to owners of the Company arising from:		
Continuing operations	**2,951**	38,560
Discontinued operations	**–**	(691)
	2,951	37,869

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**2,437**	5,924
Property, plant and equipment		**39,228**	32,070
Trade and lease receivables	*9*	**34,426**	7,013
Prepayments and rental deposits		**1,847**	1,027
Total non-current assets		**77,938**	46,034
Current assets			
Inventories		**24,754**	24,204
Contract assets		**2,836**	–
Trade and lease receivables	*9*	**196,639**	233,328
Prepayments, deposits and other receivables		**13,790**	31,677
Short-term bank deposits		**1,330**	30,000
Cash and cash equivalents		**140,138**	143,819
Total current assets		**379,487**	463,028
Total assets		**457,425**	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		**73,203**	72,423
Total equity		**329,654**	328,874

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Obligation under finance leases		**19,541**	11,764
Current liabilities			
Trade payables	*10*	**56,729**	111,843
Accruals and other payables		**26,970**	51,465
Contract liabilities		**8,445**	–
Obligation under finance leases		**5,837**	2,885
Tax payables		**10,249**	2,231
Total current liabilities		**108,230**	168,424
Total liabilities		**127,771**	180,188
Total equity and liabilities		**457,425**	509,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 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.

As at 31 December 2018, the Group is principally engaged in the provision of system and network integration, information technology ("**I.T.**") solutions development and implementation, and related maintenance services.

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which is carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(c) New and amended standards and interpretation adopted by the Group

The following new and amended standards and interpretation are relevant to the Group's operations and mandatory for its accounting periods beginning on or after 1 January 2018:

Annual Improvements Project HKFRS 1 and HKAS28 (amendments)	Annual improvement 2014-2016 Cycle
HKFRS 2 (amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 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 Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15 which are disclosed in Note 2.2. The adoption of other new and amended standards and interpretation did not have any material impact on the current period or any prior periods.

(d) ***New and amended standards and interpretation that are not yet effective and have not been early adopted by the Group***

The following published new and amended standards and interpretation that are relevant to the Group's operations are mandatory for the Group's accounting periods beginning on or after 1 January 2019 and have not been early adopted by the Group:

Annual Improvements Project 2017	Annual improvements 2015-2017 Cycle[1]
HKAS 19 (amendments)	Plan amendment, curtailment or settlement[1]
HKAS 28 (amendments)	Long-term interests in associates and joint ventures[1]
HKFRS 3 (amendments)	Definition of business[2]
HKFRS 9 (amendments)	Prepayment features with negative compensations[1]
HKFRS 16	Leases[1]
HKFRS 17	Insurance contracts[3]
HK(IFRIC) 23	Uncertainty over income tax treatments[1]
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting[2]
HKAS 1 and HKAS 8 (amendments)	Definition of material[2]
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture[4]

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

[2] *Effective for annual periods beginning on or after 1 January 2020*

[3] *Effective for annual periods beginning on or after 1 January 2021*

[4] *A date to be determined*

The Group will apply the above new and amended standards and interpretation when they become effective. The Group anticipates that the application of the above new and amended standards and interpretation 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"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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.

Impact

Management of the Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB14,881,000. Of these commitments, approximately RMB298,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB12,649,000 on 1 January 2019, lease liabilities of RMB13,792,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

Net current assets will decrease due to the presentation of a portion of lease liabilities as current liabilities.

Operating cash outflows will decrease and financing cash outflows will increase as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other new and amended standards and interpretation that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

The following explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

Only the adoption of HKFRS 15 resulted in reclassification of certain balances in the consolidated balance sheet on 1 January 2018. Please refer to note 2.2(c) for details.

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" 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 resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

There is no impact on the Group's retained earnings as at 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The financial assets currently held by the Group include debt instruments previously classified as loans and receivables which continue to be measured at amortised cost under HKFRS 9. Accordingly, there is no impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the HKFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

(ii) Impairment

The Group has the following assets that are subject to the expected credit loss model:

- trade receivables;
- lease receivables;
- contract assets; and
- deposits and other receivables excluding other tax receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no impact of the change in impairment methodology on the Group's retained earnings and equity.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and lease receivables, contract assets, and deposits and other receivables. The loss allowance on 1 January 2018 remained as RMB219,000.

While short-term bank deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the simplified transition method and did not restate the comparatives. The following adjustments were made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 January 2018):

	Note	Carrying amount under HKAS 18 31 December 2017 *RMB'000* (As originally presented)	Reclassification *RMB'000*	Carrying amount under HKFRS 15 1 January 2018 *RMB'000* (Restated)
Consolidated balance sheet (extract)				
Current assets				
Trade and lease receivables	*(i)*	233,328	(9,444)	223,884
Contract assets	*(i)*	–	9,444	9,444
Current liabilities				
Accruals and other payables	*(ii)*	51,465	(23,488)	27,977
Contract liabilities	*(ii)*	–	23,488	23,488

Notes:

(i) Contract assets recognised in relation to I.T. projects were previously presented as amounts due from contract customers in the amount of RMB9,444,000 as at 1 January 2018.

(ii) Contract liabilities in relation to receipts in advance from customers for sales of goods not yet delivered to customers or services not yet performed, were previously included in accruals and other payables in the amount of RMB23,488,000 as at 1 January 2018.

3 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 segment based on these reports.

After disposal of the electronic products manufacturing business in 2017, the Group focuses in development in I.T. integration and solutions services. To align the segment presentation with the Group's development plan and the internal reporting provided to the CODM, management determined to divide its operating segments by the nature of operations and the type of products or services, as follows:

1. Smart Manufacturing Solutions

– the provision of I.T. solutions within the factories which include but not limited to big data, processing capabilities, industrial connectivity devices and services, and advanced robotics.

2. Other IoT and System Integration Solutions

– the provision of I.T. and system integration solutions other than Smart Manufacturing Solutions.

3. Information Technology Services

– the provision of I.T. infrastructure operating services, including i) cloud services, ii) planning, design, deployment and maintenance, iii) related equipment procurement.

The comparative figures for the nine months ended 31 December 2017 have been restated to conform with the current year presentation.

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/(loss) 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, short-term bank deposits, property, plant and equipment and prepayments, rental deposits and other receivables), all of which are managed on a central basis. Liabilities of reportable segments exclude corporate liabilities (mainly including accruals, other payables and tax payables). These are part of the reconciliation to total balance sheet assets and liabilities.

	For the year ended 31 December 2018			
	Smart Manufacturing Solutions	**Other IoT and System Integration Solutions**	**Information Technology Services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue *(Note a)*	**133,186**	**105,522**	**87,480**	**326,188**
Results of reportable segment	**54,714**	**(49,424)**	**32,016**	**37,306**
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				
Unallocated income/(expenses) *(Note b)*				**(35,866)**
Profit for the year				**1,440**
Other segment information:				
Finance income	**–**	**403**	**–**	**403**
Capital expenditures	**13,792**	**1,174**	**1,065**	**16,031**
Depreciation	**5,155**	**1,357**	**1,442**	**7,954**
Amortisation	**2,522**	**124**	**91**	**2,737**
Loss allowances for trade and other receivables	**–**	**57,193**	**–**	**57,193**

	For the nine months period ended 31 December 2017 (Restated)			
	Smart Manufacturing Solutions	Other IoT and System Integration Solutions	Information Technology Services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue *(Note a)*	82,062	179,411	73,911	335,384
Results of reportable segment	43,527	12,001	31,812	87,340
A reconciliation of results of reportable segments to profit for the period is as follows:				
Results of reportable segments				
Unallocated income/(expenses) *(Note b)*				(44,622)
Profit for the period				42,718
Other segment information:				
Capital expenditures	15,512	95	437	16,044
Depreciation	2,095	680	1,636	4,411
Amortisation	1,819	47	94	1,960
Loss allowance for a trade receivable	–	219	–	219

Note:

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	For the year ended 31 December 2018			
		Other IoT and		
	Smart	**System**	**Information**	
	Manufacturing	**Integration**	**Technology**	
	Solutions	**Solutions**	**Services**	**Total**
Timing of revenue recognition	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
I.T projects				
– At a point of time	**19,226**	**75,112**	**5,964**	**100,302**
– Over time	**86,329**	**16,682**	**20,601**	**123,612**
Maintenance and consulting services				
– Over time	**17,844**	**2,389**	**44,560**	**64,793**
Sales of goods				
– At a point of time	**8,847**	**5,921**	**14,780**	**29,548**
Finance lease income	**–**	**4,534**	**–**	**4,534**
Operating lease income	**940**	**884**	**1,575**	**3,399**
	133,186	**105,522**	**87,480**	**326,188**

	For the nine months period ended 31 December 2017 (Restated)			
		Other IoT and		
	Smart	System	Information	
	Manufacturing	Integration	Technology	
	Solutions	Solutions	Services	Total
Timing of revenue recognition	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
I.T projects				
– At a point of time	–	14,436	4,803	19,239
– Over time	66,934	10,978	27,311	105,223
Maintenance and consulting services				
– Over time	13,661	4,783	27,483	45,927
Sales of goods				
– At a point of time	317	141,017	13,064	154,398
Finance lease income	–	7,811	–	7,811
Operating lease income	1,150	386	1,250	2,786
	82,062	179,411	73,911	335,384

Revenue by geographical location is determined by the destination where the services and products were delivered. Revenue from customers on the basis of customers' locations is analysed as follows:

	For the year ended 31 December 2018	For the nine months ended 31 December 2017
	RMB'000	*RMB'000*
Hong Kong	**38**	1,436
Mainland China	**293,013**	228,573
North America	**17,625**	81,212
Other Asian countries	**15,512**	24,163
	326,188	335,384

For the year ended 31 December 2018, revenue of approximately RMB42,154,000 (nine months ended 31 December 2017: RMB69,380,000), representing 13% (nine months ended 31 December 2017: 21%) of the Group's total revenue, is derived from a single customer. For the year ended 31 December 2018, sales to the five largest customers of the Group in total accounted for approximately 52% (nine months ended 31 December 2017: 63%) of the Group's total revenue.

For the year ended 31 December 2018, revenue of approximately RMB262,383,000 (nine months ended 31 December 2017: RMB159,360,000), representing 80% (nine months ended 31 December 2017: 48%) of the Group's total revenue, is derived from related parties, Hon Hai Precision Industry Company Limited and its group companies.

(b) Unallocated income/expenses mainly include government subsidies, finance income, employment benefit expenses, legal and professional fees, income tax expense and other operating expenses incurred at corporate level.

A reconciliation of operating segments' results to total profit for the year/period is provided as follows:

	For the year ended 31 December 2018	For the nine months ended 31 December 2017 (Restated)
	RMB'000	*RMB'000*
Segment results	**37,306**	87,340
Unallocated income/(expenses)		
– Government subsidies	**5,284**	–
– Finance income	**2,402**	1,261
– Depreciation	**(2,260)**	(1,582)
– Amortisation	**(802)**	(517)
– Legal and professional fee	**(4,398)**	(2,335)
– Employment benefit expenses	**(18,829)**	(20,051)
– Auditors' remuneration	**(1,771)**	(2,049)
– Income tax expense	**(12,158)**	(14,366)
– Others	**(3,334)**	(4,983)
Profit for the year/period	**1,440**	42,718

During the year ended 31 December 2018, all capital expenditure were incurred in PRC, Hong Kong, Taiwan and North America (nine months ended 31 December 2017: PRC, Taiwan and North America).

	As at 31 December 2018			
	Smart Manufacturing Solutions	**Other IoT and System Integration Solutions**	**Information Technology Services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets				
Segment assets	**157,447**	**108,400**	**35,391**	**301,238**
Other unallocated assets *(Note a)*				**156,187**
Total assets per consolidated balance sheet				**457,425**
Segment liabilities				
Segment liabilities	**62,937**	**32,192**	**10,523**	**105,652**
Other unallocated liabilities *(Note b)*				**22,119**
Total liabilities per consolidated balance sheet				**127,771**

	As at 31 December 2017 (Restated)			
	Smart Manufacturing Solutions	Other IoT and System Integration Solutions	Information Technology Services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets				
Segment assets	94,303	155,923	52,377	302,603
Other unallocated assets *(Note a)*				206,459
Total assets per consolidated balance sheet				509,062
Segment liabilities				
Segment liabilities	29,451	118,784	13,152	161,387
Other unallocated liabilities *(Note b)*				18,801
Total liabilities per consolidated balance sheet				180,188

Notes:

(a) As at 31 December 2018 and 2017, other unallocated assets mainly included cash and cash equivalents and short-term bank deposits, property, plant and equipment, prepayments, rental deposits and other receivables for corporate usage.

Operating segments' assets are reconciled to total assets as follows:

	2018	2017
		(Restated)
	RMB'000	*RMB'000*
Segment assets for reportable segments	**301,238**	302,603
Unallocated assets		
– Cash and cash equivalents and short-term bank deposits	**141,468**	173,819
– Property, plant and equipment	**9,898**	12,099
– Prepayments, rental deposits and other receivables	**4,388**	19,322
– Others	**433**	1,219
Total assets per consolidated balance sheet	**457,425**	509,062

(b) As at 31 December 2018 and 2017, other unallocated liabilities mainly included accruals, other payables and tax payables for corporate usage.

Operating segments' liabilities are reconciled to total liabilities as follows:

	2018	2017
		(Restated)
	RMB'000	*RMB'000*
Segment liabilities for reportable segments	**105,652**	161,387
Unallocated liabilities		
– Accruals and other payables	**11,139**	16,381
– Tax payables	**10,249**	2,231
– Others	**731**	189
Total liabilities per consolidated balance sheet	**127,771**	180,188

At 31 December 2018 and 2017, majority of the Group's non-current assets were located in PRC with others located in Hong Kong, Taiwan and North America.

4 OTHER INCOME AND OTHER GAINS, NET

	For the year ended 31 December 2018 *RMB'000*	For the nine months ended 31 December 2017 *RMB'000*
Government subsidies	**5,284**	–
Others	**382**	159
Other income	**5,666**	159
Write back of other payables *(Note i)*	**3,321**	–
Gain on disposals of property, plant and equipment	**15**	175
Net exchange gains/(losses)	**187**	(11)
Others	**(248)**	–
Other gains, net	**3,275**	164

Note:

(i) During the year ended 31 December 2018, the amount comprised forfeited receipt in advance of RMB1,043,000 from a customer and forfeited other payable of RMB2,183,000 as agreed with a creditor.

5 EXPENSES BY NATURE

	For the year ended 31 December 2018 *RMB'000*	For the nine months ended 31 December 2017 *RMB'000*
Costs of hardware and software for I.T. projects and cost of goods sold	**90,346**	154,810
Employment benefit expenses (including directors' emoluments)	**110,326**	81,925
Sub-contracting fee	**20,176**	13,048
Depreciation	**10,214**	5,993
Operating lease rental in respect of land and buildings	**7,016**	5,076
Travelling expenses	**6,455**	4,979
Legal and professional fees	**6,219**	3,837
Office expenses	**2,376**	2,770
Amortisation	**3,539**	2,477
Auditors' remuneration		
– Audit services	**1,771**	1,997
– Non-audit services	**–**	52
Provision for impairment of inventories	**2,032**	–
Advertising expenses	**1,532**	176
Other expenses	**5,141**	2,525
	267,143	279,665
Representing:		
Cost of sales	**200,357**	230,522
Selling and distribution expenses	**14,096**	8,968
General and administrative expenses	**52,690**	40,175
	267,143	279,665

6 FINANCE INCOME

	For the year ended 31 December 2018	For the nine months ended 31 December 2017
	RMB'000	*RMB'000*
Interest income from bank deposits	**2,402**	1,261
Interest income from finance leases	**403**	–
	2,805	1,261

7 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% (31 December 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 15% to 25% and 20% (nine months ended 31 December 2017: 15% to 25% and 17%), respectively, for year ended 31 December 2018.

Two of the subsidiaries in Mainland China were approved by the relevant local tax bureaus under the preferential tax policy for the high and new technology enterprises, and were entitled to a preferential corporate income tax rate of 15% from 2017 until 2019 and 2018 until 2020.

	For the year ended 31 December 2018	For the nine months ended 31 December 2017
	RMB'000	*RMB'000*
Current taxation		
– Withholding tax	**1,344**	–
– PRC corporate income tax	**9,521**	13,142
– Taiwan income tax	**1,293**	1,224
	12,158	14,366

8 EARNINGS PER SHARE

(a) Basic

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

	For the year ended 31 December 2018	For the nine months ended 31 December 2017
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**1,440**	49,215
Excluding:		
Profit from discontinued operations attributable to equity holders of the Company	**–**	(6,497)
Profit from continuing operations attributable to equity holders of the Company	**1,440**	42,718

	For the year ended 31 December 2018	For the nine months ended 31 December 2017
Weighted average number of ordinary shares in issue *('000)*	**661,812**	662,239
Basic earnings per share *(rounded to RMB cents)*		
– Continuing operations	**0.22**	6.45
– Discontinued operations	**–**	0.98
	0.22	7.43

(b) 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.

For the nine months ended 31 December 2017, dilutive earnings per share was of the same amount as the basic earnings per share as the share options were anti-dilutive.

	For the year ended 31 December 2018	For the nine months ended 31 December 2017
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**1,440**	49,215
Excluding:		
Profit from discontinued operations attributable to equity holders of the Company	**–**	(6,497)
Profit from continuing operations attributable to equity holders of the Company	**1,440**	42,718

	For the year ended 31 December 2018	For the nine months ended 31 December 2017
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**663,426**	662,239
Diluted earnings per share *(rounded to RMB cents)*		
– Continuing operations	**0.22**	6.45
– Discontinued operations	**–**	0.98
	0.22	7.43

9 TRADE AND LEASE RECEIVABLES

	As at 31 December 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Trade receivables		
– third parties	**80,576**	106,436
– related parties	**199,802**	117,240
	280,378	223,676
Amounts due from contract customers		
– third parties	**–**	4,897
– related parties	**–**	4,547
	–	233,120
Finance leases receivables – total	**10,508**	7,440
Trade and leases receivables – gross	**290,886**	240,560
Less: loss allowances	**(59,821)**	(219)
Trade and lease receivables – net	**231,065**	240,341
Less: Trade and lease receivables – non-current portion	**(34,426)**	(7,013)
Trade and lease receivables – current portion	**196,639**	233,328

Majority of the Group's sales are made with credit terms generally ranging from 30 days to 90 days. The ageing analysis of trade receivables based on invoice date is as follows:

	As at 31 December 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Less than 60 days	**199,940**	109,350
60 days to 120 days	**14,508**	75,175
Over 120 days	**65,930**	39,151
	280,378	223,676

10 TRADE PAYABLES

	As at 31 December 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Trade payables		
– third parties	**52,752**	33,784
– related parties	**3,977**	78,059
	56,729	111,843

The majority of the suppliers grant credit period ranging from 30 to 60 days.

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
Less than 60 days	**51,297**	110,494
60 days to 120 days	**1,080**	573
Over 120 days	**4,352**	776
	56,729	111,843

11 EVENT AFTER THE REPORTING PERIOD

On 21 March 2019, the Group entered into an investment agreement with independent third parties to form a company for provision of smart construction solutions. The Group will use its technical know-how of smart construction solutions as consideration to exchange for around 51% of shares of the new company.

12 DIVIDENDS

During the year ended 31 December 2018, the Company did not recommend the payment of dividend (nine months ended 31 December 2017: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year ended 31 December 2018, save for the following deviations:

Code provisions A.4.1 and D.1.4

Under code provision A.4.1 of the Code, non-executive directors shall be appointed for a specific term and be subject to re-election while under Code provision D.1.4 issuers should have formal letters of appointment for directors setting out the key terms and conditions for their appointment. The independent non-executive directors are appointed for a specific term of office of one year while all non-executive directors and all executive directors have not entered into any service agreements or letters of appointment (as the case may be) with the Company for their directorship and have no fixed term of service therewith. However, they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Bye-laws. As such the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the Code.

Code provision F.1.1

Mr. Tsang Hing Bun ("**Mr. Tsang**") was appointed as 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 code provision F.1.1 of the Code, 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 code provision F.1.4 of the Code. 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 regulations. For the year ended 31 December 2018, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR 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 code of conduct regarding directors' securities transactions. Having made specific enquiry with all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 to the Listing Rules for the reporting year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in this announcement, during the reporting year and the nine months ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Tang Tin Lok Stephen, Mr. Kan Ji Ran Laurie and Mr. Chen Timothy. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management, the risk management, internal control and financial reporting matters of the Company, including the review of the Group's audited consolidated financial results for the reporting year.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's results for the reporting year as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL REPORT

The annual report for the reporting year containing all the information required by Appendix 16 of the Listing Rules will be despatched to the shareholders and available on the Company's website (www.maxnerva.com) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

By order of the Board
Maxnerva Technology Services Limited
Chien Yi-Pin Mark
Chairman

Hong Kong, 28 March 2019

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. Jeon Eui Jong, and three independent non-executive directors, namely, Mr. Tang Tin Lok Stephen, Mr. Kan Ji Ran Laurie and Mr. Chen Timothy.