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)

RESULTS FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY AND HIGHLIGHTS

For the year ended 31 March 2017:

- Total revenue increased by approximately 349.6% to approximately HK$500.4 million, mostly attributable to the growth of the I.T. Integration and Solutions Services segment.

- Net profit was approximately HK$75.5 million as compared to a net loss from continuing operations of approximately HK$72.8 million for the previous financial year.

- Revenue from I.T. Integration and Solutions Services segment increased substantially to approximately HK$396.8 million, representing approximately 23 times of the same for the previous financial year. Profit from this segment was HK$112.9 million as compared to a segment loss of approximately HK$0.8 million in the previous financial year.

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: HK23 cents per ordinary share, totaling approximately HK$100,565,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of Maxnerva Technology Services Limited (the "**Company**") would like to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2017 (the "**Financial Year**") together with the comparative figures of 2016.

Results and Financial Review

For the year ended 31 March 2017, revenue of the Group was reported as approximately HK$500.4 million (2016: HK$111.3 million), representing an increase of approximately 349.6% when compared with the last financial year. The Group recorded a consolidated gross profit of approximately HK$172.5 million (2016: gross loss of HK$28.0 million). Such significant increase in revenue and gross profit is mainly attributable to the growth of I.T. Integration and Solutions Services segment which successfully obtained a number of sizeable solutions orders from Hon Hai Precision Industry Company Limited ("**Hon Hai**") and its group companies ("**Hon Hai Group**"). For the year ended 31 March 2017, I.T. Integration and Solutions Services segment and Electronic Products Manufacturing segment contributed approximately 79.3% (2016: 15.4%) and approximately 20.7% (2016: 84.6%) to total revenue respectively.

After provision for impairment of inventories of approximately HK$12.9 million, impairment of property, plant and equipment of approximately HK$0.2 million, and fair value loss on financial assets at fair value through profit or loss of approximately HK$4.7 million, the Group's profit was approximately HK$75.5 million as compared to a loss from continuing operations of approximately HK$72.8 million in the last financial year.

Inventory and Trade Receivables

As at 31 March 2017, the inventory level was approximately HK$25.5 million (2016: HK$43.3 million). Trade receivables was approximately HK$164.6 million (2016: HK$26.9 million). Such increase in trade receivable was attributable to the growth of I.T. Integration and Solutions Services business.

Financial Key Performance

The above financial data were chosen to present in this announcement as they represent a material financial impact on the financial statements of the Group for the current and/ or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that by presenting the changes of these financial data can effectively explain the financial performance of the Group for the year ended 31 March 2017.

Liquidity and Financial Resources

As at 31 March 2017, the Group's total assets of approximately HK$488.4 million were financed by current liabilities of approximately HK$160.8 million and shareholders' equity of approximately HK$327.6 million. The Group had a current ratio of approximately 2.83. Cash and cash equivalents as at 31 March 2017 were approximately HK$219.4 million (2016: HK$216.2 million). Trade payables were repayable within one year. Bank borrowings comprised short-term bank borrowings and trade financing repayable within one year based on original contractual maturity. Total available banking facilities of the Group were approximately HK$57.5 million (2016: HK$45.5 million), of which approximately HK$38.9 million were available for use (2016: HK$28.3 million). The Group had a net cash position as at 31 March 2017.

Treasury Policy

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

Foreign Exchange Exposure

The Group mainly operates in Hong Kong, Taiwan and Mainland China with most of the transactions settled in HK$, NTD and RMB. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to NTD and RMB.

Management has a policy to require group companies to manage their foreign exchange risk against their functional currencies. It mainly includes managing the exposures arising from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. The Group also manages its 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. The Group did not use derivative financial instruments for speculative purposes.

BUSINESS REVIEW

During the Financial Year, the Group is engaged in the following major businesses:

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

I.T. Integration and Solutions Services

Being the cornerstone of a major change in direction for the Group, the I.T. Integration and Solutions Services segment has commenced its operation since the second half of the financial year ended 31 March 2016 to serve the fast growing "Industry 4.0" market under which businesses are striving to drive efficiency through digitalisation. The Group is committed to provide one-stop customized solutions services ranging from planning, sourcing, construction, consulting to maintenance and support for smart manufacturing, smart office, smart living, etc. During the Financial Year, the Group successfully obtained a number of sizeable solutions orders from Hon Hai Group. 7 major smart manufacturing projects, 2 major smart living projects and 3 smart office projects from Hon Hai Group were completed during the Financial Year.

The Group has also built business relationship with global strategic partners i.e. Siemens and Intel, since 2016, sharing core technology to enhance Industry 4.0 offerings and collaborating to maximizing efficiency, reliability and flexibility for our customers.

During the year ended 31 March 2017, this business segment has become the main revenue driver of the Group as it contributed about HK$396.8 million of revenue, representing approximately 79.3% of the total revenue of the Group during the same year.

Electronic Products Manufacturing

During the Financial Year, the primary focus of this segment has been on the production of telecommunication modules in mobile phone infrastructures. Due to the unstable and short term customer orders with low profit margin in midst of keen competition, the production lines were operated at comparatively high cost and hence, the performance of this segment continued to be disappointing. Although turnover of this business was up by approximately 10.1% to approximately HK$103.6 million (2016: HK$94.1 million), it continued to incur segment loss of approximately HK$29.7 million (2016: loss of HK$54.0 million) which was mainly attributable to its operating loss and impairment of inventories of approximately HK$12.9 million (2016: HK$26.3 million) and property, plant and equipment of approximately HK$0.2 million (2016: HK$7.8 million). The lease of the existing factory plant in Heyuan will expire in October 2017. Therefore, the Company is actively approaching potential subcontractors for outsourcing the manufacturing process and is, in the meantime, assessing the potential impacts of such outsourcing proposal to the Group.

The management has taken measures in the hope to turnaround the situation but was overwhelmed by the downhill of the profitability of the business. To reduce further loss, the Company is also in the process of formulating the business strategy for this business segment which might involve a possible scaling-down by eliminating part of the business lines like diodes and wire and/or outsourcing the radio frequency device business line to subcontractors.

Revenue from Hon Hai Group

Following independent shareholders' approval of various continuous connected transactions ("**Hon Hai CCT**") with Hon Hai Group on 29 February 2016, the Group secured a number of significant new orders from Hon Hai Group and as a result approximately 63.7% of the total revenue of the Group was attributable to Hon Hai Group during the Financial Year.

In the meantime, the Group has demonstrated its ability to market the I.T. Integration and Solutions Services to third parties other than Hon Hai and its associates and it is expected that the revenue of this business segment derived from third parties will continue to increase in the forthcoming year. In light of the above, the Company is considered to have complied with the condition in relation to the Hon Hai CCT as set out in the circular issued by the Company on 5 February 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's business risks are mainly (i) global and Mainland China economic condition that influences the demand of system integration services and smart solutions; (ii) currency risks; (iii) demand for electronic products; and (iv) pace of advance in technology.

BUSINESS OUTLOOK

Industry 4.0 presents tremendous opportunities for innovative producers and system suppliers. With the support of Chinese government which promulgated "Made in China 2025", the Directors are optimistic on the prospects of I.T. Integration and Solutions Services segment of the Group. Going forward, the Group will continue to work closely with the global strategic partners to elevate solutions quality and technical competency and to seek business opportunities together. For Industry 4.0 related business strategy, the Company is currently focusing on the provision of Enterprise Applications (i.e. SAP), Manufacturing Execution System, Business Intelligence and equipment automation services and targeting food and beverage, consumer electronics and automotive industries. Although Hon Hai Group remains and will be one of our major clients, the Company would like to build a more diversified client portfolio and strive to reduce the annual revenue contribution from Hon Hai Group to less than 40% of the Group's total revenue in three year-time.

For food and beverage industry, the Company is currently working in a proof-of-concept project with a well-known Chinese liquor company for one of their 30+ bottle inspection lines. The client would like to turn the labour intensive inspection lines to an automated line with an aim to reduce labour cost and increase productivity. Once the proposed solution is accepted, it is believed that the Company would expand the service scope to other lines such as filling and packaging. The Company strives to establish its solutions as the Chinese liquor's industry standards. If so, it will be a huge business opportunity to the Company since the other Chinese liquor companies will follow suit to establish such automated lines. For consumer electronics and automotive industries, the Company is currently working with a home appliance and a motorcycle manufacturer respectively on SAP system implementation and it is expected to significantly increase their operation efficiency and productivity. The Company is also in talks with a number of potential clients other than Hoi Hai Group within these industries for the provision of our Industry 4.0 solutions and we expect to enter into service agreements with some of them soon.

USE OF PROCEEDS FROM SHARE SUBSCRIPTION

On 29 April 2015, the Company 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 of the Company 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 primarily intended 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:

- 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 is expected the Group will gradually expand such team to 300 people for project design, development and implementation by the end of 2017;

- approximately HK$80 million to strengthen the general working capital base which includes, among others, sales and marketing expenses for the proposed new smart solutions services, purchase of inventory and administrative expenses for expanding its offices; and

- the balance of approximately HK$27 million for selective capacity expansion and upgrade of production facilities to accommodate the proposed production of smart sensor devices and Internet of Things ("**IoT**") devices by the business of the Group.

Up to 31 March 2017, an accumulated amount of approximately HK$37.8 million has been applied to build and expand a dedicated team of sales, software development and system implementation professionals. A team of 172 people for sales and marketing, project design, development and implementation has been formed. The Company will continue to acquire talents in the respective areas through hiring. At the same time, the Company would like to apply some of the proceeds to acquire some smaller-scale but well performed Industry 4.0 related solution providers for the purpose of customers and talents acquisition. As at the date of this announcement, no definitive agreement has been made.

Up to 31 March 2017, the proceeds of $80 million for general working capital for purchasing inventory, establishing new offices in Chongqing, Shenzhen and Wuhan and allocating resources in sales and marketing activities were fully utilized. Our working capital is then financed by cash flow from its business operations.

Regarding the capacity expansion and upgrade of production facilities, the Group has only utilized approximately HK$0.9 million on equipment for research and testing purpose. In light of the unfavourable performance of the Electronic Products Manufacturing segment, the Company is still studying the cost effectiveness for producing smart sensor and IoT devices in-house or outsourcing them to external third parties. It is intended that the remaining proceeds of approximately HK$26.1 million will primarily be utilized as general working capital for the I.T. Integration and Solutions Services segment.

The Directors considered that the net proceeds were applied in accordance with the intended uses as previously disclosed.

CAPITAL STRUCTURE

As at 31 March 2017, the Company has a total of 662,239,448 issued shares with a par value of HK$0.1 each (2016: 662,239,448 Shares). No shares were issued, repurchased or cancelled during the Financial Year.

EVENTS AFTER REPORTING DATE

There were no material events after 31 March 2017.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Financial Year, the Group did not have any material acquisition or disposal of subsidiaries.

CHARGES ON GROUP'S ASSETS

There were no charges on the Group's assets as at 31 March 2017 (2016: Nil).

CAPITAL COMMITMENTS

As at 31 March 2017, the Group did not have any significant capital commitments (2016: Nil).

CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any significant contingent liabilities (2016: Nil).

DIVIDEND

The Board does not recommend any payment of a final dividend in respect of the year ended 31 March 2017 (2016: HK23 cents per ordinary share, totaling approximately HK$100,565,000).

EMPLOYEES

As at 31 March 2017, the Group employed a total of approximately 469 employees (2016: approximately 450 employees) located in Hong Kong, Mainland China and Taiwan. Among the 469 employees, 197 people is in I.T. Integration and Solutions Services segment and the rest of 272 people is in Electronic Products Manufacturing segment.

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. General staff are offered year-end discretionary bonuses, which are based on the divisional performance and individual appraisals.

The Group is committed to devote more resources in providing internal and external training to the employees. In addition to sending staff to participate in seminars and lectures, the Group continues recommending that qualified staff takes part in professional courses. The training programs not only enhance employees' career development and professional knowledge, but also contribute to enhancing the management system of the Group.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Continuing operations			
Revenue	3	**500,405**	111,317
Cost of sales and services			
– Impairment of inventories and property, plant and equipment		**(13,153)**	(34,110)
– Others		**(314,710)**	(105,197)
	5	**(327,863)**	(139,307)
Gross profit/(loss)		**172,542**	(27,990)
Other income		**283**	180
Other losses, net	4	**(4,631)**	(308)
Selling and distribution expenses	5	**(21,800)**	(5,816)
General and administrative expenses	5	**(50,174)**	(38,072)
Operating profit/(loss)		**96,220**	(72,006)
Finance income	6	**297**	43
Finance costs	6	**(426)**	(526)
Profit/(loss) before income tax		**96,091**	(72,489)
Income tax expense	7	**(20,564)**	(319)
Profit/(loss) for the year from continuing operations		**75,527**	(72,808)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(24,791)
Profit/(loss) for the year		**75,527**	(97,599)

	Note	**2017**	2016
		HK$'000	*HK$'000*
Attributable to equity holders of the Company arising from:			
Continuing operations		**75,527**	(72,808)
Discontinued operations		**–**	(24,791)
		75,527	(97,599)
		HK cents	*HK cents*
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the year			
Basic and diluted	8		
From continuing operations		**11.40**	(13.70)
From discontinued operations		**–**	(4.66)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
Comprehensive income/(loss):		
Profit/(loss) for the year	**75,527**	(97,599)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Release of exchange reserve upon disposal of subsidiaries	**–**	16,785
Currency translation differences	**(7,321)**	(3,763)
Fair value gains on available-for-sale financial assets	**–**	390
Items that will not be subsequently reclassified to profit or loss		
Revaluation gains on land and buildings, net of tax	**–**	736
Other comprehensive (loss)/income for the year, net of tax	**(7,321)**	14,148
Total comprehensive income/(loss) for the year	**68,206**	(83,451)
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:		
Continuing operations	**68,206**	(72,818)
Discontinued operations	**–**	(10,633)
	68,206	(83,451)

CONSOLIDATED BALANCE SHEET

As at 31 March 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
ASSETS			
Non-current assets			
Intangible assets		**8,318**	1,680
Property, plant and equipment		**25,025**	3,946
Other long-term assets		**540**	1,767
		33,883	7,393
Current assets			
Inventories		**25,451**	43,265
Trade receivables	9	**164,598**	26,857
Prepayments, deposits and other receivables		**44,807**	32,859
Tax receivables		**301**	–
Cash and cash equivalents		**219,421**	216,177
		454,578	319,158
Total assets		**488,461**	326,551
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**66,224**	66,224
Share premium		**234,640**	234,640
Reserves		**26,767**	(41,439)
		327,631	259,425

	Note	**2017**	2016
		HK$'000	*HK$'000*
LIABILITIES			
Current liabilities			
Borrowings		**18,573**	17,191
Trade payables	10	**71,308**	40,788
Accruals and other payables		**65,102**	9,147
Tax payable		**5,847**	–
		160,830	67,126
Total liabilities		**160,830**	67,126
Total equity and liabilities		**488,461**	326,551

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.

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 and electronic products manufacturing.

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). 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.

(a) Effect of adopting amendments to existing standards

The following amendments to existing standards are relevant to the Group's operations and mandatory for its accounting periods beginning on or after 1 April 2016:

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants
HKAS 27 (Amendments)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual Improvements Project	Annual improvements 2012-2014 cycle

The adoption of these amendments to standards did not have any significant impact on the results and financial position of the Group.

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

The following published standards and amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 April 2016 and have not been early adopted by the Group:

HKAS 7 (Amendments)	Disclosure initiative [1]
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses [1]
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions [2]
HKFRS 9	Financial instruments [2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture [4]
HKFRS 15	Revenue from contracts with customers [2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 [2]
HKFRS 16	Leases [3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 A date to be determined

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

HKFRS 15, "Revenue from contracts with customers"

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

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

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

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

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

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

HKFRS 16, "Leases"

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$30,751,000. 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.

3 SEGMENT INFORMATION

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

The CODM considers the business from the perspective of the nature of operations and the type of products or services, and considers that the Group mainly has two operating segments, namely "Electronic Products Manufacturing" and "I.T. Integration and Solutions Services".

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

	Year ended 31 March 2017		
	Electronic Products Manufacturing	**I.T. Integration and Solutions Services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue			
Sales of goods	103,595	33,983	137,578
Rendering of services	–	362,827	362,827
	103,595	396,810	500,405
Results of reportable segments	(29,732)	112,873	83,141
A reconciliation of results of reportable segments to profit for the year is as follows:			
Results of reportable segments			83,141
Unallocated expenses (Note a)			(7,614)
Profit for the year			75,527
Other segment information:			
Finance income	(9)	(288)	(297)
Finance costs	426	–	426
Income tax expense	549	20,015	20,564
Capital expenditures	256	27,075	27,331
Depreciation of property, plant and equipment	1,406	4,230	5,636
Amortisation of intangible assets	–	2,312	2,312
Impairment of property, plant and equipment	242	–	242
Provision for impairment of inventories	12,911	–	12,911

Note:

(a) Unallocated expenses mainly include salaries, legal and professional fees and other operating expenses incurred at corporate level.

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

Notes:

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

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

	Year ended 31 March 2016		
	Electronic Products Manufacturing	I.T. Integration and Solutions Services	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Sales of goods	94,127	13,802	107,929
Rendering of services	–	3,388	3,388
	94,127	17,190	111,317
Results of reportable segments	(54,036)	(813)	(54,849)
A reconciliation of results of reportable segments to loss for the year is as follows:			
Results of reportable segments			(54,849)
Unallocated expenses (Note a)			(17,959)
Loss for the year			(72,808)
Other segment information:			
Finance income	(33)	(10)	(43)
Finance costs	526	–	526
Income tax expense	125	194	319
Capital expenditures	2,241	1,198	3,439
Depreciation of property, plant and equipment	2,983	173	3,156
Amortisation of intangible assets	–	153	153
Impairment of property, plant and equipment	7,844	–	7,844
Provision for impairment of inventories	26,266	–	26,266

Note:

(a) Unallocated expenses mainly include salaries, legal and professional fees and other operating expenses incurred at corporate level.

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

Notes:

(a) As at 31 March 2016, other unallocated assets mainly included cash and cash equivalents for corporate usage.

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

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

	Revenue from external customers	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**–**	235
Mainland China	**365,538**	40,799
North America	**1,782**	2,789
Europe	**68,042**	57,712
Other Asian countries	**65,043**	9,782
	500,405	111,317

Revenue of approximately HK$66,064,000 (2016: HK$55,851,000), representing 13.2% (2016: 50.2%) of the Group's total revenue, is derived from a single external customer. For the year ended 31 March 2017, sales to the five largest customers of the Group in total accounted for approximately 52.4% (2016: 68.7%) of the Group's total revenue.

During the years ended 31 March 2017 and 2016, all capital expenditures were incurred in Mainland China and Taiwan.

At 31 March 2017, non-current assets other than other long-term assets (there are no employment benefit assets) were located in Mainland China and Taiwan. As at 31 March 2016, all these assets were located in Mainland China.

4 OTHER LOSSES, NET

	2017	2016
	HK$'000	*HK$'000*
Fair value loss on financial asset at fair value through profit or loss	**4,654**	–
Gain on disposal of property, plant and equipment	**(104)**	–
Net exchange losses	**81**	308
	4,631	308

5 EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Changes in inventories of finished goods and work-in-progress	**2,262**	1,890
Trading merchandise sold	**58,971**	11,401
Raw materials, equipment and consumables used	**164,018**	71,645
Sub-contracting fee	**60,392**	–
Auditors' remuneration		
– Audit services	**1,680**	1,900
– Non-audit assurance services	**–**	1,700
– Non-audit services	**236**	111
Amortisation	**2,312**	153
Depreciation	**5,636**	3,156
Impairment of property, plant and equipment	**242**	7,844
Provision for impairment of inventories	**12,911**	26,266
Employment benefit expenses (including directors' emoluments)	**69,564**	35,566
Legal and professional fees	**3,928**	7,400
Operating lease rental in respect of land and buildings	**7,034**	3,271
Travelling and office expenses	**3,816**	4,125
Transportation expenses	**3,260**	2,681
Advertising expenses	**208**	165
Repairs and maintenance expenses	**896**	1,983
Other expenses	**2,471**	1,938
	399,837	183,195
Representing:		
Cost of sales and services	**327,863**	139,307
Selling and distribution expenses	**21,800**	5,816
General and administrative expenses	**50,174**	38,072
	399,837	183,195

6 FINANCE COSTS, NET

	2017	2016
	HK$'000	*HK$'000*
Interest income from bank deposits	**297**	43
Interest expense on bank loans	**(426)**	(526)
Finance costs, net	**(129)**	(483)

For the year ended 31 March 2016, net finance costs relating to discontinued operations amounted to HK$93,000.

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% (2016: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in Mainland China and Taiwan are subject to corporate income tax at the rate of 25% and 17%, respectively, for years ended 31 March 2017 and 2016, 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% (2016: 25%) which will be expired in 2020.

	2017	2016
	HK$'000	*HK$'000*
Current taxation		
– PRC corporate income tax	**19,275**	319
– Taiwan income tax	**1,289**	–
	20,564	319

8 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**75,527**	(97,599)
Excluding:		
Loss from discontinued operations attributable to equity holders of the Company	**–**	24,791
Profit/(loss) from continuing operations attributable to equity holders of the Company	**75,527**	(72,808)

	2017	2016
Weighted average number of ordinary shares in issue ('000)	**662,238**	531,555
Basic earnings/(loss) per share (rounded to HK cents)		
– Continuing operations	**11.40**	(13.70)
– Discontinued operations	**–**	(4.66)
	11.40	(18.36)

(b) Diluted

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

9 TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables		
– third parties	**70,064**	38,167
– related parties	**81,660**	5,346
Amounts due from contract customers		
– third parties	**1,662**	–
– related parties	**27,868**	–
	181,254	43,513
Less: provision for impairment	**(16,656)**	(16,656)
	164,598	26,857

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 by the dates on which the relevant sales were made is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 60 days	**157,538**	22,226
60 days to 120 days	**7,060**	4,631
Over 120 days	**16,656**	16,656
	181,254	43,513

During the years ended 31 March 2017 and 2016, no provision for impairment of trade receivables were made.

10 TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables		
– third parties	**62,161**	36,018
– related parties	**9,147**	4,770
	71,308	40,788

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

The ageing analysis of trade payables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 60 days	**71,308**	32,536
60 days to 120 days	**–**	8,252
	71,308	40,788

11 DIVIDENDS

During the year ended 31 March 2017, the Company did not recommend the payment of dividend (2016: HK 23 cents per ordinary share, totaling approximately HK$100,565,000).

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 March 2017, save for the following deviations:

Code provision A.2.1

Under code provision A.2.1 of the Code, the roles of the chairman and chief executive officer of the Company ("**CEO**") should be separated and should not be performed by the same individual.

Since 3 November 2015 and up to 12 April 2016, Mr. Hui Lap Shun John assumed the position of Chairman and acting CEO when the Company is in the course of sourcing the appropriate CEO. This code provision has been complied with by the Company since 12 April 2016 following the appointment of Mr. Baker Sung Mahn Sam as the CEO on the same date.

Code provision A.4.1

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. The independent non-executive Directors are appointed for a specific term of office of one year while all non-executive Directors have not entered into any service agreements with the Company 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. Tse Tik Yang Denis, the non-executive Director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all Directors are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with 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 March 2017, 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 of 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 of the Listing Rules for the year ended 31 March 2017.

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

During the year ended 31 March 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 Financial Year.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's results for the year ended 31 March 2017 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 Financial 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 year ended 31 March 2017 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
HUI LAP SHUN, JOHN
Chairman

Hong Kong, 22 June 2017

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