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MAXNERVA
雲智匯科技服務

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

(Incorporated in Bermuda with limited liability)

(Stock code: 1037)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

SUMMARY AND HIGHLIGHTS

For the six months ended 30 June 2021:

- Net profit increased by 18% to RMB11.5 million for the reporting period when compared with the first half of 2020.
- Profit growth was mainly driven by robust results from industrial solution business but partly offset by the spike of research and development expenses due to product development of Personify business and higher selling and marketing expenses due to the global expansion of brand licensing and supply chain management business.
- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021.

The board of directors of Maxnerva Technology Services Limited (the “Board”) would like to announce the unaudited consolidated results of the company and its subsidiaries for the six months ended 30 June 2021. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee of the company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The group principally engages in smart office, industrial solution and new retail businesses. Revenue was at RMB258.5 million during the reporting period which was in line with the first half of last year. However, net profit increased by 18% to RMB11.5 million for the reporting period when compared with the same period in 2020. Profit growth was mainly driven by robust results from industrial solution business but partly offset by the spike of research and development expenses due to product development of Personify business and higher selling and marketing expenses due to the global expansion of brand licensing and supply chain management business.

The Board does not recommend any payment of interim dividend for the reporting period.

Inventory and trade and lease receivables

As at 30 June 2021, there was approximately RMB62.5 million in inventory (31 December 2020: RMB23.2 million) and they are primarily project-related hardware and software products pending to be delivered to our customers and finished goods for brand licensing and supply chain management business. Inventory turnover for the reporting period increased to 37 days from 23 days as compared to the full year of 2020 mainly because of the stack-up of inventory for brand licensing and supply chain management business in the wake of global supply shortage of key electronic components.

As at 30 June 2021, there were approximately RMB217.2 million in trade and lease receivables (31 December 2020: RMB202.0 million) which consisted of current and non-current balances of RMB200.7 million (31 December 2020: RMB181.4 million) and RMB16.5 million (31 December 2020: RMB20.6 million) respectively. It is mainly because some of our projects have been structured as finance leases in which customers are eligible to pay in periodic instalments over a specific number of years. Trade and lease receivable turnover for the reporting period dropped to 147 days from 149 days as compared to the full year of 2020 solely due to our continuous efforts on debt collection and aging debt monitoring under the pandemic-driven economic downturns.

Liquidity and financial resources

As at 30 June 2021, we had a net cash position and cash and cash equivalents were RMB173.1 million (31 December 2020: RMB212.4 million). Our total assets of RMB574.4 million (31 December 2020: RMB536.4 million) were financed by total liabilities of RMB191.6 million (31 December 2020: RMB181.6 million) and shareholders' equity of RMB382.8 million (31 December 2020: RMB354.8 million). We had a current ratio of 2.7 (31 December 2020: 2.7) and trade payables were repayable within one year. No banking facilities were available to the group (2020: 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 period. We strive to reduce credit risk exposure by performing periodic credit evaluations of our external customers.

Foreign exchange exposure

We mainly operate in China, Taiwan, Hong Kong, United States of America, Europe and Southeast Asia with most of the transactions settled in Chinese Yuan, US Dollars, New Taiwanese Dollars, Hong Kong Dollars, Euro, Great British Pound and Vietnamese Dong. 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 exchange exposures and would consider the use of foreign exchange contracts to manage foreign exchange risks, where appropriate. We did not use derivative financial instruments for speculative purposes.

Material acquisitions and disposals of subsidiaries, associates and joint ventures, significant investments, charges on group's assets, contingent liability

On 27 December 2020, the company, Personify Inc. (the "Buyer"), our wholly owned subsidiary, and Foxconn (Far East) Limited (the "Seller"), a wholly owned subsidiary of Hon Hai Precision Industry Company Limited ("Hon Hai") and its subsidiaries (collectively, the "Hon Hai Group"), announced that all the three parties entered into an acquisition agreement on 24 December 2020 for the Buyer to acquire a basket of intellectual properties ("Target Assets"), which included (i) 13 patents; (ii) trademark of Personify; (iii) 26 software components including "Presenter" and "ChromaCam"; (iv) 11 domain names, from the Seller at a consideration of HK\$23.34 million. The consideration would be settled by the issuance of 46.68 million new shares, representing 6.65% enlarged shareholding of the company, to the Seller at HK\$0.5 per share upon completion of the transaction. It is a disclosable and connected transaction and requires the application for a whitewash waiver from the Securities and Futures Commission of Hong Kong. Details are set out in the announcement of the company dated 27 December 2020 and the circular of the company dated 22 February 2021. The acquisition of the Target Assets was approved by the independent shareholders of the company in the special general meeting held on 15 March 2021 and was completed on 22 March 2021.

With the ownership of the Target Assets, (a) we are able to formulate a more comprehensive business development and marketing strategy by exploring every available business options including, but not limited to, generating additional licensing fee for granting others to use its technology by sublicensing the patents and/or providing access to the source code or related software development kit; (b) we are more motivated to devote resources to develop new and existing applications and products; (c) it will be cost-saving in the long run as we shall no longer have to pay the licence fees for the Target Assets after the acquisition of the Target Assets; and (d) it will eliminate the uncertainties of the continuity of the existing licensing arrangement between the Buyer and its licensor. We believe such acquisition is in the interests of the company and our shareholders as a whole. Saved as disclosed above, we had no material acquisition and disposal of subsidiaries, associates and joint ventures.

On 9 June 2021, the company announced that Maxnerva (Shenzhen) Technology Services Limited, our wholly owned subsidiary, entered into the limited partnership agreement as a limited partner with GRC SinoGreen Capital Co., Ltd. on 8 June 2021, in relation to the investment in the GRC SinoGreen Fund V, L.P. (the “GRC Fund”). Pursuant to the limited partnership agreement, we have committed to contribute RMB30 million which size is expected to account for approximately 8.63% of the capital contribution committed by the partners of the GRC Fund. The GRC Fund is established on 18 June 2021 and intends to invest in strategic emerging industries, future industries and other industries including but not limited to semiconductor, biomedicine, new energy, new materials, high-end intelligent manufacturing and other high-tech industries. Entering into the limited partnership agreement is a disclosable transaction and details are set out in the announcement and supplementary announcement of the company dated 9 June 2021 and 13 July 2021 respectively. Saved as disclosed above, there is no significant investment of the company during the reporting period.

As at 30 June 2021, there were no charges on the group’s assets and contingent liabilities (31 December 2020: Nil).

Business review

Smart office business

Smart office business consists of video conference and related solutions plus brand licensing and supply chain management of smart office equipment. Segment revenue and profit fell 41% and 81% to RMB79.0 million and RMB1.1 million respectively during the reporting period when compared with the first half of 2020.

Since February 2020, we have commenced a trial run operation of Personify business through licensing the intellectual properties from Hon Hai Group. Personify serves two group of customers, namely B2C and B2B customers. B2C customers subscribe the software applications through periodic or one-off subscriptions while B2B customers subscribe the applications or embed the technology in their own existing software or web-based products on negotiated fees. Demand for the applications increased dramatically since the second quarter of 2020 because video conferencing becomes a part of the new normal following the pandemic induced lockdown and people are largely required to work from home. After the completion of the acquisition of the Target Assets from Hon Hai Group in March 2021, we have accelerated our marketing and research efforts in this business. Due to the aggressive roll-out of the vaccination programs and the gradual recovery from pandemic in the developed countries, revenue from B2C business, as expected, was halved on a pro-rata basis when compared with the first half of 2020. However, we had a robust increase in revenue from B2B business. Thanks for the new licensing contracts that have entered with corporate clients since mid 2020 and the renewal of the contracts during the reporting period. Other than corporate clients from US and Europe, we have successfully added a Korean tech giant and a reputable Japanese conglomerate into our client list in the first half of 2021. Aggregate revenue for Personify business increased by over 20% on a pro-rata basis when compared with the first half of 2020. We have invested heavily in developing new products as well as enhancing our existing products. For example, “Streaming Services” for Presenter are developed targeting at corporate training, events and education while image beautifications do touch-up on user’s appearance in real-time. We are also planning to expand the usage of our Presenter application from PC and notebook computers to iOS mobile devices. As a result, there was a drastic increase in research and development expenses which battered the bottom line of this segment during the reporting period but it is solely for the future benefits of the company by expanding the product family of Personify business using the acquired computer vision technology.

For brand licensing and supply chain management business, we have successfully expanded into China, Europe and Southeast Asia markets on top of the existing US market during the first half of 2021. Product demand is firm but the business was severely distorted by the supply shortage of key electronic components worldwide. Revenue of this business was halved since the sourced product volume was unable to meet with the demand of our customers.

Industrial solution business

We provide full range of smart manufacturing solutions and services to our customers, including the implementation of a combination of software system (i.e. enterprise resources planning, manufacturing execution system, warehouse management system etc.) and robotic automation equipment into the production lines to enable smart processes that lower costs and increase operational effectiveness and efficiency, as well as the implementation of facility monitor and control system for monitoring the efficiency of the usage of water, power and gas to production plants, and facial recognition system for labour and security management. We also provide daily I.T. operating services and after-installation maintenance work in relation to those industrial solutions. Due to the strong recovery from the pandemic in China and a sizeable project delivered to an oversea client, segment revenue and profit improved by 46% and 94% to RMB167.2 million and RMB23.1 million respectively during the reporting period when compared with the same period in 2020.

New retail business

We are delving into new opportunities for our digital signage solutions in retail sector of Taiwan. We completed installing our proprietary digital signage solutions with augment reality elements into the 600 stores operated by a preeminent supermarket player in Taiwan last year. With affirmative feedback for the solutions, we have been granted the phase II project from the same customer and installing the rest of their over 400 stores in Taiwan. Phase II project commenced in April of 2021 while Phase I project started in May last year. This explains the reason for the increase of segment revenue and profit by 37% and 16% to RMB12.3 million and RMB1.5 million respectively during the reporting period when compared with the same period last year.

Business prospect

Smart office business

Since market anticipates that the ways to work and conduct business meetings will change fundamentally even after the pandemic era, we shall continue to devote our research and development and sales and marketing efforts on Personify business. Beta testing on the “streaming services” and image beautification is expected to commence in the second half of 2021. Subject to the beta testing results, we plan to launch these two products in late 2021 or early 2022 and we will devote more sales and marketing efforts on this business after the new product launches.

For brand licensing and supply chain management business, market anticipated global supply shortage of key electronic components will only be improved in first half of 2022. We have placed longer term orders and piled up inventory to secure supply for our customers worldwide. There is plenty of catch-up work to be done in the second half of 2021.

Industrial solution business

The economy in China has been recovering from the pandemic in the first half of 2021 but there are signs that the current US government will continue the hard-edged policies toward China. It seems there is a systemic change in Sino-US relationships rather than a mere cyclical fluctuation. Competition in many areas of the world between US and China becomes inevitable. We believe most of our sizable customers in manufacturing sector adopt a balancing strategy. They will continue to stay in China but, at the same time, they will diversify a meaningful share of their production capacity to overseas markets in a bid to cater the needs of the other parts of the world. We will continue our business development efforts in both China and overseas markets going forward.

New retail business

With the completion of our phase II digital retail signage project in Taiwan in the second half of 2021, we will continue to cultivate the market in Taiwan since a number of attractive opportunities have arisen there.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
		2021	2020
	Note	RMB'000	RMB'000
Revenue	2	258,542	257,864
Cost of sales		<u>(207,195)</u>	<u>(218,869)</u>
Gross profit		51,347	38,995
Other income		1,093	3,456
Other losses, net		(2,243)	(1,782)
Selling and distribution expenses		(5,838)	(3,115)
General and administrative expenses		(22,041)	(24,112)
Research and development expenses		<u>(8,469)</u>	<u>(3,050)</u>
Operating profit		13,849	10,392
Finance income		<u>1,094</u>	<u>1,355</u>
Profit before income tax		14,943	11,747
Income tax expense	3	<u>(3,457)</u>	<u>(2,034)</u>
Profit for the period		<u>11,486</u>	<u>9,713</u>
Earnings per share for profit attributable to ordinary equity holders of the Company (RMB cents per share)			
– Basic and diluted	5	<u>1.69</u>	<u>1.48</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit for the period	11,486	9,713
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(3,293)	3,113
Other comprehensive (loss)/income for the period	(3,293)	3,113
Total comprehensive income for the period	8,193	12,826

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

		(Unaudited) 30 June 2021 <i>RMB'000</i>	(Audited) 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Intangible assets		20,715	1,262
Property, plant and equipment		12,444	14,474
Right-of-use assets		26,244	31,818
Investments in an associate and a joint venture		–	–
Financial assets at fair value through profit or loss		14,734	16,318
Trade and lease receivables	6	16,505	20,557
Prepayments and rental deposits		213	199
Total non-current assets		<u>90,855</u>	<u>84,628</u>
Current assets			
Inventories		62,464	23,181
Contract assets		2,468	528
Trade and lease receivables	6	200,685	181,443
Prepayments, deposits and other receivables		44,833	34,212
Cash and cash equivalents		173,105	212,436
Total current assets		<u>483,555</u>	<u>451,800</u>
Total assets		<u>574,410</u>	<u>536,428</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		68,447	64,479
Share premium		203,383	187,511
Reserves		110,996	102,803
Total equity		<u>382,826</u>	<u>354,793</u>

		(Unaudited)	(Audited)
		30 June	31 December
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		11,973	17,108
		-----	-----
Total non-current liabilities		11,973	17,108
		-----	-----
Current liabilities			
Trade payables	7	113,546	104,617
Accruals and other payables		28,563	28,619
Contract liabilities		19,082	13,306
Lease liabilities		12,032	12,277
Tax payables		6,388	5,708
		-----	-----
Total current liabilities		179,611	164,527
		-----	-----
Total liabilities		191,584	181,635
		=====	=====
Total equity and liabilities		574,410	536,428
		=====	=====

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

General information

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

This unaudited condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved for issue by the Board on 20 August 2021.

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

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020 except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards and interpretation adopted by the Group

The following amended standard is relevant to the Group’s operations and mandatory for its accounting periods beginning on or after 1 January 2021:

HKFRS 16 (Amendments)

COVID-19-related rent concessions

The adoption of amended standard did not have any material impact on the current period or any prior periods.

2 REVENUE AND SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors (collectively referred to as the “Chief Operation Decision Maker” or “CODM”) that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segment based on the Group’s development plan and the internal reporting provided to the CODM.

The management determined to divide three operating segments by the nature of operations and the type of products and services, as follows:

1. Smart Office Business

The provision of video conference related solutions plus brand licensing and supply chain management of smart office equipment.

2. Industrial Solution Business

The provision of smart manufacturing solutions and services to improve the effectiveness and efficiency of production lines, plant facilities and the management of industrial parks.

3. New Retail Business

The provision of digital retail signage solutions.

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

Assets of reportable segments exclude corporate assets (mainly including corporate cash and cash equivalents, property, plant and equipment, right-of-use assets, prepayments and other receivables, and financial assets at fair value through profit or loss), all of which are managed on a central basis. Liabilities of reportable segments exclude corporate liabilities (mainly including lease liabilities, accruals, other payables and tax payables). These are part of the reconciliation to total balance sheet assets and liabilities.

	(Unaudited)			
	For the six months ended 30 June 2021			
	Smart Office Business <i>RMB'000</i>	Industrial Solution Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue (<i>Note a</i>)	<u>79,001</u>	<u>167,204</u>	<u>12,337</u>	<u>258,542</u>
Results of reportable segments	<u>1,145</u>	<u>23,106</u>	<u>1,521</u>	<u>25,772</u>
A reconciliation of results of reportable segments to profit for the period is as follow:				
Results of reportable segments				25,772
Unallocated incomes/(expenses) (<i>Note b</i>)				<u>(14,286)</u>
Profit for the period				<u>11,486</u>
Other segment information:				
Capital expenditures	22,258	1,055	–	23,313
Depreciation of property, plant and equipment	92	1,735	–	1,827
Depreciation of right-of-use assets	355	4,658	–	5,013
Amortisation of intangible assets	–	331	–	331

	(Unaudited)			
	For the six months ended 30 June 2020			
	Smart Office Business <i>RMB'000</i>	Industrial Solution Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue (<i>Note a</i>)	<u>134,437</u>	<u>114,439</u>	<u>8,988</u>	<u>257,864</u>
Results of reportable segments	<u>5,977</u>	<u>11,924</u>	<u>1,306</u>	<u>19,207</u>
A reconciliation of results of reportable segments to profit for the period is as follow:				
Results of reportable segments				19,207
Unallocated incomes/(expenses) (<i>Note b</i>)				<u>(9,494)</u>
Profit for the period				<u>9,713</u>
Other segment information:				
Capital expenditures	68	7,712	–	7,780
Depreciation of property, plant and equipment	38	1,789	–	1,827
Depreciation of right-of-use assets	–	4,779	–	4,779
Amortisation of intangible assets	43	403	–	446

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:

	(Unaudited)			
	For the six months ended 30 June 2021			
	Smart Office Business	Industrial Solution Business	New Retail Business	Total
Timing of revenue recognition	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
I.T. projects				
– At a point of time	9,177	73,520	12,275	94,972
– Over time	3,316	61,331	62	64,709
Maintenance and consulting services				
– Over time	882	24,069	–	24,951
Sales of goods				
– At a point of time	65,626	5,764	–	71,390
Operating lease income (Note)	–	2,520	–	2,520
	<u>79,001</u>	<u>167,204</u>	<u>12,337</u>	<u>258,542</u>

(Unaudited)				
For the six months ended 30 June 2020				
	Smart Office Business	Industrial Solution Business	New Retail Business	Total
Timing of revenue recognition	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
I.T. projects				
– At a point of time	3,218	33,421	7,588	44,227
– Over time	3,299	46,219	1,400	50,918
Maintenance and consulting services				
– Over time	783	23,586	–	24,369
Sales of goods				
– At a point of time	127,137	7,741	–	134,878
Operating lease income (Note)	–	3,472	–	3,472
	<u>134,437</u>	<u>114,439</u>	<u>8,988</u>	<u>257,864</u>

Note:

Operating lease income represents the income mainly generated from leasing of servers and operating the automated systems to its customers by charging a fixed monthly rental charge.

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:

(Unaudited)		
Six months ended 30 June		
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	166,647	114,770
North America	22,828	118,154
Europe	19,253	–
Other Asian countries	49,814	24,940
	<u>258,542</u>	<u>257,864</u>

- (b) Unallocated income/(expenses) mainly include government subsidies, finance income, fair value loss on financial assets at fair value through profit or loss, employment benefit expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, income tax expense and other operating expenses incurred at corporate level.

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	25,772	19,207
Unallocated income/(expenses)		
– Government subsidies	920	3,132
– Finance income	1,094	1,355
– Fair value loss on financial assets at fair value through profit or loss	(1,370)	(1,632)
– Depreciation of property, plant and equipment	(1,306)	(1,491)
– Depreciation of right-of-use assets	(1,543)	(1,550)
– Amortisation of intangible assets	(61)	(40)
– Employment benefit expenses	(5,145)	(4,688)
– Income tax expense	(3,457)	(2,034)
– Others	(3,418)	(2,546)
	<u>11,486</u>	<u>9,713</u>
Profit for the period	<u><u>11,486</u></u>	<u><u>9,713</u></u>

	(Unaudited)			
	As at 30 June 2021			
	Smart Office Business <i>RMB'000</i>	Industrial Solution Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
Segment assets	<u>126,197</u>	<u>242,777</u>	<u>12,158</u>	381,132
Other unallocated assets <i>(Note a)</i>				<u>193,278</u>
Total assets per condensed consolidated balance sheet				<u><u>574,410</u></u>
Segment liabilities				
Segment liabilities	<u>57,648</u>	<u>88,133</u>	<u>19,163</u>	164,944
Other unallocated liabilities <i>(Note b)</i>				<u>26,640</u>
Total liabilities per condensed consolidated balance sheet				<u><u>191,584</u></u>

	(Audited)			
	As at 31 December 2020			
	Smart Office Business <i>RMB'000</i>	Industrial Solution Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
Segment assets	<u>93,385</u>	<u>201,406</u>	<u>5,927</u>	300,718
Other unallocated assets (<i>Note a</i>)				<u>235,710</u>
Total assets per condensed consolidated balance sheet				<u><u>536,428</u></u>
Segment liabilities				
Segment liabilities	<u>52,127</u>	<u>95,884</u>	<u>205</u>	148,216
Other unallocated liabilities (<i>Note b</i>)				<u>33,419</u>
Total liabilities per condensed consolidated balance sheet				<u><u>181,365</u></u>

Note:

- (a) As at 30 June 2021 and 31 December 2020, other unallocated assets mainly included cash and cash equivalents, property, plant and equipment, right-of-use assets, prepayments and other receivables, and financial assets at fair value through profit or loss for corporate usage.

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

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Segment assets for reportable segments	381,132	300,718
Unallocated assets		
– Cash and cash equivalents	173,105	212,436
– Property, plant and equipment	2,117	3,372
– Right-of-use assets	1,089	2,644
– Prepayments and other receivables	2,233	940
– Financial assets at fair value through profit or loss	14,734	16,318
	<u>574,410</u>	<u>536,428</u>
Total assets per condensed consolidated balance sheet	<u>574,410</u>	<u>536,428</u>

- (b) As at 30 June 2021 and 31 December 2020, other unallocated liabilities mainly included accruals, other payables, lease liabilities and tax payables for corporate usage.

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

	(Unaudited) 30 June 2021 RMB'000	(Audited) 31 December 2020 RMB'000
Segment liabilities for reportable segments	164,944	148,216
Unallocated liabilities		
– Accruals and other payables	19,304	23,638
– Lease liabilities	948	4,073
– Tax payables	6,388	5,708
	<u>191,584</u>	<u>181,635</u>
Total liabilities per condensed consolidated balance sheet	<u>191,584</u>	<u>181,635</u>

3 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in Mainland China, Taiwan and the United States are subject to corporate income tax at the rate of 15% to 25%, 20% and 30%, respectively, for six months ended 30 June 2021 and 30 June 2020, where applicable.

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 2020 until 2022 and 2018 until 2021.

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation:		
– Taiwan profits tax	102	355
– PRC corporate income tax	3,238	1,086
– US income tax	117	593
	<hr/> 3,457 <hr/>	<hr/> 2,034 <hr/>

4 DIVIDENDS

At a Board meeting held on 20 August 2021, no interim dividend is declared by the directors for the six months ended 30 June 2021 (2020: Nil).

5 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 during the period.

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company <i>(RMB '000)</i>	<u><u>11,486</u></u>	<u><u>9,713</u></u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u><u>680,911</u></u>	<u><u>654,863</u></u>
Basic earnings per share (<i>rounded to RMB cents</i>)	<u><u>1.69</u></u>	<u><u>1.48</u></u>

(b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as the share options are anti-dilutive.

6 TRADE AND LEASE RECEIVABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– third parties	141,430	158,552
– related parties	129,561	97,349
	<u>270,991</u>	<u>255,901</u>
Finance lease receivables – total	7,715	8,253
	<u>278,706</u>	264,154
Trade and lease receivables – gross	278,706	264,154
Less: loss allowance	(61,516)	(62,154)
	<u>217,190</u>	202,000
Trade and lease receivables – net	217,190	202,000
Less: trade and lease receivables – non-current portion	(16,505)	(20,557)
	<u>200,685</u>	<u>181,443</u>

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

	(Unaudited)	(Audited)
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 60 days	146,005	131,277
60 to 120 days	49,783	37,324
121 days to 360 days	11,858	17,330
Over 360 days	63,345	69,970
	<u>270,991</u>	<u>255,901</u>

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

7 TRADE PAYABLES

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

	(Unaudited)	(Audited)
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 60 days	109,663	90,912
60 to 120 days	3,233	12,390
Over 120 days	650	1,315
	113,546	104,617

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save for the following deviations from the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), none of the directors of the company is aware of any information which would reasonably indicate that the company has not complied with the CG Code during the six months ended 30 June 2021.

CG Code provision F.1.1

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry with all directors, the company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 June 2021.

EMPLOYEES AND EMOLUMENT POLICY

The Board has set up the Remuneration Committee and the members are Mr. KAN Ji Ran Laurie (chairperson of the Remuneration Committee), Mr. TANG Tin Lok Stephen, Prof. ZHANG Xiaoquan and Mr. CAI Liting. As at 30 June 2021, the group had a total of approximately 507 (31 December 2020: 498) full time employees. The pay scale of the group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover. We provide well-organized training schemes for our employees. Other than orientation programs for new employees, trainings in live broadcasting or video clip format, covering a wide variety of topics, are tailor-made for employees to keep them abreast of the latest technology and market development. We also conduct a mentorship program in which each of the senior and middle management is required to provide regular coaching and experience sharing with one to two new employees.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. TANG Tin Lok Stephen (chairperson of the Audit Committee), Mr. KAN Ji Ran Laurie and Prof. ZHANG Xiaoquan, with terms of reference in compliance with the Listing Rules. The Audit Committee reviews the group's financial reporting, internal controls and makes relevant recommendations to the Board.

The Audit Committee has reviewed with management of the company the accounting principles and practices adopted by the group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2021, neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the company's shares.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the company. The interim report for the six months ended 30 June 2021 of the company containing all the information required by the Listing Rules will be despatched to the shareholders of the company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the company (www.maxnerva.com) in due course.

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

Hong Kong, 20 August 2021

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. CHIEN Yi-Pin, Mr. CAI Liting, Mr. KAO Chao Yang and Mr. CHENG Yee Pun, one non-executive director, namely, Mr. PARK Ho Jin, and three independent non-executive directors, namely, Mr. TANG Tin Lok Stephen, Mr. KAN Ji Ran Laurie and Prof. ZHANG Xiaoquan.