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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 2022

SUMMARY AND HIGHLIGHTS

- Revenue increased by 38.9% to RMB359.0 million but net profit decreased by 44.8% to RMB6.3 million for the reporting period when compared with the first half of 2021.
- The decline in net profit was mainly attributable to (i) the fall in gross margin due to change in product mix and (ii) the significant increase in selling and marketing expenses caused by the ongoing global expansion of the BLSC business.
- The Board does not recommend any payment of interim dividend for the six months ended 30 June 2022.

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 2022. 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 industrial solution, smart office and new retail businesses. During the reporting period, revenue increased by 38.9% to RMB359.0 million but net profit decreased by 44.8% to RMB6.3 million when compared with the first half of 2021. Gross margin declined due to change in product mix among and within the three business segments. Operating profit dropped mainly due to significant increase in selling and marketing expenses caused by the ongoing global expansion of the brand licensing and supply chain management (“BLSC”) 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 2022, there was approximately RMB124.5 million in inventory (31 December 2021: RMB110.1 million) and they are primarily project-related hardware and software products pending to be delivered to our customers and finished goods for BLSC business. Inventory turnover for the reporting period increased to 70 days from 50 days as compared to the full year of 2021 mainly because the supply chain and inventory level of BLSC business has been distorted by the lockdowns in the People’s Republic of China (the “PRC”).

As at 30 June 2022, there were approximately RMB209.6 million in trade and lease receivables (31 December 2021: RMB195.1 million) which consisted of current and non-current portion of RMB200.9 million (31 December 2021: RMB182.4 million) and RMB8.7 million (31 December 2021: RMB12.7 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 101 days from 122 days as compared to the full year of 2021 solely due to our relentless efforts on account receivable collection and aging receivable monitoring during the economic downturns.

Liquidity and financial resources

As at 30 June 2022, we had a net cash position and cash and cash equivalents were RMB148.8 million (31 December 2021: RMB189.1 million). Our total assets of RMB656.0 million (31 December 2021: RMB641.9 million) were financed by total liabilities of RMB230.8 million (31 December 2021: RMB229.4 million) and shareholders' equity of RMB425.2 million (31 December 2021: RMB412.5 million). We had a current ratio of 2.4 (31 December 2021: 2.4) and trade payables were repayable within one year. No banking facilities (31 December 2021: RMB30.6 million) were available to the group 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 the PRC, Taiwan, Hong Kong, United States of America (the “US”), Europe and Southeast Asia with most of the transactions settled in Chinese yuan, US dollars, New Taiwanese dollars, Hong Kong dollars, Euro, British pound and Vietnamese dong. We are exposed to foreign exchange risk from various currencies, primarily with respect to US dollars and Euro. 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.

Business review

In the wake of the outbreak of Russo-Ukrainian War, the pandemic-induced lockdowns in the PRC, and the aggressive tightening of monetary policies in major world economies in response to the concerns of surging inflation rates, business sentiments, in general, had been rapidly deteriorating during the reporting period.

Industrial solution business

We provide full range of smart manufacturing solutions and services to our customers, including i) the implementation of a combination of software system (i.e. enterprise resources planning, manufacturing execution system, warehouse management system etc.) and automation equipment into the production lines to enable smart processes that lower costs and increase operational effectiveness and efficiency; ii) the implementation of facility monitor and control system for monitoring the efficiency of the usage of water, power and gas of the production plants; and iii) the implementation of facial recognition system for labour and security management of the entire industrial parks. We also provide daily I.T. operating services and after-installation maintenance work in relation to those smart manufacturing solutions. The business continued to perform but profit margins of the executed projects, on average, were lower during the reporting period. As a result, segment profit fell by 25.9% to RMB17.1 million in spite of a 17.3% increase in segment revenue to RMB196.1 million when compared with the first half of 2021.

Smart office business

Smart office business primarily consists of Personify and BLSC business. Segment revenue and profit grew by 98.6% and 97.7% to RMB156.9 million and RMB2.3 million respectively during the reporting period when compared with the same period of 2021.

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. We have invested heavily in developing new products as well as enhancing our existing products since mid-2021. During the reporting period, we launched some of our new and enhanced products and successfully added a number of global video conference players and social media companies into our client portfolio. Revenue for Personify business increased by over 7% when compared with the first half of 2021.

For BLSC business, revenue grew significantly by 124.0% during the reporting period on a year-on-year basis mainly due to i) low comparative numbers last year caused by shortage of key electronic components worldwide; and ii) the business managed to deliver satisfactory results despite the adverse influence from the lockdowns in the PRC in the first half of 2022 on the business's supply chain and market development progress.

New retail business

We are delving into the opportunities for our digital signage solutions in the retail sector of Taiwan. We are working on the phase II project for a preeminent supermarket player in Taiwan after completing the phase I project for the customer with positive feedback. Project progress was distorted by the outbreak of the pandemic in Taiwan in mid-2022, segment revenue and profit thus decreased by 50.7% and 22.1% to RMB6.1 million and RMB1.2 million respectively when compared with the same period last year.

Business prospect

Industrial solution business

According to our business schedule, we plan to deliver a number of sizeable projects to our clients in the second half of the year. Thus, we are cautiously optimistic on the results of this segment for the full year of 2022.

Smart office business

We shall continue to devote more sales and marketing efforts to Personify business. Research and development expenses of Personify business were peaked in the first quarter of the year and they will return to normal level throughout the rest of the year. For BLSC business, we remain positive on its performance in the second half of 2022 assuming there are no severe lockdowns in the PRC. As a whole, the results of the smart office business in the second half are anticipated to perform better than the first half of the year.

New retail business

With the completion of the phase II of the digital retail signage project in Taiwan, we have been offered the phase III project to install the solutions into 60 stores of the same client. On top of this, we shall continue to explore other business opportunities for this segment in the Greater China region.

Significant investments

SigmaSense, LLC (“SigmaSense”)

We invested US\$2 million and US\$0.5 million in the preferred shares of SigmaSense in 2019 and 2020 respectively and our investment accounted for approximately 1.99% of the total shareholding of SigmaSense as at 30 June 2022. SigmaSense was founded in 2015 focusing on display related touch sensing technology for a wide range of products, i.e. laptops, tablets, smartphones, large format interactive displays, gaming and automotive. The latest valuation of our investment in SigmaSense was approximately US\$5.5 million, about 5.5% of the total assets value of our group as at 30 June 2022. The unrealized loss of the investment was approximately RMB0.6 million during the reporting period. The investment is expected to generate capital appreciations to the group in the medium and long term.

GRC Sino-Green Fund V, L.P. (“GRC Fund”)

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 Fund. Pursuant to the limited partnership agreement, we have committed to contribute RMB30 million which size is expected to account for 6% of the total capital contribution committed by the partners of the GRC Fund. The GRC Fund was 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 such 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. We contributed RMB9 million to GRC Fund in 2021 and another RMB9 million in the first half of 2022. There was a decline of approximately RMB0.3 million in the value of our interest in GRC Fund during the reporting period. The investment is expected to generate capital appreciations in the long term and may bring other business opportunities to the group.

Save as disclosed above, we had no significant investment during the reporting period.

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

During the reporting period, we have no material acquisition and disposal of subsidiaries, associates and joint ventures.

As at 30 June 2022, there were no charges on the group’s assets and contingent liabilities (31 December 2021: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		(Unaudited)	
		Six months ended 30 June	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	2	359,002	258,542
Cost of sales		<u>(304,688)</u>	<u>(207,195)</u>
Gross profit		54,314	51,347
Other income		895	1,093
Other losses, net		(2,712)	(2,243)
Selling and distribution expenses		(16,791)	(5,838)
General and administrative expenses		(21,982)	(22,041)
Research and development expenses		<u>(6,574)</u>	<u>(8,469)</u>
Operating profit		7,150	13,849
Finance income – net		816	1,094
Share of result of an associate		<u>(769)</u>	<u>–</u>
Profit before income tax		7,197	14,943
Income tax expense	3	<u>(854)</u>	<u>(3,457)</u>
Profit for the period		<u>6,343</u>	<u>11,486</u>
Earnings per share for profit attributable to ordinary equity holders of the Company (RMB cents per share)			
– Basic and diluted	5	<u>0.90</u>	<u>1.69</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	6,343	11,486
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	6,242	(3,293)
Other comprehensive income/(loss) for the period	6,242	(3,293)
Total comprehensive income for the period	12,585	8,193

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

		(Unaudited) 30 June 2022 <i>RMB'000</i>	(Audited) 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Intangible assets		18,579	19,641
Property, plant and equipment		9,925	10,450
Right-of-use assets		19,363	25,793
Investment in an associate		9,231	–
Financial assets at fair value through profit or loss		55,722	47,777
Trade and lease receivables	6	8,741	12,698
Deferred income tax assets		2,503	2,010
Prepayments and rental deposits		335	271
Total non-current assets		<u>124,399</u>	<u>118,640</u>
Current assets			
Inventories		124,495	110,126
Contract assets		688	561
Trade and lease receivables	6	200,901	182,430
Prepayments, deposits and other receivables		56,738	41,109
Cash and cash equivalents		148,835	189,064
Total current assets		<u>531,657</u>	<u>523,290</u>
Total assets		<u>656,056</u>	<u>641,930</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		68,447	68,447
Share premium		213,865	213,865
Reserves		142,931	130,173
Total equity		<u>425,243</u>	<u>412,485</u>

		(Unaudited)	(Audited)
		30 June	31 December
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,341	4,263
Lease liabilities		5,093	9,544
		-----	-----
Total non-current liabilities		7,434	13,807
		-----	-----
Current liabilities			
Trade payables	7	149,282	121,310
Accruals and other payables		30,672	41,910
Contract liabilities		25,452	35,453
Lease liabilities		10,772	12,482
Tax payables		7,201	4,483
		-----	-----
Total current liabilities		223,379	215,638
		-----	-----
Total liabilities		230,813	229,445
		=====	=====
Total equity and liabilities		656,056	641,930
		=====	=====

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 26 August 2022.

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 2022 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 2021, 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 2021 except for the amended standards as set out below.

Income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

Amended standards and accounting guideline adopted by the Group

The following amended standards and accounting guideline are relevant to the Group's operations and mandatory for its accounting periods beginning on or after 1 January 2022:

Annual Improvements Project Amendments to HKFRS 16	Annual Improvements to HKFRSs 2018-2020 COVID-19-Related Rent Concession beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of amended standards and accounting guideline 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 as follows:

1. 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.

2. Smart Office Business

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

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, investment in an associate, financial assets at fair value through profit or loss and deferred income tax assets), all of which are managed on a central basis. Liabilities of reportable segments exclude corporate liabilities (mainly including lease liabilities, accruals, other payables, tax payables and deferred income tax liabilities). These are part of the reconciliation to total balance sheet assets and liabilities.

	(Unaudited)			
	For the six months ended 30 June 2022			
	Industrial Solution Business <i>RMB'000</i>	Smart Office Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue (<i>Note a</i>)	<u>196,055</u>	<u>156,867</u>	<u>6,080</u>	<u>359,002</u>
Results of reportable segments	<u>17,131</u>	<u>2,264</u>	<u>1,185</u>	<u>20,580</u>
A reconciliation of results of reportable segments to profit for the period is as follow:				
Results of reportable segments				20,580
Unallocated incomes/(expenses) (<i>Note b</i>)				<u>(14,237)</u>
Profit for the period				<u>6,343</u>
Other segment information:				
Capital expenditures	1,398	35	–	1,433
Depreciation of property, plant and equipment	1,686	108	–	1,794
Depreciation of right-of-use assets	4,390	491	–	4,881
Amortisation of intangible assets	607	1,243	–	1,850

	(Unaudited)			
	For the six months ended 30 June 2021			
	Industrial Solution Business <i>RMB'000</i>	Smart Office Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue (<i>Note a</i>)	<u>167,204</u>	<u>79,001</u>	<u>12,337</u>	<u>258,542</u>
Results of reportable segments	<u>23,106</u>	<u>1,145</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	1,055	22,258	–	23,313
Depreciation of property, plant and equipment	1,735	92	–	1,827
Depreciation of right-of-use assets	4,658	355	–	5,013
Amortisation of intangible assets	331	–	–	331

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 2022			
	Industrial Solution Business <i>RMB'000</i>	Smart Office Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition				
I.T. projects				
– At a point of time	70,408	19,588	6,061	96,057
– Over time	77,199	4,035	19	81,253
Maintenance and consulting services				
– Over time	23,459	147	–	23,606
Sales of goods				
– At a point of time	22,816	133,097	–	155,913
Operating lease income (Note)	2,173	–	–	2,173
	<u>196,055</u>	<u>156,867</u>	<u>6,080</u>	<u>359,002</u>

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

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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The PRC	188,969	166,647
North America	36,015	22,828
Europe	44,290	19,253
Other Asian countries	89,728	49,814
	359,002	258,542

- (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, amortisation of intangible assets, share of result of an associate, 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	20,580	25,772
Unallocated income/(expenses)		
– Government subsidies	644	920
– Finance income	816	1,094
– Fair value loss on financial assets at fair value through profit or loss	(2,856)	(1,370)
– Depreciation of property, plant and equipment	(142)	(1,306)
– Depreciation of right-of-use assets	(1,397)	(1,543)
– Amortisation of intangible assets	–	(61)
– Employment benefit expenses	(6,167)	(5,145)
– Share of result of an associate	(769)	–
– Income tax expense	(854)	(3,457)
– Others	(3,512)	(3,418)
	<hr/>	<hr/>
Profit for the period	<u>6,343</u>	<u>11,486</u>

	(Unaudited)			
	As at 30 June 2022			
	Industrial Solution Business <i>RMB'000</i>	Smart Office Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
Segment assets	<u>243,577</u>	<u>180,762</u>	<u>5,219</u>	429,558
Other unallocated assets <i>(Note a)</i>				<u>226,498</u>
Total assets per condensed consolidated balance sheet				<u><u>656,056</u></u>
Segment liabilities				
Segment liabilities	<u>103,760</u>	<u>82,443</u>	<u>8,795</u>	194,998
Other unallocated liabilities <i>(Note b)</i>				<u>35,815</u>
Total liabilities per condensed consolidated balance sheet				<u><u>230,813</u></u>

	(Audited)			
	As at 31 December 2021			
	Industrial Solution Business <i>RMB'000</i>	Smart Office Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
Segment assets	<u>234,397</u>	<u>154,674</u>	<u>5,471</u>	394,542
Other unallocated assets (<i>Note a</i>)				<u>247,388</u>
Total assets per condensed consolidated balance sheet				<u><u>641,930</u></u>
Segment liabilities				
Segment liabilities	<u>84,800</u>	<u>77,599</u>	<u>21,171</u>	183,570
Other unallocated liabilities (<i>Note b</i>)				<u>45,875</u>
Total liabilities per condensed consolidated balance sheet				<u><u>229,445</u></u>

Note:

- (a) As at 30 June 2022 and 31 December 2021, other unallocated assets mainly included cash and cash equivalents, property, plant and equipment, right-of-use assets, prepayments and other receivables, investment in an associate, financial assets at fair value through profit or loss and deferred income tax assets for corporate usage.

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

	(Unaudited) 30 June 2022 <i>RMB'000</i>	(Audited) 31 December 2021 <i>RMB'000</i>
Segment assets for reportable segments	429,558	394,542
Unallocated assets		
– Cash and cash equivalents	148,835	189,064
– Property, plant and equipment	2,638	1,088
– Right-of-use assets	4,535	5,903
– Prepayments and other receivables	3,034	1,546
– Investment in an associate	9,231	–
– Financial assets at fair value through profit or loss	55,722	47,777
– Deferred income tax assets	2,503	2,010
	<u>656,056</u>	<u>641,930</u>
Total assets per condensed consolidated balance sheet	<u>656,056</u>	<u>641,930</u>

- (b) As at 30 June 2022 and 31 December 2021, other unallocated liabilities mainly included accruals, other payables, lease liabilities, tax payables and deferred income tax liabilities for corporate usage.

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

	(Unaudited) 30 June 2022 <i>RMB'000</i>	(Audited) 31 December 2021 <i>RMB'000</i>
Segment liabilities for reportable segments	194,998	183,570
Unallocated liabilities		
– Accruals and other payables	21,902	31,415
– Lease liabilities	4,371	5,714
– Tax payables	7,201	4,483
– Deferred income tax liabilities	2,341	4,263
	<u>230,813</u>	<u>229,445</u>
Total liabilities per condensed consolidated balance sheet	<u>230,813</u>	<u>229,445</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% (2021: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in the PRC, Taiwan and the United States are subject to corporate income tax at the rate of 25%, 20% and 30% (2021: Same) respectively, for the six months ended 30 June 2022, except for those specified below.

Two of the subsidiaries in the PRC 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 2021 until 2023, respectively.

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

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation	3,268	3,457
Deferred income tax expenses	(2,414)	–
	<u>854</u>	<u>3,457</u>

4 DIVIDENDS

At a Board meeting held on 26 August 2022, no interim dividend is declared by the directors for the six months ended 30 June 2022 (2021: 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	
	2022	2021
Profit attributable to equity holders of the Company <i>(RMB'000)</i>	<u><u>6,343</u></u>	<u><u>11,486</u></u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u><u>701,543</u></u>	<u><u>680,911</u></u>
Basic earnings per share (<i>rounded to RMB cents</i>)	<u><u>0.90</u></u>	<u><u>1.69</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
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– third parties	166,024	147,082
– related parties	100,135	101,032
	<u>266,159</u>	<u>248,114</u>
Finance lease receivables – total	6,615	7,178
	<u>272,774</u>	<u>255,292</u>
Trade and lease receivables – gross	272,774	255,292
Less: loss allowance	(63,132)	(60,164)
	<u>209,642</u>	<u>195,128</u>
Trade and lease receivables – net	209,642	195,128
Less: trade and lease receivables – non-current portion	(8,741)	(12,698)
	<u>200,901</u>	<u>182,430</u>

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

	(Unaudited)	(Audited)
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 60 days	156,167	148,643
60 to 120 days	28,241	30,977
121 days to 360 days	20,748	10,582
Over 360 days	61,003	57,912
	<u>266,159</u>	<u>248,114</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
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 60 days	130,450	117,918
60 to 120 days	11,067	2,671
Over 120 days	7,765	721
	<u>149,282</u>	<u>121,310</u>

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 2022.

CG Code provision C.6.1

Mr. TSANG Hing Bun (“Mr. Tsang”) was appointed as the company secretary of the company with effect from 3 November 2015. Although Mr. Tsang is not an employee of the company as required under the CG Code provision C.6.1, 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 C.6.4. 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 2022.

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 2022, the group had a total of 582 (31 December 2021: 543) 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 based in the PRC 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 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2022, 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 2022 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, 26 August 2022

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.