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 2019

SUMMARY AND HIGHLIGHTS

For the six months ended 30 June 2019:

- Revenue increased 45% year-on-year to RMB152.9 million during the reporting period.

- Net profit was approximately RMB6.0 million as compared to net loss of approximately RMB20.0 million for the six months ended 30 June 2018.

- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2019.

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 2019. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee of the company.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and financial review

The group focuses on the provision of smart manufacturing solutions, other Internet-of-things (“IoT”) and system integration solutions, and information technology services.

For the six months ended 30 June 2019, our revenue increased by 45% to RMB152.9 million and we experienced a net gain of RMB6.0 million versus a net loss of RMB20.0 million for the first half of 2018. Such improvement was mainly due to i) higher revenue coupled with an enhancement in the utilization rate of staff which resulted in substantial increase in gross profit; ii) a significant reduction in selling and distribution expenses; and iii) no provision was made for impairment of the trade receivables during the reporting period, as compared to the six months period ended 30 June 2018.

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2019.

Inventory and trade and lease receivables

As at 30 June 2019, there were approximately RMB27.0 million in inventory (31 December 2018: RMB24.8 million) and they are primarily the hardware and software products pending to be delivered to our customers. Inventory turnover for the reporting period fell to 37 days from 45 days as compared to the full year of 2018 mainly because we have hastened our project delivery schedules in wake of growing business volume.

As at 30 June 2019, there were approximately RMB169.5 million in trade and lease receivables (31 December 2018: RMB231.1 million). Trade and lease receivable turnover for the reporting period dropped to 236 days from 264 days as compared to the full year of 2018 solely due to significant amount of sales were made to a number of customers near year end of 2018. Most of the due balances of those sales were settled during the reporting period.

Liquidity and financial resources

As at 30 June 2019, we had a net cash position. Cash and cash equivalents and short-term bank deposit were approximately RMB168.1 million (31 December 2018: RMB141.5 million). Our total assets of approximately RMB474.9 million were financed by current liabilities of approximately RMB108.5 million, a non-current liability of approximately RMB33.7 million and shareholders' equity of approximately RMB332.7 million. We had a current ratio of approximately 3.5 times and trade payables repayable within one year. No banking facilities were available to the group (31 December 2018: 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 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 Mainland China, Taiwan and Hong Kong with most of the transactions settled in Chinese Yuan, US dollars, New Taiwanese dollars and Hong Kong dollars. We are exposed to foreign exchange risk from various currencies, primarily with respect to US dollars. We have a policy to require group companies to manage their foreign exchange risk against their functional currencies which includes managing the exposures arising from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. We also manage our foreign exchange risk by performing regular reviews of the group's net foreign 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

We had no i) material acquisition and disposal of subsidiaries, associates and joint ventures and ii) significant investment during the reporting period.

As at 30 June 2019, there were no charges on the group's assets and contingent liabilities (31 December 2018: Nil).

BUSINESS REVIEW

Smart manufacturing business

We provide full range of smart manufacturing solutions to our customers. Segment revenue grew by 29% to RMB43.4 million during the reporting period and there was a segment profit of RMB2.3 million for the first half of the year versus a segment loss of RMB6.6 million in the comparable period. Such improvement was due to stronger project execution and an enhancement of utilization rate of staff resulted in higher revenue and an improvement of the segment margin. A number of new projects were provided to Hon Hai Precision Industry Company Limited and its subsidiaries (collectively, the "Hon Hai Group"), including the implementation of enterprise resources planning ("ERP"), warehouse management system ('WMS"), quality management system ("QMS"), statistical process control ("SPC") system and advanced automation equipment during the reporting period. For independent third party customers, we have taken up an overall design consultation work for a new customer, a Zhuhai-based prominent power control system manufacturer, on its new production plant. We have also commenced phase II upgrade of manufacturing execution system ("MES") for our existing client in audio system speaker manufacturing sector.

Other IoT and system integration business

We provide a wide range of IoT and system integration solutions to both Hon Hai Group-related and independent third party customers. Segment revenue increased 111% to RMB63.1 million during the reporting period and there was a segment profit of RMB0.3 million for the first half of the year as opposed to a segment loss of RMB16.6 million in the comparable period. Such recovery was due to the spin-off of the loss-making VPanel business early this year and no provision was made for impairment of the trade receivables during the reporting period, notwithstanding that a severance payment of an approximately RMB2.5 million to the VPanel team was accounted in the first half of the year. The division had a busy time in the first half of the year. For facial recognition system, we have rolled out the system to Hon Hai Group's industrial park at Langfang city, Heibei Province, during the reporting period. There are over 40 industrial parks in Mainland China within Hon Hai Group and we will continue to roll out the system to most of them in the coming future. For smart construction site solutions, we have completed the demo site project at Shandong Jimo Haier International Plaza in the first half of the year and are well prepared to commence new projects from other customers in Mainland China. In addition, we have completed a number of video surveillance and conference, smart classroom and display-related projects for various Taiwan-based customers, including the National Taiwan University Cancer Center, Taipei Main Station and a handful of primary schools in Taiwan. We expect our Taiwan team will continue performing well in the second half of this year based on its current projects in hand.

Information technology ("I.T.") service business

We provide I.T. infrastructure services, including i) cloud services; ii) planning, design, deployment and maintenance; and iii) related equipment procurement, to our customers. Segment revenue increased by 11% to RMB46.4 million during the reporting period but segment margin fell from 37% to 23% resulted in a 31% drop of segment profit to RMB10.6 million. Virtual desktop infrastructure ("VDI") continues to be a new growth area for this business but the segment margin was being squeezed constantly by growing price pressure from customers and ever-rising labour costs. We have recently been admitted by Shenzhen Mobile, a branch office of China Mobile Limited, as its certified supplier in providing cloud computing and network system integration services to its government-related and commercial clients. By leveraging the existing clientele of Shenzhen Mobile, we will step up our efforts to expand the independent third party customer base for this business in the second half of the year.

PROSPECTS

We are in the midst of the Sino-US battles over trade, transfer of technology and network security. We have experienced all the ups and downs in the previous twelve months and do not expect the US and Chinese Governments will have a hasty settlement on the disputes in the near term. Owing to the gloomy economic outlook, a number of key economies have already been loosening their monetary policy and/or stepping up their government spending and tax cut programs in an effort to boost the local economies. We gradually feel the heat since some of the customers have scaled back their I.T. spending and investments in Mainland China due to the geopolitical and macro uncertainties. We shall closely monitor the situation and adopt appropriate measures with an aim to maintaining a more stable business performance in the second half of the year.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

		(Unaudited)	
		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**152,924**	105,140
Cost of sales		**(124,989)**	(90,186)
Gross profit		**27,935**	14,954
Other income		**2,186**	1,138
Other gains, net		**3,125**	904
Loss allowances for trade receivables		**–**	(10,287)
Selling and distribution expenses		**(5,957)**	(7,542)
General and administrative expenses		**(20,640)**	(20,114)
Operating profit/(loss)		**6,649**	(20,947)
Finance income		**1,183**	1,087
Share of result of an associate		**(274)**	–
Profit/(loss) before income tax		**7,558**	(19,860)
Income tax expense	*3*	**(1,528)**	(178)
Profit/(loss) for the period		**6,030**	(20,038)
Earnings/(losses) per share for profit/(loss) attributable to ordinary equity holders of the Company (RMB cents per share)			
– Basic and diluted	*5*	**0.92**	(3.03)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	(Unaudited) Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit/(loss) for the period	**6,030**	(20,038)
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(934)**	17
Other comprehensive (loss)/income for the period	**(934)**	17
Total comprehensive income/(loss) for the period	**5,096**	(20,021)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	(Unaudited) 30 June 2019 RMB'000	(Audited) 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**1,993**	2,437
Property, plant and equipment		**13,274**	39,228
Right-of-use assets		**44,540**	–
Interest in an associate		**78**	–
Financial assets at fair value through profit or loss		**4,429**	–
Trade and lease receivables	*6*	**32,427**	34,426
Prepayments and rental deposits		**1,154**	1,847
Total non-current assets		**97,895**	77,938
Current assets			
Inventories		**26,951**	24,754
Contract assets		**386**	2,836
Trade and lease receivables	*6*	**137,095**	196,639
Prepayments, deposits and other receivables		**44,488**	13,790
Short-term bank deposit		**–**	1,330
Cash and cash equivalents		**168,110**	140,138
Total current assets		**377,030**	379,487
Total assets		**474,925**	457,425
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**64,479**	65,111
Share premium		**187,511**	191,340
Reserves		**80,696**	73,203
Total equity		**332,686**	329,654

	Note	(Unaudited) 30 June 2019 RMB'000	(Audited) 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**33,708**	–
Obligation under finance leases		**–**	19,541
Total non-current liabilities		**33,708**	19,541
Current liabilities			
Trade payables	*7*	**39,329**	56,729
Accruals and other payables		**16,922**	26,970
Contract liabilities		**33,371**	8,445
Lease liabilities		**11,915**	–
Obligation under finance leases		**–**	5,837
Tax payables		**6,994**	10,249
Total current liabilities		**108,531**	108,230
Total liabilities		**142,239**	127,771
Total equity and liabilities		**474,925**	457,425

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

1(A) BASIS OF PREPARATION AND ACCOUNTING POLICIES

General information

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

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

This unaudited condensed consolidated interim financial information was approved for issue by the Board on 21 August 2019.

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 2019 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 2018, 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 2018 except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

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

The following new and amended standards and interpretation are relevant to the Group's operations and mandatory for its accounting periods beginning on or after 1 January 2019:

Annual Improvements Project 2017	Annual improvements 2015-2017 Cycle
HKAS 19 (amendments)	Plan amendment, curtailment or settlement
HKAS 28 (amendments)	Long-term interests in associates and joint ventures
HKFRS 9 (amendments)	Prepayment features with negative compensations
HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over income tax treatments

The Group had to change its accounting policies following the adoption of HKFRS 16 which are disclosed in Note 1(A)(c). The adoption of other new and amended standards and interpretation did not have any material impact on the current period or any prior periods.

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

The following published new and amended standards and interpretation that are relevant to the Group's operation are mandatory for the Group's accounting periods beginning on or after 1 January 2020 and have not been early adopted by the Group:

HKFRS 3 (amendments)	Definition of business[1]
HKFRS 17	Insurance contracts[2]
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting[1]
HKAS 1 and HKAS 8 (amendments)	Definition of material[1]
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]

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

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

[3] *Effective date to be determined*

The Group will apply the above new and amended standards and interpretation when they become effective. The Group anticipates that the application of the above new and amended standards and interpretation have no material impact on the results and the financial position of the Group.

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Lease payments include the following:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable; and

– variable lease payments that are based on an index or a rate.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

The Group measured the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date. The opening balances of lease liabilities and the corresponding right-of-use assets have been adjusted as at 1 January 2019.

Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the condensed consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In accordance with the transition provisions in HKFRS 16, the Group has adopted HKFRS 16 retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. Comparative information has not been restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. Furthermore, the Group has used the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

The adoption of HKFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed interim financial information. In accordance with the transitional provisions in HKFRS 16, comparative figures have not been restated.

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

	31 December 2018	**HKFRS 16**	**1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
	(As originally presented)	(Unaudited)	(Restated) (Unaudited)
Condensed consolidated balance sheet (extract)			
Non-current assets			
Right-of-use assets	–	36,265	36,265
Property, plant and equipment	39,228	(24,044)	15,184
	39,228	12,221	51,449
Current assets			
Prepayments, deposits and other receivables	13,790	(487)	13,303
Non-current liabilities			
Lease liabilities	–	27,616	27,616
Obligation under finance leases	19,541	(19,541)	–
	19,541	8,075	27,616
Current liabilities			
Lease liabilities	–	11,130	11,130
Obligation under finance leases	5,837	(5,837)	–
Accruals and other payables	26,970	(166)	26,804
	32,807	5,127	37,934
Equity			
Retained earnings	25,780	(1,468)	24,312

The amount by each financial statements line item affected in the current period and period to date by the application of HKFRS 16 as compared to HKAS 17 that was previously in effect before the adoption of HKFRS 16 is as follows:

	For the six months ended 30 June 2019		
	Amounts without the adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amounts as reported**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Condensed consolidated income statement (extract)			
General and administrative expenses			
Operating lease rental	**3,134**	**(3,134)**	**–**
Depreciation	**2,182**	**2,620**	**4,802**
Short-term leases expenses	**–**	**287**	**287**
Finance income	**1,412**	**(229)**	**1,183**
Profit for the period	**6,032**	**(2)**	**6,030**

	As at 30 June 2019		
	Amounts without the adoption of HKFRS 16	Effects of the adoption of HKFRS 16	Amounts as reported
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Condensed consolidated balance sheet (extract)			
Non-current assets			
Right-of-use assets	–	44,540	44,540
Property, plant and equipment	53,163	(39,889)	13,274
	53,163	4,651	57,814
Current assets			
Prepayments, deposits and other receivables	44,663	(175)	44,488
Non-current liabilities			
Lease liabilities	–	33,708	33,708
Obligation under finance leases	31,326	(31,326)	–
	31,326	2,382	33,708
Current liabilities			
Lease liabilities	–	11,915	11,915
Obligation under finance leases	9,833	(9,833)	–
	9,833	2,082	11,915
Equity			
Retained earnings	30,330	12	30,342

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 these reports.

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

1. Smart Manufacturing Business

The provision of I.T. solutions within factories which include but not limited to overall system design, digital factory implementation and advanced automation.

2. Other IoT and System Integration Business

The provision of I.T. and system integration solutions other than smart manufacturing solutions.

3. Information Technology Service Business

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

The comparative figures for the six months ended 30 June 2018 have been restated to conform with the current period presentation.

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

Assets of reportable segments exclude corporate assets (mainly including corporate cash and cash equivalents, short-term bank deposits, property, plant and equipment, right-of-use assets and prepayments, rental deposits and other receivables), all of which are managed on a central basis. Liabilities of reportable segments exclude corporate liabilities (mainly including 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 2019			
	Smart Manufacturing Business	**Other IoT and System Integration Business**	**Information Technology Service Business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue *(Note a)*	**43,435**	**63,055**	**46,434**	**152,924**
Results of reportable segments	**2,325**	**285**	**10,593**	**13,203**
A reconciliation of results of reportable segments to profit for the period is as follow:				
Results of reportable segments				**13,203**
Unallocated incomes/expenses *(Note b)*				**(7,173)**
Profit for the period				**6,030**
Other segment information:				
Capital expenditures	**18,134**	**1,969**	**753**	**20,856**
Depreciation	**4,168**	**557**	**615**	**5,340**
Amortisation	**1,211**	**122**	**26**	**1,359**

	(Unaudited) For the six months ended 30 June 2018 (Restated)			
	Smart Manufacturing Business	Other IoT and System Integration Business	Information Technology Service Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue *(Note a)*	33,559	29,916	41,665	105,140
Results of reportable segments	(6,626)	(16,637)	15,288	(7,975)
A reconciliation of results of reportable segments to loss for the period is as follow:				
Results of reportable segments				(7,975)
Unallocated incomes/expenses *(Note b)*				(12,063)
Loss for the period				(20,038)
Other segment information:				
Capital expenditures	3,882	–	365	4,247
Depreciation	2,137	603	1,352	4,092
Amortisation	1,261	62	43	1,366
Loss allowance for trade receivables	–	(10,287)	–	(10,287)

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 2019			
Timing of revenue recognition	**Smart Manufacturing Business** *RMB'000*	**Other IoT and System Integration Business** *RMB'000*	**Information Technology Service Business** *RMB'000*	**Total** *RMB'000*
I.T. projects				
– At a point of time	**10,734**	**30,319**	**9,744**	**50,797**
– Over time	**19,629**	**27,513**	**10,118**	**57,260**
Maintenance and consulting services				
– Over time	**9,627**	**766**	**17,322**	**27,715**
Sales of goods				
– At a point of time	**3,445**	**3,386**	**8,836**	**15,667**
Operating lease income	**–**	**1,071**	**414**	**1,485**
	43,435	**63,055**	**46,434**	**152,924**

Timing of revenue recognition	Smart Manufacturing Business *RMB'000*	Other IoT and System Integration Business *RMB'000*	Information Technology Service Business *RMB'000*	Total *RMB'000*
	(Unaudited) For the six months ended 30 June 2018 (Restated)			
I.T. projects				
– At a point of time	5,561	18,863	832	25,256
– Over time	12,462	4,703	10,019	27,184
Maintenance and consulting services				
– Over time	8,464	907	23,335	32,706
Sales of goods				
– At a point of time	6,832	5,099	6,072	18,003
Operating lease income	240	344	1,407	1,991
	33,559	29,916	41,665	105,140

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	
	2019	2018
	RMB'000	*RMB'000*
Mainland China	**125,942**	90,321
North America	**6,897**	9,736
Other Asian countries	**20,085**	5,083
	152,924	105,140

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

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

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Segment results	**13,203**	(7,975)
Unallocated income/(expenses)		
– Government subsidies	**2,127**	84
– Finance income	**1,183**	1,087
– Depreciation	**(4,592)**	(396)
– Amortisation	**(295)**	(398)
– Employment benefit expenses	**(2,064)**	(5,834)
– Income tax expense	**(1,528)**	(178)
– Others	**(2,004)**	(6,428)
Profit/(loss) for the period	**6,030**	(20,038)

	(Unaudited) As at 30 June 2019			
	Smart Manufacturing Business	Other IoT and System Integration Business	Information Technology Service Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets				
Segment assets	**96,150**	**158,653**	**34,864**	**289,667**
Other unallocated assets *(Note a)*				**185,258**
Total assets per condensed consolidated balance sheet				**474,925**
Segment liabilities				
Segment liabilities	**53,192**	**62,233**	**6,789**	**122,214**
Other unallocated liabilities *(Note b)*				**20,025**
Total liabilities per condensed consolidated balance sheet				**142,239**

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

Note:

(a) As at 30 June 2019 and 31 December 2018, other unallocated assets mainly included cash and cash equivalents and short-term bank deposits, property, plant and equipment, right-of-use assets, prepayments, rental deposits and other receivables for corporate usage.

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

	(Unaudited) **30 June** **2019** ***RMB'000***	(Audited) 31 December 2018 *RMB'000*
Segment assets for reportable segments	**289,667**	301,238
Unallocated assets		
– Cash and cash equivalents and short-term bank deposits	**168,110**	141,468
– Property, plant and equipment	**7,700**	9,898
– Right-of-use assets	**4,651**	–
– Prepayments, rental deposits and other receivables	**4,511**	4,388
– Others	**286**	433
Total assets per condensed consolidated balance sheet	**474,925**	457,425

(b) As at 30 June 2019 and 31 December 2018, other unallocated liabilities mainly included lease liabilities, accruals, other payables and tax payables for corporate usage.

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

	(Unaudited) **30 June** **2019** ***RMB'000***	(Audited) 31 December 2018 *RMB'000*
Segment liabilities for reportable segments	**122,214**	105,652
Unallocated liabilities		
– Lease liabilities	**4,465**	–
– Accruals and other payables	**8,414**	11,139
– Tax payables	**6,994**	10,249
– Others	**152**	731
Total liabilities per condensed consolidated balance sheet	**142,239**	127,771

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% (2018: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in Mainland China and Taiwan are subject to corporate income tax at the rate of 15% to 25% and 20% respectively, for six months ended 30 June 2019 and 30 June 2018, 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 2017 until 2019 and 2018 until 2020 respectively.

One of the subsidiaries in Mainland China was approved by the relevant local tax bureaus under the preferential tax policy for the western region of Mainland China, and was entitled to a preferential corporate income tax rate of 15% from 2017 until 2020.

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

	(Unaudited) Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current taxation:		
– Taiwan profits tax	**1,205**	171
– PRC corporate income tax	**323**	7
	1,528	178

4 DIVIDENDS

At a board meeting held on 21 August 2019, no interim dividend is declared by the directors for the six months ended 30 June 2019 (2018: Nil).

5 EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings/(losses) 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 period.

	(Unaudited) Six months ended 30 June	
	2019	2018
Profit/(loss) attributable to equity holders of the Company *(RMB'000)*	**6,030**	(20,038)
Weighted average number of ordinary shares in issue *('000)*	**654,863**	662,239
Basic earnings/(losses) per share *(rounded to RMB cents)*	**0.92**	(3.03)

(b) Diluted

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

6 TRADE AND LEASE RECEIVABLES

	(Unaudited) As at 30 June 2019 *RMB'000*	(Audited) As at 31 December 2018 *RMB'000*
Trade receivables		
– third parties	**104,641**	80,576
– related parties	**115,826**	199,802
	220,467	280,378
Finance lease receivables – total	**8,922**	10,508
Trade and lease receivables – gross	**229,389**	290,886
Less: loss allowance	**(59,867)**	(59,821)
Trade and lease receivables – net	**169,522**	231,065
Less: Trade and lease receivables – non-current portion	**(32,427)**	(34,426)
Trade and lease receivables – current portion	**137,095**	196,639

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

	(Unaudited) 30 June 2019 *RMB'000*	(Audited) 31 December 2018 *RMB'000*
Less than 60 days	**111,608**	199,940
60 to 120 days	**13,708**	14,508
Over 120 days	**95,151**	65,930
	220,467	280,378

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
	2019	2018
	RMB'000	*RMB'000*
Less than 60 days	**27,498**	51,297
60 to 120 days	**4,717**	1,080
Over 120 days	**7,114**	4,352
	39,329	56,729

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save for the following deviations from the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules"), none of the directors of the company is aware of any information which would reasonably indicate that the company has not complied with the Code during the six months ended 30 June 2019.

Code provision F.1.1

Mr. Tsang Hing Bun ("Mr. Tsang") was appointed as the company secretary of the company (the "Company Secretary") with effect from 3 November 2015. Although Mr. Tsang is not an employee of the company as required under the Code provision F.1.1, the company has assigned Mr. Cheng Yee Pun, the executive director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all directors 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 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 for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry 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 2019.

EMPLOYEES AND EMOLUMENT POLICY

The Board has set up the Remuneration Committee and the members are Mr. Kan Ji Ran Laurie (chairperson of the Remuneration Committee), Mr. Tang Tin Lok Stephen and Mr. Kao Shih-Chung. As at 30 June 2019, the group had a total of approximately 447 (31 December 2018: 488) full time employees. The pay scale of the group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover. We provide well-organized training schemes for our employees, including new starter course for new employees, training materials on a wide variety of topics tailor-made in video clip format such that employees are able to watch them anytime anywhere. We also conduct a mentorship program in which each of the senior and middle management of the relevant members of the group in Mainland China is required to provide regular coaching and experience sharing with one to two new employees.

AUDIT COMMITTEE

The Audit Committee has three members comprising three independent non-executive directors, namely, Mr. Tang Tin Lok Stephen (chairperson of the Audit Committee), Mr. Kan Ji Ran Laurie and Mr. Chen Timothy, with terms of reference in compliance with the Listing Rules. The Audit Committee reviews the group's financial reporting, internal controls and makes relevant recommendations to the Board.

The Audit Committee has reviewed with management 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 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

In January 2019, a subsidiary of the company had purchased 1,748,000 shares of the company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration (excluding expenses) of approximately HK$1.3 million. All the repurchased shares were cancelled in April 2019. Save as disclosed, neither the company or its subsidiaries had sold and redeemed any of the company's listed securities during the reporting period and the six months ended 30 June 2018.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the websites of the Stock Exchange and the company. The interim report for the six months ended 30 June 2019 of the company containing all the information required by the Listing Rules will be despatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the company (www.maxnerva.com) in due course.

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

Hong Kong, 21 August 2019

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Chien Yi-Pin Mark, Mr. Kao Shih-Chung, Mr. Kao Chao Yang and Mr. Cheng Yee Pun, two non-executive directors, namely, Mr. Jeon Eui Jong and Mr. Tse Tik Yang Denis, and three independent non-executive directors, namely, Mr. Tang Tin Lok Stephen, Mr. Kan Ji Ran Laurie and Mr. Chen Timothy.