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 2020

SUMMARY AND HIGHLIGHTS

For the six months ended 30 June 2020:

- Revenue and net profit increased 69% and 61% year-on-year to RMB257.9 million and RMB9.7 million respectively during the reporting period.

- Our business reposition strategy in early 2020 enables the group to better withstand the adverse impacts from the pandemic and other detrimental factors.

- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2020.

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 2020. 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. Our strategy of repositioning the businesses in early 2020 paid off. The group now operates a more balanced business portfolio spun across China and the rest of the world as well as industrial sector and other verticals. The wide diversity of businesses enables the group to better withstand the adverse impacts from the novel coronavirus ("COVID-19") pandemic and the decoupling between China and the western countries. With the inclusion of new businesses in smart office and new retail segments, our revenue and net profit increased by 69% and 61% to RMB257.9 million and RMB9.7 million respectively for the reporting period when compared with the same period in 2019.

The repositioning strategy also reduces our reliance on the business from Hon Hai Precision Industry Company Limited ("Hon Hai") and its subsidiaries (collectively, the "Hon Hai Group"). Revenue generated from Hon Hai Group represents 39% of the total revenue during the reporting period, down from 60% for the six months period ended 30 June 2019.

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

Inventory and trade and lease receivables

As at 30 June 2020, there was approximately RMB24.9 million in inventory (31 December 2019: RMB30.7 million) and inventories are primarily hardware and software products implicated in projects pending to be delivered to our customers. Inventory turnover for the reporting period fell to 23 days from 29 days as compared to the full year of 2019 mainly because non-project revenue increased drastically during the reporting period which dragged down the number of inventory turnover days.

As at 30 June 2020, there were approximately RMB213.5 million in trade and lease receivables (31 December 2019: RMB226.4 million) which consisted of current and non-current balances of RMB189.1 million (31 December 2019: RMB198.0 million) and RMB24.4 million (31 December 2019: RMB28.4 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 154 days from 194 days as compared to the full year of 2019 solely due to our increasing efforts on debt collection and aging debt monitoring under the current economic downturn.

Liquidity and financial resources

As at 30 June 2020, we had a net cash position and cash and cash equivalents were RMB223.4 million (31 December 2019: RMB183.8 million). Our total assets of RMB559.9 million (31 December 2019: RMB527.4 million) were financed by total liabilities of RMB203.5 million (31 December 2019: RMB184.2 million) and shareholders' equity of RMB356.4 million (31 December 2019: RMB343.2 million). We had a current ratio of 2.5 (31 December 2019: 2.7) and trade payables were repayable within one year. No banking facilities were available to the group (31 December 2019: 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 Mainland China, Taiwan, Hong Kong, United States of America and Vietnam with most of the transactions settled in Chinese Yuan, US dollars, New Taiwanese dollars, Hong Kong dollars 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

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 2020, there were no charges on the group's assets and contingent liabilities (31 December 2019: Nil).

Business review

Smart office business

Smart office business consists of video conference related solutions plus brand licensing and supply chain management of smart office equipment. Segment revenue and profit soared 240% and 210% to RMB134.4 million and RMB6.0 million respectively during the reporting period when compared with the first half of 2019. Since early 2020, we have marketed two applications, namely Presenter and ChromCam, in the US, Europe and selected regions in Asia for the purpose of enhancing video conference or streaming services. Presenter uses sophisticated computer vision and deep learning technique to digitally extract the user from the image. This "persona" can be embedded over any application to create an immersive recording that helps connect remote users and shorten sales cycles. ChromCam creates a virtual "webcam" for PCs and Macs that can be used in any application to blur or replace the background. Demand for the applications increased dramatically since video conferencing becomes a part of the new normal following the pandemic induced lockdown and people are largely required to work from home. The performance of this trial run attempt has caught us by a surprise and we plan to devote more resources to further develop this business. Brand licensing and supply chain management business continued to perform well in the first half of 2020 even under the headwinds of COVID-19.

Industrial solution business

We provide full range of smart manufacturing solutions and services to our customers with an aim to improve the effectiveness and efficiency of their production lines, plant facilities and the management of their industrial parks etc. Segment revenue was flat at RMB114.4 million but segment profit climbed 5.7% to RMB11.9 million during the reporting period when compared with the same period in 2019. Although the business was adversely affected by the virtual shutdown of Mainland China in the first quarter of 2020 which drastically paralyzed the operation of our customers as well as our business development efforts in the country, it managed to catch up in the second quarter and delivered an acceptable result for the reporting period.

New retail business

Our new advertising initiatives in the US alcohol industry have been severely distorted by the pandemic. Trial runs of our interactive marketing platform in the US have halted since the lockdown in March 2020. With constant rising number of the COVID-19 infected cases in the US, there are huge uncertainties on the timing to relaunch the trial runs of such platform. Fortunately, there are only minor delays in our digital retail signage project in Taiwan and we have gradually installed our solutions to the 600 supermarket stores operated by our retail client since May 2020. Segment revenue and profit were RMB9.0 million and RMB1.3 million respectively.

Business prospect

Smart office business

It is widely expected that the pandemic is unlikely to end in the near future unless an effective vaccine is amply produced to fulfil the needs of the global population. Market anticipates that the ways to work and conduct business meetings will change fundamentally even after the pandemic era. We shall expand our research & development team and devote more sales and marketing efforts to develop our video conference and remote work-related solutions in a bid to cater the business needs under the new normal. For the brand licensing and supply chain management business, we shall start our product distribution in Mainland China market in the coming months. We are cautiously optimistic on its overall performance in the second half of 2020. To sum up, we expect smart office business will continue to be our growth driver in 2020 and onward.

Industrial solution business

The economy in Mainland China has been stabilizing in the second quarter of 2020 and on the way to recovery. Although private consumption and investment remain fragile and the visibility for the export sector is low due to weak oversea demand, we shall bolster our business development efforts and continue to deliver satisfactory results in the second half of 2020.

New retail business

With the completion of our digital retail signage project in Taiwan in the fourth quarter of 2020, we expect the performance of the business in the second half will be much better than the first half of 2020. We shall closely monitor the situation in the US and try to relaunch our trial run of the interactive marketing platform at an appropriate time. We, together with our business partners, shall continue to seek other retail opportunities in Americas, Greater China and Southeast Asia regions in a bid to grow this business in the forthcoming years.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
			(Restated)
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**257,864**	152,924
Cost of sales		**(218,869)**	(124,989)
Gross profit		**38,995**	27,935
Other income		**3,456**	2,186
Other (loss)/gains, net		**(1,782)**	3,125
Selling and distribution expenses		**(3,115)**	(5,957)
General and administrative expenses		**(24,112)**	(18,255)
Research and development expenses		**(3,050)**	(2,385)
Operating profit		**10,392**	6,649
Finance income		**1,355**	1,183
Share of result of an associate		**–**	(274)
Profit before income tax		**11,747**	7,558
Income tax expense	*3*	**(2,034)**	(1,528)
Profit for the period		**9,713**	6,030
Earnings per share for profit attributable to ordinary equity holders of the Company (RMB cents per share)			
– Basic and diluted	*5*	**1.48**	0.92

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	(Unaudited) Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**9,713**	6,030
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences	**3,113**	(934)
Other comprehensive income/(loss) for the period	**3,113**	(934)
Total comprehensive income for the period	**12,826**	5,096

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**1,604**	2,090
Property, plant and equipment		**16,545**	12,011
Right-of-use assets		**37,929**	41,646
Investment in an associate		**–**	–
Financial assets at fair value through profit or loss		**19,766**	17,529
Trade and lease receivables	*6*	**24,351**	28,353
Prepayments and rental deposits		**168**	373
Total non-current assets		**100,363**	102,002
Current assets			
Inventories		**24,888**	30,728
Contract assets		**1,778**	1,523
Trade and lease receivables	*6*	**189,159**	198,001
Prepayments, deposits and other receivables		**20,343**	11,388
Cash and cash equivalents		**223,357**	183,786
Total current assets		**459,525**	425,426
Total assets		**559,888**	527,428
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**64,479**	64,479
Share premium		**187,511**	187,511
Reserves		**104,415**	91,195
Total equity		**356,405**	343,185

	Note	(Unaudited) 30 June 2020 RMB'000	(Audited) 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**22,965**	28,389
Current liabilities			
Trade payables	*7*	**113,436**	102,716
Accruals and other payables		**24,214**	30,220
Contract liabilities		**24,115**	5,883
Lease liabilities		**13,664**	12,962
Tax payables		**5,089**	4,073
Total current liabilities		**180,518**	155,854
Total liabilities		**203,483**	184,243
Total equity and liabilities		**559,888**	527,428

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 17 August 2020.

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 2020 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 2019, 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 2019 except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new and amended standards are relevant to the Group's operations and mandatory for its accounting periods beginning on or after 1 January 2020:

HKAS 1 and HKAS 8 (amendments)	Definition of material
HKFRS 3 (amendments)	Definition of a business
HKFRS 9, HKAS 39 and HKFRS 7 (amendments)	Interest rate benchmark reform
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

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

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

The following published new and amended standards that are relevant to the Group's operation are mandatory for the Group's accounting periods beginning on or after 1 January 2021 and have not been early adopted by the Group:

HKFRS 16 (amendments)	Covid-19-related rent concessions[1]
HKFRS 17	Insurance contracts[2]
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 June 2020*

[2] *Effective for annual periods beginning on or after 1 January 2023*

[3] *Effective date to be determined*

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

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.

To align the segment presentation with these reports 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 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.

The comparative figures for the six months ended 30 June 2019 have been restated to conform with the current period's 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 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 2020			
	Smart Office Business	**Industrial Solution Business**	**New Retail Business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue *(Note a)*	**134,437**	**114,439**	**8,988**	**257,864**
Results of reportable segments	**5,977**	**11,924**	**1,306**	**19,207**
A reconciliation of results of reportable segments to profit for the period is as follow:				
Results of reportable segments				**19,207**
Unallocated incomes/(expenses) *(Note b)*				**(9,494)**
Profit for the period				**9,713**
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**

	(Unaudited) For the six months ended 30 June 2019 (Restated)			
	Smart Office Business	Industrial Solution Business	New Retail Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue *(Note a)*	39,580	113,344	–	152,924
Results of reportable segments	1,926	11,277	–	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	–	20,856	–	20,856
Depreciation of property, plant and equipment	116	1,116	–	1,232
Depreciation of right-of-use assets	–	4,108	–	4,108
Amortisation of intangible assets	43	1,316	–	1,359

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 2020			
Timing of revenue recognition	Smart Office Business *RMB'000*	Industrial Solution Business *RMB'000*	New Retail Business *RMB'000*	Total *RMB'000*
I.T. projects				
– At a point of time	**3,218**	**33,421**	**1,400**	**38,039**
– Over time	**3,299**	**46,219**	**7,588**	**57,106**
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**
	134,437	**114,439**	**8,988**	**257,864**

	(Unaudited)			
	For the six months ended 30 June 2019			
	(Restated)			
	Smart Office Business	Industrial Solution Business	New Retail Business	Total
Timing of revenue recognition	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
I.T. projects				
– At a point of time	9,740	41,057	–	50,797
– Over time	25,216	32,044	–	57,260
Maintenance and consulting services				
– Over time	1,313	26,402	–	27,715
Sales of goods				
– At a point of time	3,311	12,356	–	15,667
Operating lease income *(Note)*	–	1,485	–	1,485
	39,580	113,344	–	152,924

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	
	2020	2019
	RMB'000	*RMB'000*
Mainland China	**114,770**	125,942
North America	**118,154**	6,897
Other countries	**24,940**	20,085
	257,864	152,924

(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, 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	
	2020	2019
	RMB'000	*RMB'000*
Segment results	**19,207**	13,203
Unallocated income/(expenses)		
– Government subsidies	**3,132**	2,127
– Finance income	**1,355**	1,183
– Fair value loss on financial assets at fair value through profit or loss	**(1,632)**	–
– Depreciation of property, plant and equipment	**(1,491)**	(1,971)
– Depreciation of right-of-use assets	**(1,550)**	(2,621)
– Amortisation of intangible assets	**(40)**	(295)
– Employment benefit expenses	**(4,688)**	(2,064)
– Income tax expense	**(2,034)**	(1,528)
– Others	**(2,546)**	(2,004)
Profit for the period	**9,713**	6,030

	(Unaudited)			
	As at 30 June 2020			
	Smart Office Business	**Industrial Solution Business**	**New Retail Business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets				
Segment assets	**111,607**	**184,274**	**9,558**	**305,439**
Other unallocated assets *(Note a)*				**254,449**
Total assets per condensed consolidated balance sheet				**559,888**
Segment liabilities				
Segment liabilities	**73,125**	**85,348**	**15,522**	**173,995**
Other unallocated liabilities *(Note b)*				**29,488**
Total liabilities per condensed consolidated balance sheet				**203,483**

	(Audited) As at 31 December 2019 (Restated)			
	Smart Office Business	Industrial Solution Business	New Retail Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets				
Segment assets	66,515	246,343	–	312,858
Other unallocated assets *(Note a)*				214,570
Total assets per condensed consolidated balance sheet				527,428
Segment liabilities				
Segment liabilities	46,168	101,976	–	148,144
Other unallocated liabilities *(Note b)*				36,099
Total liabilities per condensed consolidated balance sheet				184,243

Note:

(a) As at 30 June 2020 and 31 December 2019, 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** **2020** ***RMB'000***	(Audited) 31 December 2019 *RMB'000*
Segment assets for reportable segments	**305,439**	312,858
Unallocated assets		
– Cash and cash equivalents	**223,357**	183,786
– Property, plant and equipment	**4,751**	6,074
– Right-of-use assets	**4,363**	4,472
– Prepayments and other receivables	**2,181**	2,621
– Financial assets at fair value through profit or loss	**19,766**	17,529
– Others	**31**	88
Total assets per condensed consolidated balance sheet	**559,888**	527,428

(b) As at 30 June 2020 and 31 December 2019, 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** **2020** ***RMB'000***	(Audited) 31 December 2019 *RMB'000*
Segment liabilities for reportable segments	**173,995**	148,144
Unallocated liabilities		
– Lease liabilities	**4,316**	4,519
– Accruals and other payables	**20,030**	26,839
– Tax payables	**5,089**	4,073
– Others	**53**	668
Total liabilities per condensed consolidated balance sheet	**203,483**	184,243

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

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	
	2020	2019
	RMB'000	*RMB'000*
Current taxation:		
– Taiwan profits tax	**355**	1,205
– PRC corporate income tax	**1,086**	323
– US income tax	**593**	–
	2,034	1,528

4 DIVIDENDS

At a board meeting held on 17 August 2020, no interim dividend is declared by the directors for the six months ended 30 June 2020 (2019: 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	
	2020	2019
Profit attributable to equity holders of the Company *(RMB'000)*	**9,713**	6,030
Weighted average number of ordinary shares in issue *('000)*	**654,863**	654,863
Basic earnings per share *(rounded to RMB cents)*	**1.48**	0.92

(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) **30 June** **2020** ***RMB'000***	(Audited) 31 December 2019 *RMB'000*
Trade receivables		
– third parties	**185,138**	132,814
– related parties	**83,249**	146,577
	268,387	279,391
Finance lease receivables – total	**8,765**	9,277
Trade and lease receivables – gross	**277,152**	288,668
Less: loss allowance	**(63,642)**	(62,314)
Trade and lease receivables – net	**213,510**	226,354
Less: Trade and lease receivables – non-current portion	**(24,351)**	(28,353)
Trade and lease receivables – current portion	**189,159**	198,001

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

	(Unaudited) **30 June** **2020** ***RMB'000***	(Audited) 31 December 2019 *RMB'000*
Less than 60 days	**128,882**	170,493
60 to 120 days	**50,779**	23,997
121 days to 360 days	**20,351**	23,344
Over 360 days	**68,375**	61,557
	268,387	279,391

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
	2020	2019
	RMB'000	*RMB'000*
Less than 60 days	**94,992**	89,514
60 to 120 days	**14,516**	12,244
Over 120 days	**3,928**	958
	113,436	102,716

8 COMPARATIVE FIGURES

Research and development expenses amounting to RMB2,385,000 for the six months ended 30 June 2019 was reclassified from general and administrative expenses to research and development expenses in the condensed consolidated income statement so as to conform with the current period's presentation.

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 2020.

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 2020.

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 2020, the group had a total of approximately 498 (31 December 2019: 469) 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 provided to 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 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2020, 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 2020 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
Chairman

Hong Kong, 17 August 2020

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, 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 Professor ZHANG Xiaoquan.